

MINUTES

1. Call to Order

Vice Mayor Shimoni called the Budget Retreat of the Flagstaff City Council held February 3, 2020, to order at 8:31 a.m.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this work session, the City Council may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. **ROLL CALL**

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT:

ABSENT:

MAYOR EVANS (arrived at 11:08 a.m.)
VICE MAYOR SHIMONI
COUNCILMEMBER ASLAN
COUNCILMEMBER MCCARTHY
COUNCILMEMBER ODEGAARD
COUNCILMEMBER SALAS
COUNCILMEMBER WHELAN

Others present: City Manager Greg Clifton; City Attorney Sterling Solomon.

3. **Priority Based Budgeting Online Tools & Roadmap**

Mr. Clifton introduced Chris Fabian and Kathie Novak with Resource X who provided a PowerPoint presentation that covered the following:

PRIORITY BASED BUDGETING PROJECT RECAP AND NEXT STEPS
TODAY'S AGENDA: 3 KEY POINTS
PROJECT RECAP
HOW TO EXPLORE YOUR DATA
LOOK TOWARD THE FUTURE
GENERIC LINE ITEM DATA VISUAL

WHY PBB?

MEASURE INVESTMENT IN RESULTS

CREATE BASIC PROGRAMMATIC INSIGHT

IDENTIFY OPPORTUNITIES FOR FUTURE ACTION

NEARLY 300 IMPLEMENTATIONS OF PRIORITY BASED BUDGETING (PBB)

RECOMMENDED BEST PRACTICE – ICMA, GFOA, NLC, ALLIANCE FOR INNOVATION

PROJECT RECAP

IMPLEMENTING PRIORITY BASED BUDGET

CREATE PROGRAM INVENTORY

PROGRAM COSTING

PROGRAM SCORING

BUDGET ADOPTION

DATA LAYERS

INPUTS/OUTPUTS

RESULTS/BPA'S

FINANCIALS/PERSONNEL/HR

PROGRAM INVENTORY

PROCESS TECHNIQUES

PROGRAM INVENTORY EXERCISE

402 PROGRAMS OFFERED BY COF

PROGRAM COSTING

ALLOCATION SUMMARY

PLANNING TOOL

PROGRAM SCORES

MEASURE INFLUENCE ON RESULTS

BASIC PROGRAM ATTRIBUTES

FLAGSTAFF PROGRAM

ALIGNMENT OF RESOURCES

The darker the color the higher degree of influence on the result areas

A break was held from 9:45 a.m. through 10:00 a.m.

Mr. Fabien and Ms. Novak provided a demonstration on how to utilize the tools and interpret the data.

HOW TO EXPLORE YOUR DATA

PROGRAM ATTRIBUTES

Mayor Evans arrived 11:08 a.m. and took over the management of the meeting.

LOOKING TOWARD THE FUTURE

DATA CREATION

INSIGHT OPPORTUNITIES

IDENTIFY OPPORTUNITY

ACTION

TAKE ACTION

1ST CYCLE

FOCUS ON DATA CREATION

FIRST ATTEMPTS AT DATA DRIVEN RESOURCE ALLOCATION

USING PBB AS A GUIDE IN BUDGET RECOMMENDATIONS

2ND CYCLE

FOCUS ON RESOURCE OPTIMIZATION

APPLYING THE PBB BLUE PRINT

RECOMMENDATIONS FOR RESOURCE REALLOCATION, AND REVENUE

GENERATION

3RD CYCLE

CONTINUED FOCUS ON RESOURCE OPTIMIZATION

INTRODUCE FOCUS ON PERFORMANCE AND RESULTS ACHIEVEMENT

KEY PERFORMANCE INDICATORS

Mr. Clifton asked how PBB has been implemented in other jurisdictions over time. Mr. Fabian stated that it is about creating the programs and scoring to better understand resource allocation. Starting with gathering data helps to define the areas of business then in subsequent years focus on maximizing discussions based on scoring. Ms. Novak added that during the budget cycle there are new initiatives that come forward and being able to see where those new initiatives may conflict or compliment existing programs is helpful. PBB offers the ability to determine how relevant an existing or new program aligns with the things that are important to Flagstaff.

IT'S 3-5 YEARS DOWN THE ROAD...

WHAT FUTURE ARE YOU TRYING TO PREPARE FOR?

WHAT PROGRAMS NEED TO START

WHAT PROGRAMS NEED TO GROW

WHAT PROGRAMS WILL NEED TO UNDERGO TRANSFORMATION

HOW DOES IT GET FUNDED?

BLUEPRINT FOR ACTION TO FUND THE FUTURE

FREE-UP AND REALLOCATE RESOURCES

GENERATE NEW REVENUE

Economic Vitality Director Heidi Hansen asked how many organizations lost staff with the implementation of PBB. Mr. Fabian stated that he does not have a statistic, but each community is different and each has their own unique financial situations. Ms. Novak added that it is unlikely that a staff member has all of their time allocated to a single program so if a program is eliminated, it frees that person up for more attention to a more relevant program. From a human resources perspective, it becomes a question of if the right people are in the right programs and the PBB tool helps to change the conversation about resource allocation and priority programs.

Vice Mayor Shimoni asked what they expect to be the biggest hurdles for implementation. Ms. Novak stated that a big hurdle will be for the Council to be patient through the first part; there is a lot of data gathering and sorting that has to be done before analysis can really happen by the Council. It takes time but roll out will come. Mr. Fabian added that from the staff perspective there is a lot of uncertainty about how things will score out and there is a tendency to ask how the tool will be used against them rather than how can it benefit. It is an education process to teach departments how to be empowered and use the tool to make good decisions and push things forward; once staff is able to see how this will benefit them then a culture of trust and acceptance can be built. The whole thing takes time and that can be frustrating at the beginning.

A break was held from 11:53 a.m. through 12:35 p.m.

4. City Council Fiscal Year 20-21 Budget Retreat

Management Services Director Rick Tadder provided an PowerPoint presentation that covered the following:

REVENUE UPDATE

CITY SALES TAX – GENERAL FUND (excluding Use Tax Increase)
STATE SHARED SALES TAX
STATE SHARED INCOME TAX/URBAN REVENUE
AUTO LIEU TAX (SHARED REVENUE)
FRANCHISE FEES
BUILDING PERMITS
BBB REVENUE
HIGHWAY USER REVENUE (HURF)

Vice Mayor Shimoni asked about internal operations to identify and close gaps in how the state is handling sales tax collection for the city. Mr. Tadder stated that they are working closely with the Department of Revenue to understand their processes and how to look at and present the data differently, so the city is able to identify and understand its trends. An external auditor is also being used to watch activity and make sure businesses are reporting activity correctly. They work with the county to identify when property changes hands and makes sure those taxes are collected. They also watch the sales tax revenues and provide collection services when necessary.

Mayor Evans stated that the city has hired an external auditor but those services are supposed to be provided by the state. Mr. Tadder agreed but added that the state is auditing and bring in revenues but they are not focusing directly on Flagstaff's local businesses like the city's auditor can.

Councilmember Whelan expressed a desire to discuss BBB allocations and the possibility of making adjustments to those allocations.

Finance Director Brandi Suda continued the presentation.

FIXED COSTS AND AVAILABLE REVENUES
PENSION CONTRIBUTION RATES
PENSION EXPENDITURES

Mr. Tadder Rick continued the presentation.

PUBLIC SAFETY PENSIONS
WHERE DOES FLAGSTAFF'S PLANS MEASURE UP?
UNFUNDED LIABILITY
UNFUNDED LIABILITY (DEBT)
PENSION FUNDING EQUATION
COMPONENTS OF CONTRIBUTIONS
WHERE DOES THE MONEY COME FROM?
IS THE PSPRS FUNDING POLICY WORKING?
PENSION TRENDS
WHY DOES IT SEEM TO BE GETTING WORSE?
WHAT IS POLITICAL WILL?
WHAT OTHER CITIES/COUNTIES HAVE DONE
SOME OPTIONS FOR REDUCING OUR UNFUNDED LIABILITY

Council and staff discussed the frustration associated with how the unfunded liability has increased each year despite the 20-year plan to pay down. It is difficult to add new initiatives or implement new services when there is so much uncertainty coupled with the significant impact on the general fund. Council discussed possible options to address the issue such as a bond, increased sales tax, impact fees, and the like. They indicated that they would like to continue looking at options and the need to make some hard decisions to address the situation.

Ms. Suda continued the presentation.

FIXED COST SUMMARY – GENERAL FUND
REVENUE UPDATE SUMMARY – GENERAL FUND
CITY EMPLOYER MINIMUM WAGE IMPACT

Management Analyst Jack Fitchett continued the presentation.

STATE MINIMUM WAGE ASSESSMENT UPDATE
TABLE OF ESTIMATES

Council discussed the need to be prepared for the invoice from the state. Mr. Clifton explained that funding will be set aside in the budget to accommodate the payment should it come to fruition.

Council requested a future executive session to discuss the response to the new law.

A break was held from 3:09 p.m. through 3:17 p.m.

Human Resources Director Jeanie Gallagher and Co-Chair of the EAC Jared Wotasik continued the presentation.

COMPENSATION UPDATE
BENEFITS - PENSION
BENEFITS – HEALTH
COMPENSATION
CITY-WIDE PAY HISTORY 2009-2019
EAC BUDGET RECOMMENDATIONS
SAMPLE EMPLOYEE PAY CHECK 1
SAMPLE EMPLOYEE PAY CHECK 2

Councilmember Whelan left the meeting at 3:34 p.m.

5. Public Participation

None

6. Adjournment

The Budget Retreat of the Flagstaff City Council held February 3, 2020, adjourned at 3:37 p.m. and reconvened at 8:30 a.m. on February 4, 2020.

7. Call to Order

Mayor Evans called the Budget Retreat of the Flagstaff City Council held February 4, 2020, to order at 8:30 a.m.

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attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

8. ROLL CALL

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT:

ABSENT:

MAYOR EVANS
 VICE MAYOR SHIMONI
 COUNCILMEMBER ASLAN
 COUNCILMEMBER MCCARTHY
 COUNCILMEMBER ODEGAARD (arrived at 8:39 a.m.)
 COUNCILMEMBER SALAS
 COUNCILMEMBER WHELAN (arrived at 9:09 a.m.)

Others present: City Manager Greg Clifton; City Attorney Sterling Solomon.

9. City Council Fiscal Year 20-21 Budget Retreat (continued)

Wildland Fire Manager Paul Summerfelt provided a PowerPoint presentation that covered the following:

WILDLAND FIRE MANAGEMENT
 CONTINUITY OF PROGRAM
 THE CYCLE OF SUCCESS
 BACKGROUND
 THE PROGRESS
 THE NEED
 COMMUNITY SUPPORT
 THE URGENCY
 THE REALITY
 SUCCESSFUL WFM - \$1.12 M

Management Services Director Rick Tadder continued the presentation.

FUNDING THE PROGRAM
 MUNICIPAL BILL RATES – EQUAL RATES

Mayor Evans asked why the focus is on funding just the gap and not the full program. Mr. Tadder explained that they were looking to keep the fee low, the proposed fee would be what is needed to maintain the current program.

Council discussed the fee and expressed support for a tiered fee structure that over time would increase to cover the cost of the entire program.

Mr. Tadder continued.

MUNICIPAL BILL RATES – COMMERCIAL AT 50% OF RESIDENTIAL
 ENVIRONMENTAL MANAGEMENT FEE (EMF)

Council discussed the Environmental Management Fee (EMF) and how it is applied to the municipal services bill. There was discussion about setting equal rates for commercial and residential users. The recommendation from staff is that instead of a set dollar amount per bill it is a percentage based upon total municipal use. Council did express concern about placing additional burden on residential users.

Mr. Summerfelt continued the presentation.

FWPP – A PROJECT

Mayor Evans noted that Mormon Mountain is not in city limits and the county has not contributed any direct funding to the project. She indicated that the project should be included in the Coconino County Flood Control District projects related to forest management.

Mr. Summerfelt indicated that the city has made that request to the District but have not had any response. Fire Chief Mark Gaillard added that the city is not optimistic that the District will include the project as they have already identified Bill Williams Mountain as their priority.

Council expressed frustration with the Coconino County Board of Supervisors and the Flood Control District for how the process of identifying projects and allocation of funding has transpired.

Councilmember McCarthy asked what the financial need is. Mr. Summerfelt stated that \$7 million is needed to complete Mormon Mountain and then ongoing funding for the ongoing maintenance.

Council requested an Executive Session to discuss the legalities surrounding the Coconino County Flood Control District and their assignment of project funding.

A break was held from 10:13 a.m. through 10:28 a.m.

Mr. Tadder continued the presentation

COMMUNITY SHARE AND SERVICE PARTNERS CURRENT SERVICE PARTNER CONTRACTS CURRENT SERVICE PARTNER CONTRACTS – BUDGET POTENTIAL FY 2020-2021 REQUESTS

Vice Mayor Shimoni stated that he would like to have all the requests funded. Mr. Tadder acknowledged that all the programs are important for the community, but it is important to remember that there are significant demands on city resources; there is a strain on the general fund and that is where the funding for these contracts come from.

Councilmember Whelan asked if it would be possible to redirect some of the user tax to the service partner requests. Mr. Tadder stated that Council has the ability to redirect those funds.

After discussion of the contracts a majority of Council agreed to maintaining current service levels, continue with the new allocations to the United Way and the LAUNCH program, and not to move forward with the additional funding requests.

Mr. Tadder continued the presentation.

PROCESS FOR REQUESTING FUNDING DISCRETIONARY FUND BUDGET CONSIDERATION

Mr. Clifton explained that the fund is a small allocation of money for various Council matters that come up through the course of the year. Use of the fund would require Council authorization. Council was supportive of the development of a Council Initiative Fund.

Public Works Streets Section Director Scott Overton continued the presentation.

SNOW MANAGEMENT
SNOW OPERATIONS – OVERVIEW
STREETS STATISTICS
SNOW OPERATIONS
THANKSGIVING EVENT
SNOW OPERATIONS – OVERVIEW
 STORM MONITORING
 EQUIPMENT PREPARATION
 OPERATOR AVAILABILITY
SNOW POLICY
BEST PRACTICES AND OPERATIONS
 PLOWING PROCEDURES
 SNOW PLACEMENT
 ICE TRACTION CONTROL
 SIDEWALKS
 FUTS AND ALLEYS
 SWEEPING AND CLEANUP
URBAN SNOW OPERATIONS CHALLENGES
2020-2021 STREETS BUDGET
ADDITIONAL CONSIDERATIONS
ALTERNATIVE OR ADVANCED EQUIPMENT
ROAD GRADER WITH GATE

Council inquired about a possible pilot project to test out the effectiveness of the gates. Mr. Overton explained that a pilot is possible but there are significant considerations as to where the use of the method would be possible. Driveway placement is key, and the gates work well for homes that are and spaced further out from each other; residential areas where homes are closer together may prove problematic.

Mr. Overton continued.

ALTERNATIVE OR ADVANCED EQUIPMENT
LOADER WITH PLOW AND WING
 ADDITIONAL FLEET EQUIPMENT
 SKID STEER
STAFFING LEVELS
 CHEMICAL DE-ICER PROGRAMS
 CONTRACTING AND INTERGOVERNMENTAL AGREEMENTS

Mayor Evans suggested that it may be time to revisit the possibility of using de-icer in Flagstaff. There are constant issues about cinders and ice in bike lanes as well as the time it takes to clean cinders from streets following snow events. Mr. Overton stated that he is happy to entertain a community conversation; he noted that there have been improvements to de-icer but there has not yet been a way to move away from the calcium chlorides.

Council discussed a need for stronger enforcement on parked cars and clearing of snow and cinders from sidewalks. A majority of Council expressed the desire to see a pilot program for the use of grader gates.

A break was held from 12:44 p.m. through 12:53 p.m.

Economic Vitality Director Heidi Hansen, Public Works Project Manager Adam Miele, and Airport Director Barney Helmick continued the presentation.

AIRPORT IMPROVEMENTS
TEMPORARY OVERFLOW PARKING
ADDITIONAL PERMANENT PARKING
FUTURE IMPROVEMENTS
AIRPORT 32-ACRE PARCEL
OTHER AIRPORT PLANS

Mr. Tadder concluded the presentation thanking staff for their participation and opened the floor for Council discussion.

Councilmember McCarthy requested more information and a possible discussion about other funding sources available for the Flagstaff Watershed Protection Project such as a stormwater fee.

Councilmember Odegaard requested funding for a literacy enrichment program for after school programming at the libraries. He also requested that there be consideration for hiring at least one more Police Aide.

Councilmember Whelan asked to look at the housing down payment program and ways to grow the fund. She does not want to see social programs cut and asked that other funding options be identified; she would also like to see these programs funded on an ongoing basis rather than one-time. She asked for consideration to use Prop 419 monies to fully fund JW Powell.

Vice Mayor Shimoni expressed excitement about the use of PBB in future years. He stated that he would like to see the budget include funding to revamp the website, an app for the community to engage with Council, and an opportunity for citizens to participate in the budget process through participatory budgeting. He requested funding to hire a part-time videographer.

Councilmember Salas indicated that she is also excited to see how PBB impacts future budget cycles to evaluate existing resources and how things may be able to be reallocated.

Councilmember Aslan stated that there needs to be an aggressive approach to paying down the unfunded pension liability. There are many things that the Council and community would like to see done, such as the Climate Action and Adaptation Plan, but the liability is severely limiting available resources to do so.

Mayor Evans stated that she has come a long way in understanding the budget process over her last twelve cycles. She encouraged Council to really think about wants versus needs when trying to balance the allocation of resources. She stated that she is interested in a budget that reflects Flagstaff and makes sure everyone is moving forward at the same rate.

Ms. Clifton concluded the retreat by offering thanks to the Council and staff for their preparation and input. He stated that there is much more work to be done and the information gathered from the retreat will help guide the next steps in the budget process.

10. Public Participation

None

11. Adjournment

The Budget Retreat of the Flagstaff City Council held February 4, 2020, adjourned at 2:04 p.m.

MAYOR

ATTEST:

CITY CLERK