

Memo

To: Leadership and Extended Leadership
From: Budget Team
Date: November 1, 2021
Subject: Budget Direction for FY 2022-2023

As we begin the process of building the FY 2022-2023 City Manager's Recommended Budget, the Budget Team would like to provide some guidance on the process and priorities for this year. The Budget Team's goal is to continue to move our organization towards becoming a "High Performing Government" with a focus on a few key priorities during this year's budget process.

While the needs of the organization are a priority, the City is facing many critical issues within our community. There are significant infrastructure needs throughout the city, which were discussed at the September Council Retreat. The urgency for some of these infrastructure projects was, in part, manifested during the flood events of this summer. The City will be limited in our ability to fund new initiatives, that aren't crucial, during the upcoming budget process and request that divisions thoughtfully consider the urgency of any new requests.

The main FY 2022-2023 priorities include:

Compensation and Benefits:

- Focus on taking care of current employees over adding new positions
- Merits are funded
- Continue to provide a market-based pay structure
- Minimum wage will be adjusted for Consumer Price Index (CPI)
- Exploring opportunities to increase benefit coverage contributions
- Maintain General Fund sixty-day salary sweeps to fund benefits and retention efforts
- Vacant and new positions will be budgeted at midpoint (hiring for these positions will still be required to go through the equity review and approval process)

Aligning with Priority Based Budget (PBB):

- The Budget Team will be utilizing the tools available in PBB to make budget decisions
- The Budget Team is considering improving the program change request process through enhanced PBB tools
- Leadership assistance will be key in the following:
 - ◆ Identifying high scoring programs needing more funding
 - ◆ Identifying low scoring programs that could be reallocated to support high scoring programs
- Assuring that PBB programs, best aligned with key priorities, have ongoing resources allocated
- Focus on transitioning 25% of our current year one-time funded requests to ongoing

Funding Requests Focus:

- Infrastructure needs (i.e., Wastewater, Stormwater, Facilities, Fleet)
- PBB program levels
- Program Change Requests (Personnel and Non-Personnel)
 - Quadrant three and four new requests might not be considered as the focus is to move current one-time funded items to ongoing
 - New one-time positions may be considered when the position is needed on a temporary basis (i.e., two-year project contract)
- Will continue to track requests related to the Carbon Neutrality Plan

Our overall budget process is based upon fiscal responsibility and ongoing constrained resources as we look ahead. This process will take a lot of continued commitment from you and your teams. The priorities listed above are areas that need your time and thoughtful attention and will take significant preparation. We are asking that all divisions continue to work together for the greatest outcome so we can achieve a successful budget process. The Recession Plan proved to be an invaluable tool, during the pandemic and the resulting recession, and will continue to guide our organization (if needed) through any future economic downturns.

Thank you, Team Flagstaff!

If you have any questions, please feel free to contact the [Budget Team](#) for assistance.