



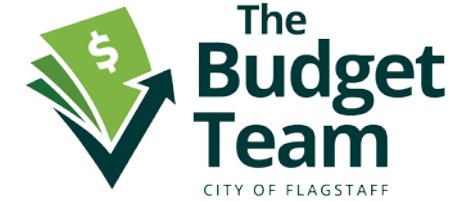
The
Budget Team
CITY OF FLAGSTAFF



Council Budget Retreat

December 9, 2021

Welcome and Objectives



- Welcome
- Introductions
- Intentions
- Meeting Protocol

Agenda



- Priority Based Budget (PBB)
- Budget Refresh
- Revenue Updates
- Maintaining Fiscal Health
- Budget Expectations and Impacts
- Federal Funding
- Council Expectations



Priority Based Budget

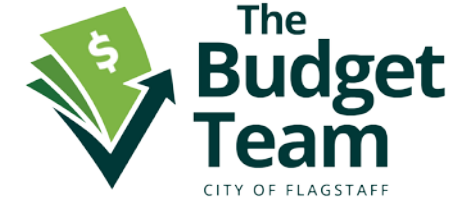


The
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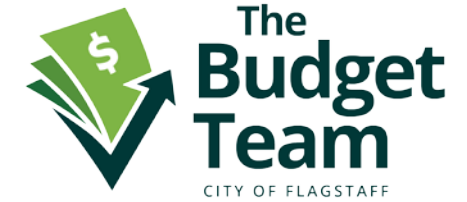
Budget Refresh

Budget Team Charter



- Purpose
- Composition
- Meetings
- Roles
- Code of Conduct

Purpose



- The purpose of the City of Flagstaff Budget Team is to provide financial advisement and strategic direction to the City organization and to protect the interest of the public through sound fiscal services
 - Provide fiscal oversight and financial decision making on an ongoing basis
 - Forecast short-term and long-term financial landscape
 - Provide constant fiscal stewardship to ensure integrity, accountability, transparency, credibility, adaptability, excellence and collaboration
 - Proactively assure City fiscal stability through effective recession planning



Greg Clifton
City Manager



Shannon Anderson
Deputy City
Manager



Shane Dille
Deputy City
Manager



Brandi Suda
Interim Human
Resources Director



Heidi Hansen
Economic Vitality
Director



Rick Tadder
Management Services
Director



Heidi Derryberry
Interim Finance
Director



Glorice Thousand
Interim Assistant
Finance Manager



Jared Wotasik
EAC

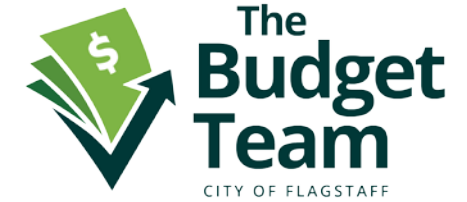


Nicole
Antonopoulos
Sustainability
Director



Chris Rhode
Management
Analyst

Meetings



- Meetings are scheduled on a weekly basis and will generally be held on Thursdays with additional meetings scheduled as needed to respond to changing circumstances and requirements
 - The meeting schedule will also include:
 - Bi-Annual Priority Based Budget Council Retreat – September (odd years)
 - Budget Team Retreat - October
 - Council Budget Retreats – December, February and April
 - Division Review Meetings – February/March for approximately fifteen business days
 - Recessionary and Emergency Response

Roles



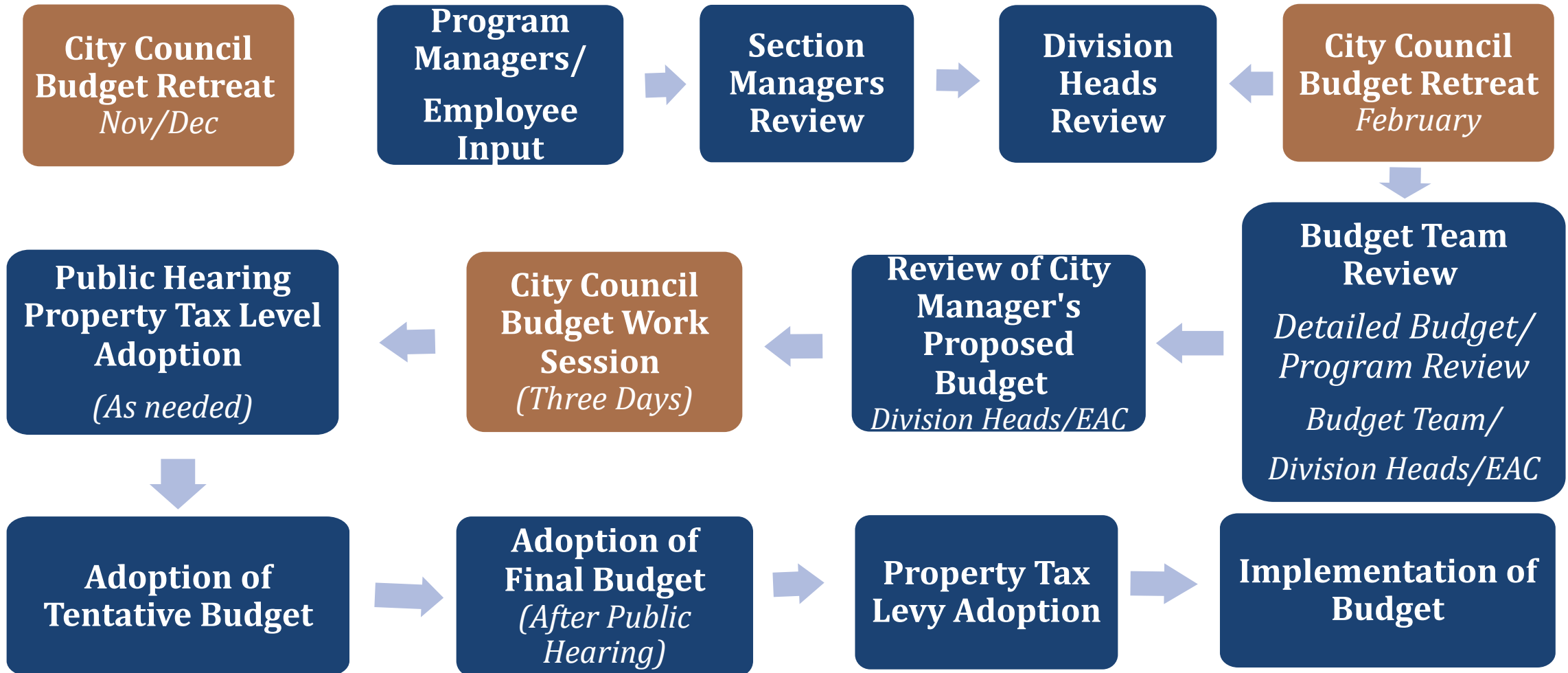
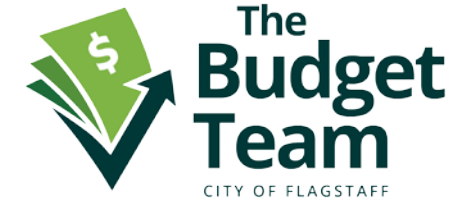
- Strategic Leadership Role
 - Strategic planning to bolster the City's financial health
- Assessment Role
 - Assess organizational expenditures through Priority Based Budgeting methodologies, ensuring that programs, services and resources align with Community Priorities
- Budgetary Role
 - Provide oversight of the formulation of the Annual City Budget for adoption by Council
- Leadership Development Role
 - Encourage and nurture the development of present and future skilled members

Status



- Roles (in process)
- Code of Conduct (in process)
- Provide Council final charter once complete

Budget Process



Budget Timeline



- December 9, 2021 – Budget Introduction Retreat
- February 3 & 4, 2022 – 2nd Council Budget Retreat
- April 21 & 22, 2022 – City Manager Recommended Budget Retreat
- June 7, 2022 – Tentative Budget Adoption
- June 21, 2022
 - Property Tax Levy Hearing
 - 1st Reading of Property Tax Adoption
 - Final Budget Adoption
- July 5, 2022 – Final Reading of Property Tax Adoption

Color of Money

Color of Money – Fund Accounting

Many of the City's revenues are restricted and can only be spent on specific functions or expenditures. Fund accounting is used to ensure proper tracking of those revenues and related expenditures.

City fiscal policies require that each fund must be balanced on an ongoing basis for a minimum of five years. In addition, each fund must maintain a minimum fund balance. Minimum fund balance is required to ensure liquidity and cash flow as well as provide financial stability should the City experience declining operating revenues. Minimum fund balance amounts vary by fund and range from 10% to 25% of operating revenues.

Below is background information on the various City's funds and their restricted revenues.

Special Revenue Funds
Used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute, charter provision, or ordinance to finance a particular function or activity.

- Library - Secondary property tax and general fund transfer
- HURF (Streets) - Gasoline tax
- Transportation tax - 1.281% sales tax
 - Transportation Improvements (.426%)
 - Road Repair & Street Safety (.33%)
 - Transit (.295%)
 - Route 66 to Butler Overpass (.23%)
- BBB tax - 2.0% tax on bed, board & beverage
 - Beautification (.40%)
 - Economic Development (.19%)
 - Arts & Science (.15%)
 - Tourism (.60%)
 - Recreation (.66%)
- ParkFlag
- Housing & Community Services - Grants

Enterprise Funds
Self-supporting thru User Fees adopted by ordinance such as Water/Wastewater/Trash billings, Rent and Airport Lease and fees.

- Water
- Wastewater
- Reclaim
- Stormwater
- Sustainability and Environmental Management
- Airport
- Solid Waste
- Flagstaff Housing Authority

Capital Project Funds
Used to account for major capital acquisition separate from ongoing operations

- Restricted Funding Sources - Voter Approved Bonds, Grants, Third Party Restricted Fees
- General Obligation Bond Projects:
 - FUTS/Open Space
 - Watershed Protection
 - Courthouse
 - USGS campus expansion

Continued ... **Color of Money – Fund Accounting**

Debt Service Funds
Used to account for the accumulation of resources and payments of the long-term debt

- Restricted revenues
 - General obligation bond fund - Secondary Property Tax

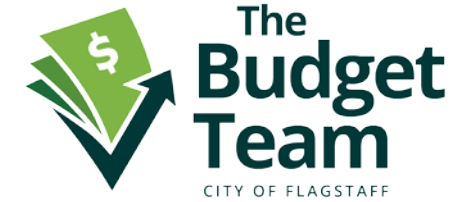
General Fund
Accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government that are not accounted for in other funds and most revenues are unrestricted.

- In other words...everything else

General Fund Revenues include:

- 1% City Sales Tax
- Franchise Tax
- Primary Property Tax
- State Shared Revenue (Sales, Income, Vehicle Tax)
- Licenses and Permits
- Fines and Forfeitures
- User Fees-Charges for Services
- CD, Recreation, Police, Fire, Cemetery

Color of Money

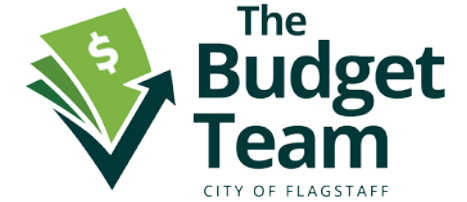


- City has numerous revenue sources, and many have restrictions on how they can be spent
- The City has over 50 different funds to segregate those revenues and expenses to ensure compliance with restrictions and accounting standards
- In many instances, revenue from one fund cannot be used to pay for other fund's expenses unless they meet the requirements of the fund

Fund Types

- **Special Revenue Funds**
- **Enterprise Funds**
- **Capital Project Funds**
- **Debt Service Funds**
- **General Fund**

Special Revenue Funds



- These funds are used to account for revenues derived from specific taxes or other earmarked revenue sources
- Are usually required by statute, charter provision, or ordinance to finance a particular function or activity

Special Revenue Funds



- Housing and Community Services – grants
- Library – secondary property tax and General Fund transfers
- Highway User Revenue Fund (HURF) – gasoline tax
- Transportation – 1.281% sales tax
 - Transit (.295%)
 - Road Repair and Street Safety (.33%)
 - Lone Tree/Route 66 Overpass (.23%)
 - Transportation Improvements (.426%)

Special Revenue Funds



- Bed, Board and Beverage (BBB) – 2.0% tax
 - Beautification – 20%
 - Economic Development – 9.5%
 - Tourism – 30%
 - Arts & Science – 7.5%
 - Recreation – 33%
- ParkFlag - fees
- Water Resource and Infrastructure Protection - fees

Enterprise Funds



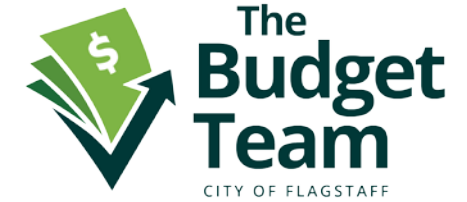
Self-supporting thru User Fees

- User fee ordinances restrict the use
- Water/Wastewater/Trash Charges
- Rent
- Airport Lease and Fees

Includes:

- Water
- Wastewater
- Reclaimed Water
- Stormwater
- Solid Waste
- Sustainability and Environmental Management
- Airport
- Flagstaff Housing Authority

Capital Project Funds



- Capital project funds are used to account for major capital acquisitions separate from ongoing operations
 - Restricted funding sources:
 - Voter approved bonds, grants, third party restricted fees
 - General obligation bond projects:
 - Flagstaff Urban Trail System (FUTS)/Open Space
 - Core Facilities
 - Watershed Protection
 - United States Geological Survey (USGS) campus expansion
 - Courthouse

Debt Service Funds



- Debt service funds are used to account for the accumulation of resource and payment of long-term debt
 - Restricted revenues
 - General obligation bond fund – secondary property tax
 - Pension bond fund – General Fund, Water Infrastructure and Protection Fund and Airport Fund transfers

General Fund



- Accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government that are not accounted for in other funds
- In other words.....
 - Everything else

General Fund



- 1% City Sales Tax
- Franchise Tax
- Primary Property Tax
- State Shared Revenue (Sales, Income, Vehicle Tax)
- Licenses and Permits
- Fines and Forfeitures
- User Fees - Charges for Services
 - Community Development, Recreation, Police, Fire, Cemetery

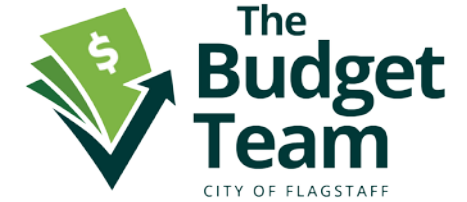


The
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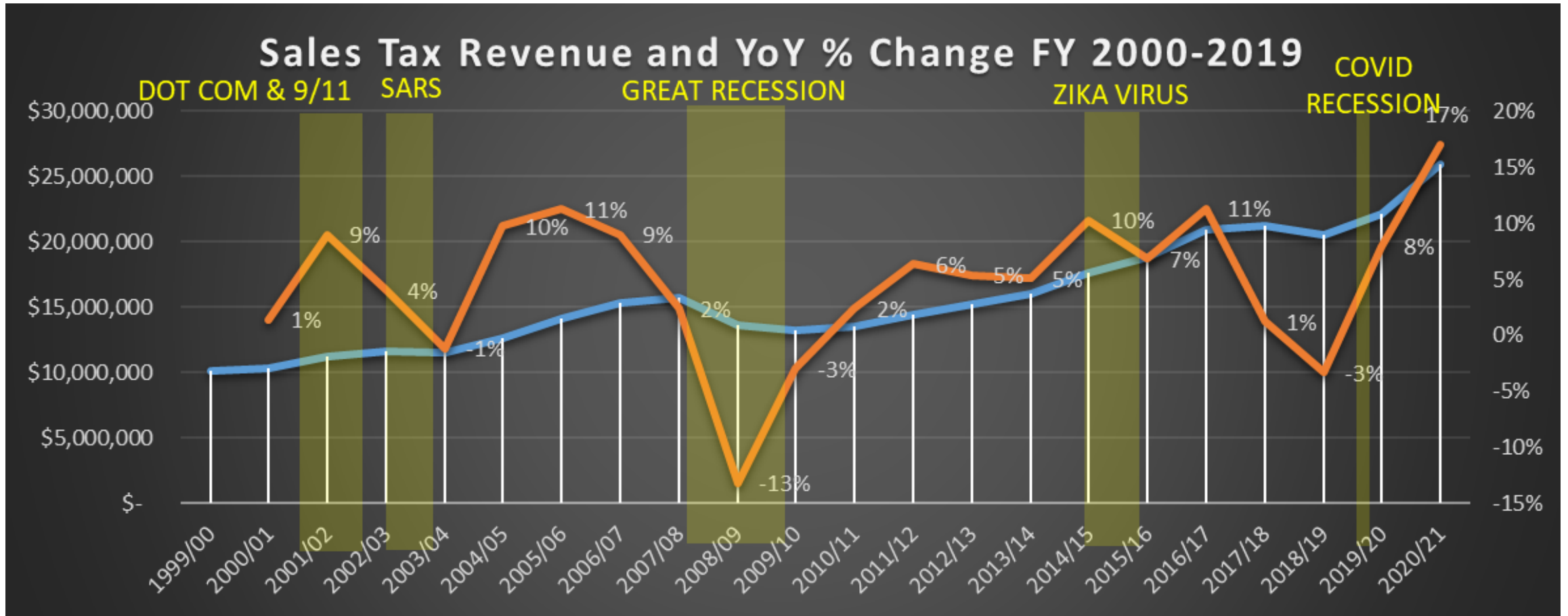
Revenue Updates

Economic Considerations

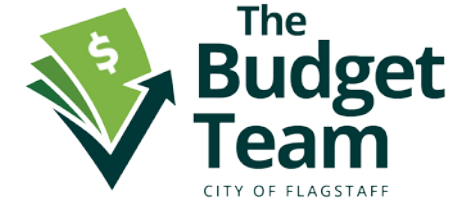


- Recessions happen
 - COVID 19 Recession 2020 – lasted two months
 - Average recession 15 months
 - Since 1980 average expansion eight years
 - Flagstaff recognized declines in FY 2018-2019, leading up to recession
 - Previous projected revenue downturn was in FY 2021-2022
- Long-term forecasts build in recessions
 - Aligns ongoing revenues to achievable projections, limits impacts during economic downturns
 - Building in next 5-7 years out, could be earlier
- Other economic concerns

General Fund - Sales Tax



Economic Outlook

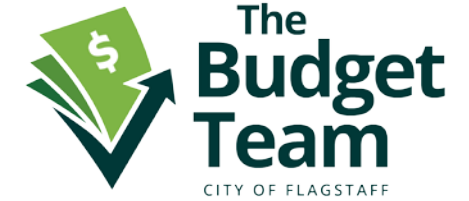


Eller College of Management/
Economic and Business Research Center

Arizona Economic Forecast Data (Statewide)

Arizona Forecast*	2020	2021	2022	2023	2024
Personal Income (\$ mil)	364,564.8	394,540.0	404,128.3	425,582.5	447,861.9
% Chg from Year Ago	8.7%	8.2%	2.4%	5.3%	5.2%
Retail Sales (\$mil)	121,772.2	140,404.9	143,815.9	149,671.8	156,097.8
% Chg from Year Ago	6.5%	15.3%	2.4%	4.1%	4.3%

General Fund - Sales Tax



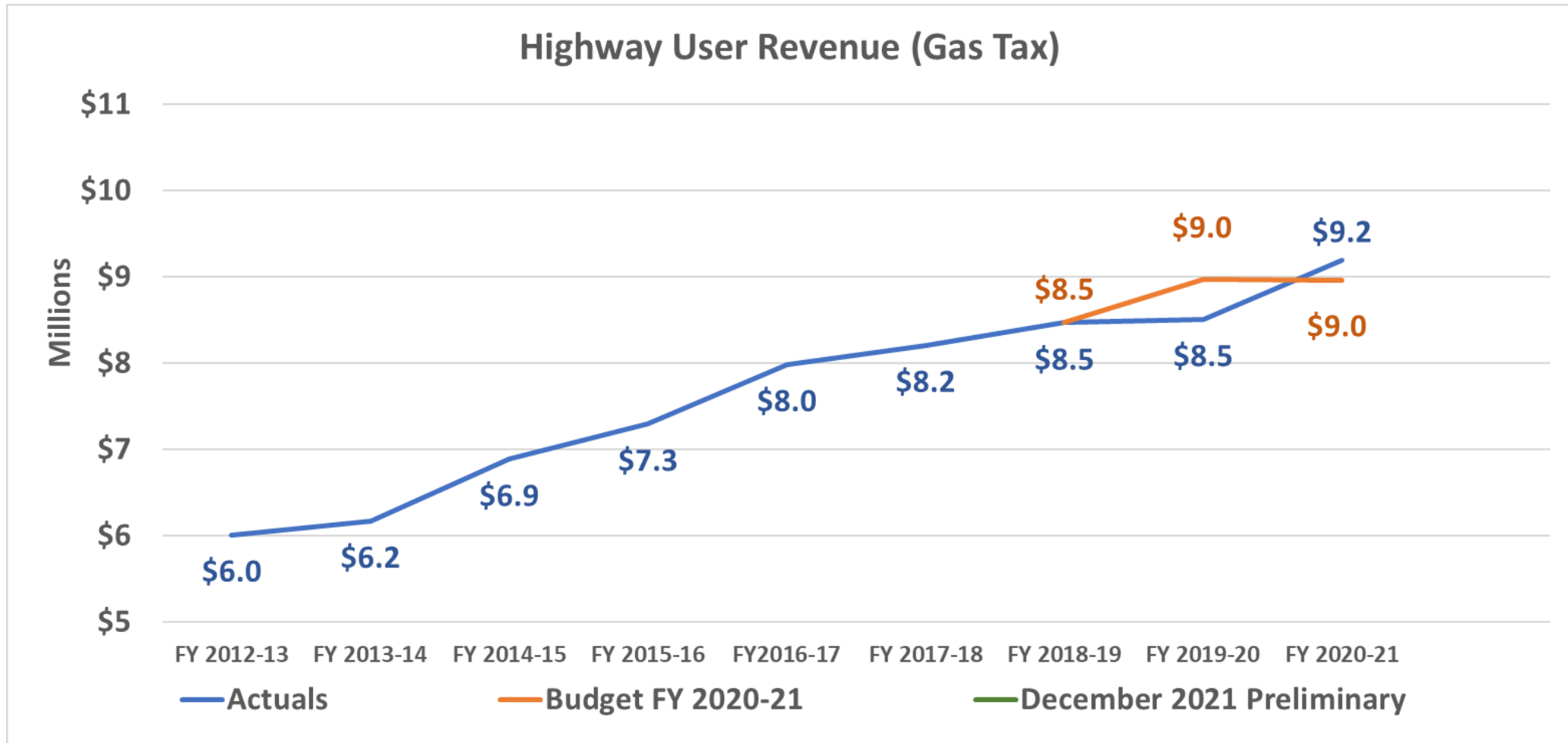
Category	FY 2019-20 Budget	FY 2019-20 Actual	FY 2020-21 Budget	FY 2020-21 Actual	FY 2021-22 Budget	FY 2021-22 Estimate
Sales Taxes						
Utilities	\$ 1,112,945	\$ 1,035,117	\$ 1,076,250	\$ 1,048,716	\$ 1,026,000	\$ 1,050,000
Telecommunications	251,125	211,313	235,750	146,517	150,000	146,000
Restaurant/Bars	3,075,000	2,820,892	3,075,000	2,932,835	2,899,400	3,127,000
Amusements	114,800	85,907	108,650	43,459	69,700	70,200
Commercial Rental	1,200,000	1,066,063	1,050,000	1,155,087	1,098,000	1,078,000
Personal Property Rental	676,500	660,066	732,875	692,359	667,800	730,000
Contracting	2,146,900	1,991,518	1,700,000	2,352,792	1,886,400	2,089,000
Retail	10,762,500	11,000,586	10,385,000	13,075,833	11,681,500	13,091,000
Marketplace Retail (outside AZ)	-	340,237	480,000	860,794	826,200	920,000
Hotel/Motel/STR	1,537,500	1,353,303	1,640,000	1,592,928	1,492,300	1,646,000
Miscellaneous	130,698	102,059	99,600	110,436	102,300	102,200
Use Tax	1,658,500	1,489,998	1,471,545	1,920,847	1,663,800	1,736,000
Sales Taxes Total	\$ 22,666,468	\$ 22,157,059	\$ 22,054,670	\$ 25,932,603	\$ 23,563,400	\$ 25,785,400
Change vs Prior Budget		\$ (509,409)		\$ 3,877,933		\$ 2,222,000

General Fund - State Shared



Category	FY 2019-20 Budget	FY 2019-20 Actual	FY 2020-21 Budget	FY 2020-21 Actual	FY 2021-22 Budget	FY 2021-22 Estimate
State Shared Revenues						
State Shared Sales Tax	\$ 7,182,893	\$ 7,485,660	\$ 7,486,395	\$ 8,874,786	\$ 8,285,200	\$ 9,174,000
State Shared Urban Revenue	9,451,184	9,564,616	10,669,590	10,723,978	9,790,000	10,075,700
State Shared Rec MJ Excise Tax	-	-	-	135,438	272,798	273,000
Auto Lieu Tax	3,237,360	3,433,940	3,540,863	4,169,172	3,718,300	3,800,000
State Shared Total	\$ 19,871,437	\$ 20,484,216	\$ 21,696,848	\$ 23,903,374	\$ 22,066,298	\$ 23,322,700
Change vs Prior Budget		\$ 612,779		\$ 2,206,526		\$ 1,256,402

Highway User Revenue Share

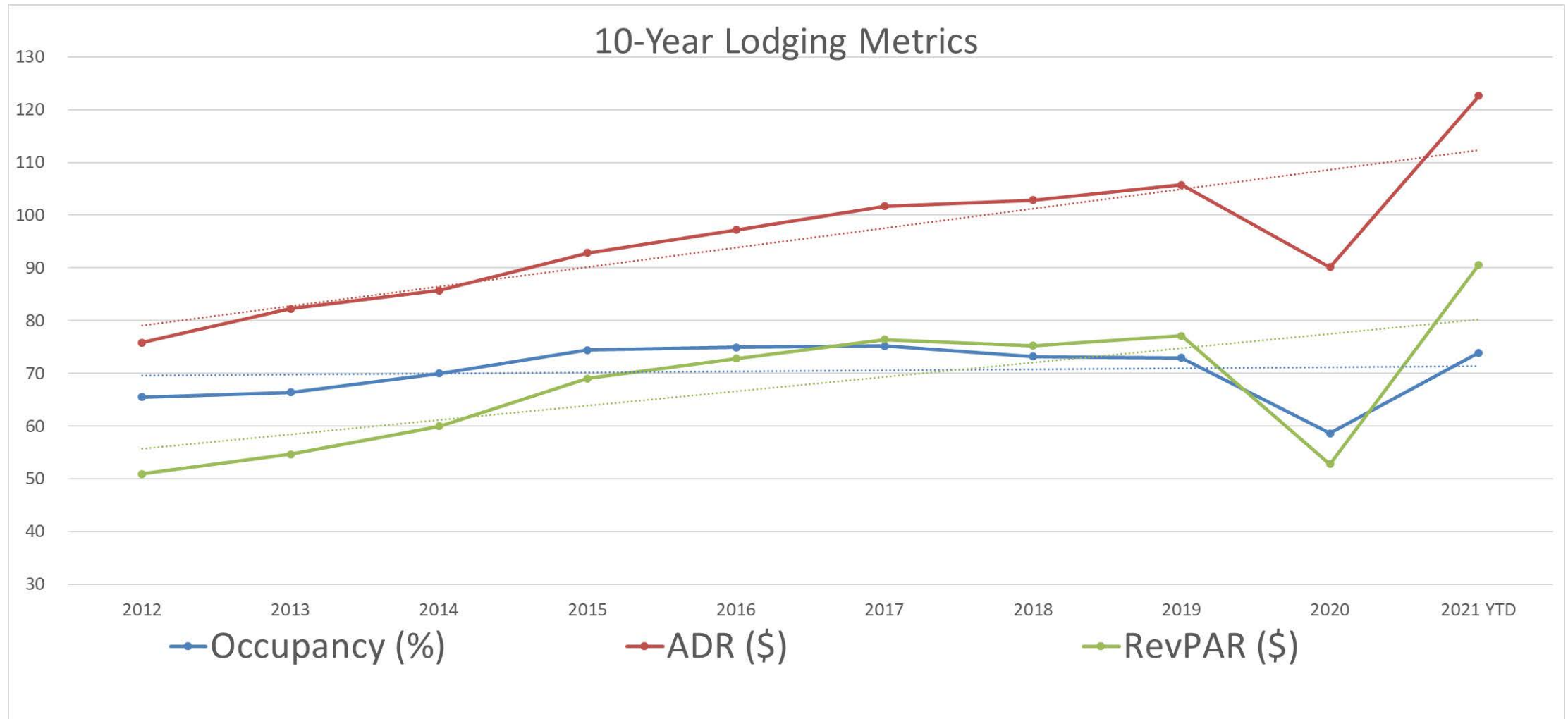


BBB Tax Funds

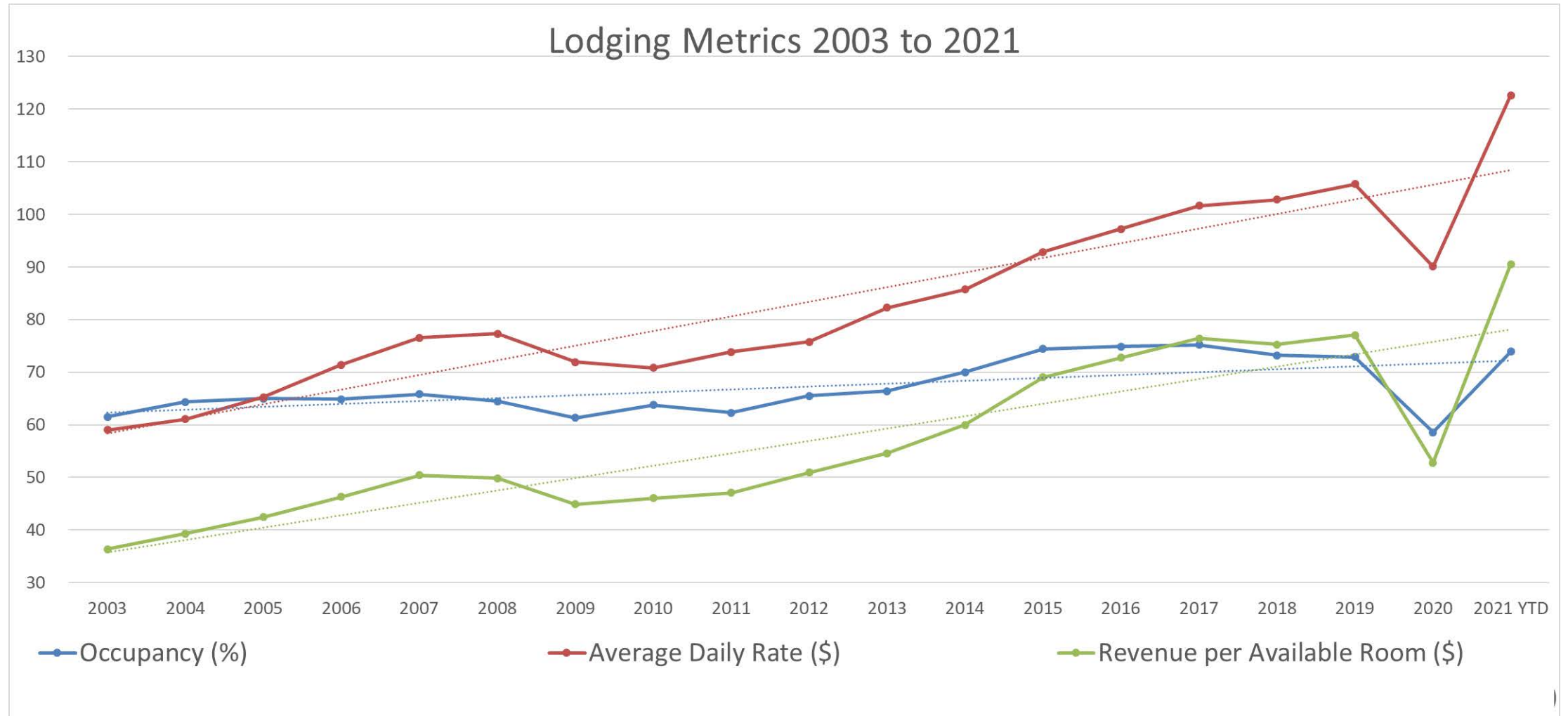


Category	FY 2019-20 Budget	FY 2019-20 Actual	FY 2020-21 Budget	FY 2020-21 Actual	FY 2021-22 Budget	FY 2021-22 Estimate
BBB Funds						
Beautification	\$ 1,845,000	\$ 1,668,963	\$ 1,865,500	\$ 1,810,300	\$ 1,756,700	\$ 1,909,200
Economic Development	876,375	793,383	886,113	859,900	834,400	906,900
Tourism	2,767,500	2,505,232	2,798,250	2,715,500	2,635,000	2,863,800
Arts and Sciences	691,875	625,415	699,563	678,900	658,800	716,000
Recreation	3,044,250	2,755,398	3,078,075	2,987,000	2,898,500	3,150,200
BBB Funds Total	\$ 9,225,000	\$ 8,348,391	\$ 9,327,501	\$ 9,051,600	\$ 8,783,400	\$ 9,546,100
Change vs Prior Estimate		\$ (876,609)		\$ (275,901)		\$ 762,700

Lodging Metrics



Lodging Metrics





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Maintaining Fiscal Health

Recession Planning - Refresh



- Adopted policy that identifies the action steps to address declining revenues
- Overlays and is independent to the adopted budget
- Adaptable in implementation
- Moving into the Significant stage (or higher) requires Council action
- Council action gives the City Manager direction to apply measures at that level

Recession Planning - Update



- Lessons learned during the recent recession
 - Primary focus on operating expenses versus capital improvements
 - Maintain levels of service
 - CIP can be adjusted in 5-year plans, timing
 - Some projects that are not urgent, may be deferred
 - General Fund generally has the biggest impact
 - General Fund operating budget in FY 2021-2022 was 43% of the total City
 - Investing dollars strategically offsets impact of a recession
 - Tourism and construction for example
- Revised plan addresses the lessons learned
- Seek Council approval at the January 7, 2022 meeting
 - Redline version included in agenda packet

Pension Funding



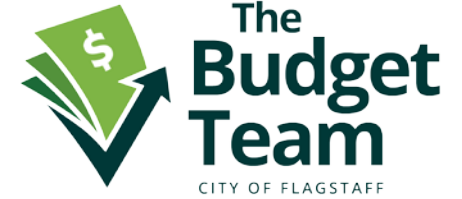
- August 2020 Issued \$133M in Certificates of Participation debt
 - 2.9% all-in interest rate
 - \$14M Contingency Reserve Fund
 - Net present value saving \$76M
 - Level debt service
 - Approximate \$2M annual saving versus ongoing budget amount
- Decisions allowed
 - Excess of 100% police and fire pension plans, addressed our obligation
 - Fiscally improved our General Fund

Pension Funding



- December 2020 pension actuarial report released
 - Average funding ratio at 6/30/2020 was 40.7%
- April 2021 interim actuarial estimated report released
 - Considers the deposits made to pension plans
 - Both police and fire were in excess of 103% funded
- Public Safety Personnel Retirement System (PSPRS) posts 27.8% investment returns for fiscal year 2020-2021!
 - Timing of the City's pension deposits benefits greatly
 - Initial modeling shows the City's market value at 6/30/2021 over 115%
 - Actuarial reports will be released in December

Fiscal Responsibility



- Structurally balanced 5-year plan for all funds
- Achievable revenue estimates, portion of revenues reserved for one-time use
- Cash balances should be used for one-time expenditures
- General Fund balance policy minimum of 20% of General Fund ongoing revenues
- Recession cycles built into revenue projections
- Budget process

Fiscal Responsibility



Bond Ratings

- The City of Flagstaff consistently receive high bond ratings
- Current GO ratings:
 - Standard and Poor's Financial Services:
AA stable
 - Moody's Investors Service:
Aa2

Dedicated Professional Staff!

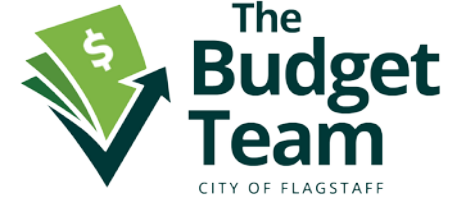


Fund Balance Reserve Policy



- The Government Finance Officers Association (GFOA) provides best practices for level of unreserved fund balance for cities General Fund
- Assist in mitigation of current and future risks
- Setting appropriate level
- Use and replenishment

Fund Balance Reserve Policy



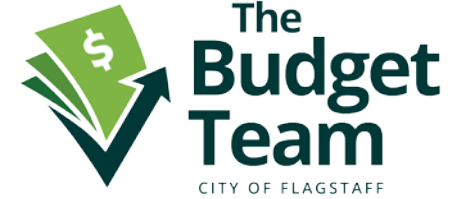
- Setting appropriate level
 - Revenue stability
 - Expenditure volatility
 - Leverage
 - Extreme events
 - Liquidity/cash flow
 - Reliance of other funds
 - Growth
 - Capital projects

Fund Balance Reserve Policy



- Use and replenishment
 - Define events
 - Use as a financial bridge
 - Define the time periods of reduced fund balance
 - Define practice of replenishment
 - Generally expected 1-3 years
 - Expected time of recovering from events
 - Financial planning through budget process
 - Balance with updates to long-term forecasting and economic conditions
 - External financing expectations

Fund Balance Reserve Policy



- General Fund – 20%
 - Flagstaff's level of risk per GFOA is low to moderate, target fund balance recommendation 17-25%
- Special Revenue Funds – 10%
 - Highway User Revenue Fund – 20%
- Other Enterprise Funds – 10%
 - Water Services Funds – 25%
- Capital Project Funds – 10%
- Review of fund balances during FY 2022-2023 budget



The
Budget Team
CITY OF FLAGSTAFF



Budget Expectations and Impacts

Budget Team Focus



We shared with Team Flagstaff the following:

- Needs of the organization are a priority
- City is facing many critical issues within our community
 - Significant infrastructure needs discussed at September Council Retreat
 - Mitigation efforts due to flooding events
 - And more...
- With our limited funding, we asked all divisions to consider requests that are of an urgent nature only
- Recession Plan was an invaluable tool and will guide us in the future if needed

Budget Team Focus



Compensation and Benefits

- Focus on current employees versus adding new positions
- Merits are funded
- Maintain competitive market-based pay structure
- Minimum wage adjusted
- Benefits coverage enhanced
- Maintain 60-day salary sweeps - General Fund
- Vacant and new positions funded at mid-point

Aligning with Priority Based Budget (PBB)

- Align with key community priorities
- Get 25% of one-time to ongoing
- Identify high scoring programs for funding
- Identify low scoring programs that could be reallocated

Funding Requests Focus

- Infrastructure needs
- PBB program levels
- Track requests to Carbon Neutrality Plan
- Personnel requests
 - Quadrant 3 and 4 may not be considered
 - New positions may be considered on a temporary contract basis

Minimum Wage State Assessment



- HB 2756 (2019)
 - Allows state to assess cities for difference between state and local minimum wage
- City Code 15-01-001-0002(F)
 - Exempts State and Federal governments from Flagstaff's minimum wage
 - Not included in definition of "employer"

Minimum Wage State Assessment



- Assessment estimate in FY 2019-2020 = \$671,500 (Not assessed)
- Assessment estimate in FY 2020-2021 = \$1,172,289 (Not assessed)
- Assessment in FY 2021-2022 = \$1,110,992
 - Assessed September 29, 2021

Minimum Wage State Assessment



- City lawsuit over HB 2756
 - Hearing in October 2021
 - Received preliminary injunction precluding State from collecting assessment
 - Assessment not imposed in time
 - Only “indirect” costs to the State
 - State is exempted from paying Flagstaff Minimum Wage
- Matter is pending appeal
- City needs to continue to budget for this assessment accordingly

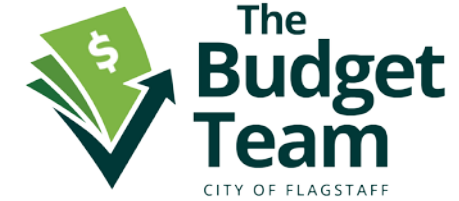
Compensation

1. Minimum wage ordinance (mandatory)
2. Merit (approved and budgeted)

Additional recommendations to consider to maintain compensation plan health:

3. Market adjustments
4. Compression

1. Minimum Wage Ordinance



- January 2022 the Flagstaff minimum wage will increase to \$15.50
- Beginning in January 2023 (and each year thereafter) the minimum wage must increase by the Consumer Price Index (CPI) AND be at least \$2.00 higher than the State of Arizona minimum wage
- We are currently experiencing the highest inflation in years; therefore, we have provided two cost assumptions – a moderate CPI increase of 3% and a more likely closer estimate of 5% if current trends continue
- We will know the exact CPI percentage in October 2022
- Both assumptions include maintaining employee's current compa-ratio in the pay range to avoid reintroducing compression and further negatively impacting recruitment and retention

Minimum Wage - CPI Impacts



- With an estimate of a 3% CPI, the minimum of our lowest pay range in the Regular Pay Plan (OOR) increases from \$15.50 to \$16.00
 - This is only 1% less than the minimum for the next higher pay range (05R) which is \$16.13
- With an estimate of a 5% CPI the new minimum wage is \$16.30 per hour; \$0.17 higher than the current minimum for pay range 05R
- A CPI adjustment greater than 3% will require modifications to our current adopted Regular Pay Plan structure to continue to maintain some spread between positions in each pay range
- The cost analysis for these CPI estimates does keep employees at their current compa-ratio to avoid compression

Minimum Wage - CPI Impacts



- Sample modification to Regular Pay Plan to implement higher minimum wage yet continue to keep some spread (5% vs 7.5%) between the lower ranges

CURRENT

City of Flagstaff Regular Pay Plan

Pay Range	Min	Mid	Max
00R	\$15.50*	\$18.75	\$22.50
05R	\$16.13	\$20.17	\$24.20
10R	\$17.34	\$21.68	\$26.01
15R	\$18.64	\$23.30	\$27.96

SAMPLE REVISED

City of Flagstaff Regular Pay Plan

Pay Range	Min	Mid	Max
Eliminated			
05R	??	\$20.17	\$24.20
06R	\$16.94	\$21.18	\$25.41
10R	\$17.34	\$21.68	\$26.01
11R	\$17.78	\$22.24	\$26.67
15R	\$18.64	\$23.30	\$27.96

*Minimum wage effective 1/1/2022

Minimum Wage Estimated Cost Increase



- 3% CPI
 - Regular Pay Plan employees \$14,900
 - Temporary Pay Plan employees \$34,200
 - Total annual difference \$49,100

- 5% CPI
 - Regular Pay Plan employees \$211,700
 - Temporary Pay Plan employees \$77,000
 - Total annual difference \$288,700

2. Merit



- Approved and budgeted (5-year plans) as an outcome of the Compensation Study
- With a commitment that employee compensation will remain a priority, merit increases became effective July 1, 2021 (employee anniversary date)
 - Regular Pay Plan – 3% Budgeted
 - Assumption: No Lump sum for at or above range maximum and includes the 5% CPI and the sample pay plan recommendations above
 - Step Plans for Fire, Police and Water Services Operators*
 - Percentage varies between steps, positions and plans
 - Employees at the maximum step do not receive a merit increase; step plans are specifically designed to reach the max step more quickly with no further increase until the pay range is modified due to market
 - Total estimated expense: \$2,057,000

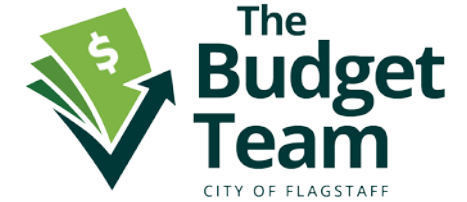
*Step plan for Water Services Operators designed and implemented October 11, 2021

3. Market Adjustments



- To maintain a healthy, competitive, market-based pay plan a sampling of positions should be surveyed each year and adjusted if indicated
 - Priority is given to positions identified throughout the year that may be starting to lag in the market and may be impacting recruitment and retention
- Different than a cost-of-living adjustment (COLA); a COLA is where the entire pay plan is increased by a percentage
 - Outside of extraordinary circumstances this is usually not necessary with a healthy market adjustment strategy
- This budget would **not** include division reclassification/reorganization requests – those must be budgeted by the division
- Recommendation to budget .25% of the annual salary expense (not loaded) as a starting point.
- Unused funds would carry over with the intent of developing adequate funding year over year.
- \$143,000

4. Compression



- Despite the significant investment, the adjustments implemented in July 2021 did not correct over 10 years of increasing compression
- We are continually challenged to make competitive offers to new hires that have experience without bringing them in higher than current employees with similar levels of experience in the same role
- Employees moved into Step Plans (Fire, Police and Water Services Operator) benefit more rapidly than employees in the Regular Pay Plan
 - Merit step increases range from 3% to 7 %
- Recommendation:
 - Apply a compression adjustment for employees in the Regular Pay Plan effective 7/10/22 (will impact merit cost estimation if adopted)
 - Eligible employees must have a minimum of one year of service prior to 7/1/22

Sample Compression Adjustment



- Similar to the July 2021 increase, utilize a combination of years of service and current compa-ratio by quadrant to apply adjustment percentages
- Increase percentages incrementally for greater years of service
- Do include employees above the range midpoint (the July 2021 process did not)
- Expense estimate: \$205,800



Compensation Summary

- Mandatory – these are estimates, exact amount available October 2022
 - Minimum wage 3% CPI \$ 49,100
 - Minimum wage 5% CPI \$ 288,700
- Merit – already budgeted \$ 2,057,000
- Sample recommendations for recruitment and retention and to maintain a healthy compensation plan:
 - Market adjustment \$ 143,000
 - Compression adjustment \$ 205,800
- Notes and Assumptions: 1) final CPI calculation will modify this estimate; 2) turnover will reduce estimates for merit and compression; 3) market adjustment is an estimate, actual expense may be higher or lower



The
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Federal Funding

Overview of Stimulus Funding



- Coronavirus Aid, Relief, and Economic Security (CARES) Act (2020)
 - Other funds were received Police, Fire, Library and Courts
 - Will be highlighting the Airport
- American Rescue Plan Act (ARPA)
- Infrastructure and Investment and Jobs Act (IIJA)

Airport CARES Act Grants



The CARES Act Airport Grants are for eligible US airports to prevent, prepare for, and respond to coronavirus impacts, including support for continuing airport operations

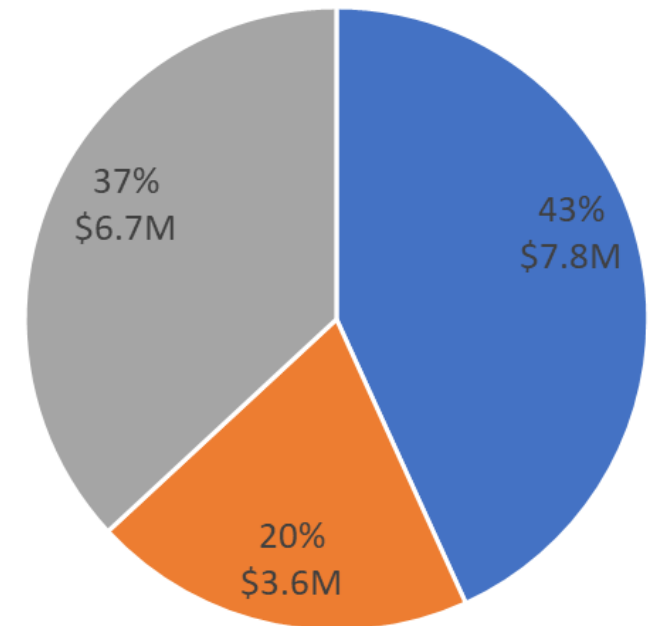
- FAA 45 - \$18.1M for operational and maintenance expenses or debt service
- FAA 46 - \$1.4 for operational and maintenance expenses or debt service
- FAA 47 - \$25,672 for concessions relief
- FAA 48 - \$1.9 for operational and maintenance expenses or debt service
- FAA 49 - \$102,687 for concessions relief

Airport CARES Act Grants

- FAA 45 - original \$18.1M CARES Grant
- \$3.86M spent as of September 30, 2021
 - Airport personnel, operating costs, and nine months of rent abatement for airport tenants
- Ongoing Projects
 - ~\$350K for aircraft hangar and shade maintenance
 - ~\$160K for airfield maintenance
- Upcoming Projects
 - Terminal hold room expansion, airline counter expansion, and facilities maintenance
 - Terminal parking lot maintenance
 - Additional airfield and hangar maintenance



CARES Act Budget - \$18,134,294



- Personnel
- Operating - Contractual/Commodities
- Operating - Equipment and Maintenance

Coronavirus Local Fiscal Recovery Funds (CLFRF)



- City received \$13,252,816 from the US Department of Treasury
- Must be obligated by December 31, 2024, and expended by December 31, 2026
- Funding allocations approved by City Council on October 12, 2021
- 17 projects approved in various funding categories and within multiple City divisions
- Funds have strict federal compliance requirements and responsibilities
- Funds must go through an open and fair competitive process

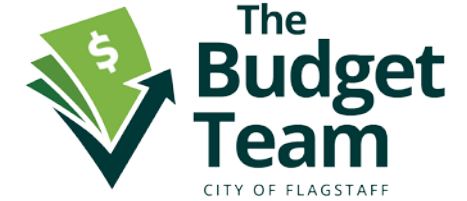
Coronavirus Local Fiscal Recovery Funds (CLFRF)



- Continued compliance research, budget team meetings, webinars, FAQs and updated reference guides
- Interim Report (submitted), quarterly financial/performance reports, monthly City Manager's Report and other reports as needed
- Established internal core team – Grants, Legal, Finance, Procurement, City Manager
- Internal project team meetings scheduled
- Draft documents being prepared – recovery plan, grant provisions, proposals, contracts, reporting templates, tracking spreadsheet, etc.

EXPENDITURE CATEGORY	COUNCIL-APPROVED ALLOCATION	PROJECT
1: PUBLIC HEALTH		
1.4	\$400,000.00	Congregate care services, such as shelters
1.10	\$2,400,000.00	Alternate care facility/services
1.12	\$75,000.00	Community ambassadors to assist with mental health/substance use
2: NEGATIVE ECONOMIC IMPACTS		
2.2 / 2.5	\$1,900,000.00	Housing assistance programs
2.7 / 2.9	\$350,000.00	Job training assistance and small business grants
2.10	\$150,000.00	Aid to non-profits - Arts and Sciences
2.10	\$300,000.00	Aid to non-profits - Food
2.10	\$150,000.00	Aid to non-profits - Other
2.10	\$300,000.00	Aid to non-profits - Victim Services
2.11	\$200,000.00	Aid to tourism, travel and hospitality
2.12	\$85,000.00	Local event support, permits and fees
3: SERVICES TO DISPROPORTIONATELY IMPACTED COMMUNITIES		
3.1	\$250,000.00	Education Assistance - Early learning
3.3	\$350,000.00	Education Assistance - Facility construction for education programs (STEAM)
4: PREMIUM PAY		
4.1	\$100,000.00	Support for filling vacancies, promotion of Team Flagstaff
4.1	\$700,000.00	Premium Pay for public safety employees
5: INFRASTRUCTURE		
5.15	\$1,500,000.00	Drinking Water Infrastructure - Cybersecurity
6: REVENUE REPLACEMENT		
6.1	\$3,922,816.00	Revenue Loss Replacement
7: ADMINISTRATION		
7.1	\$250,000.00	Administration of ARPA Local Recovery

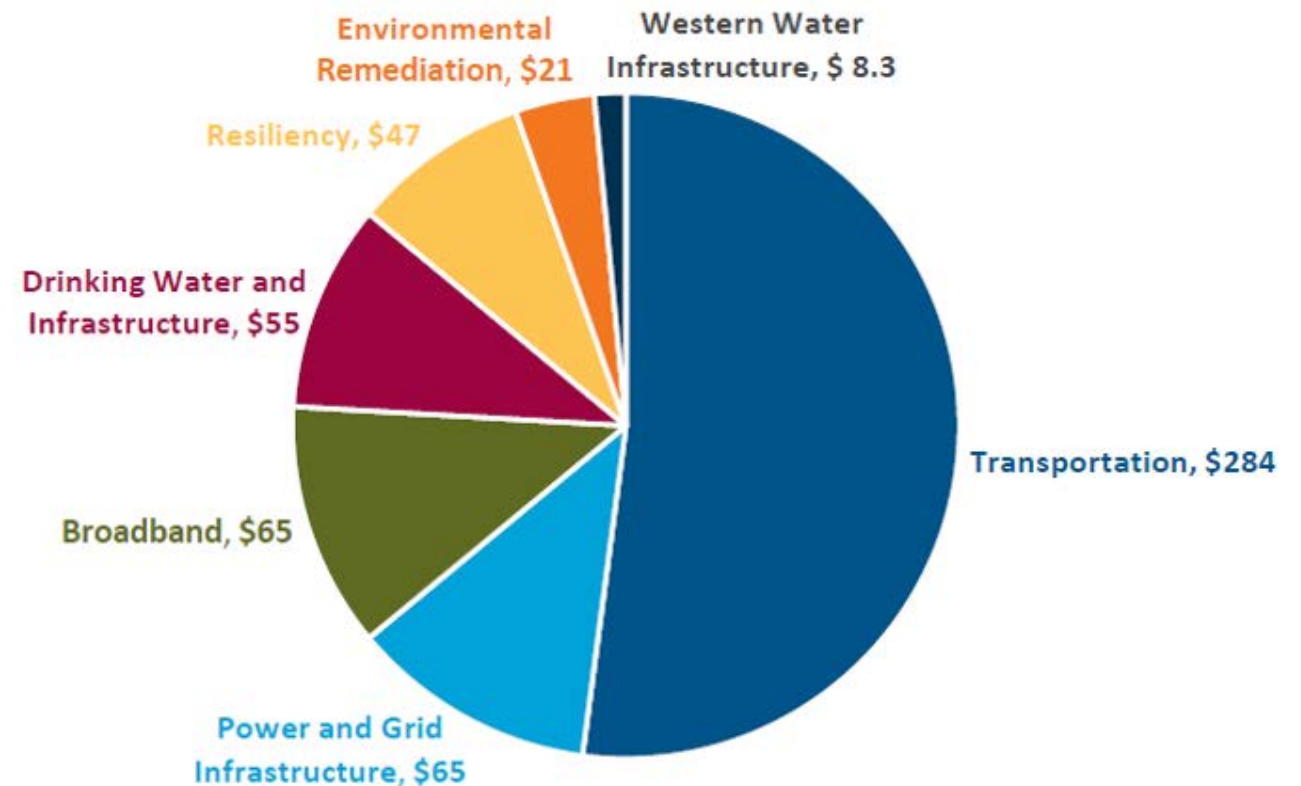
Infrastructure Investment and Jobs Act (IIJA)



\$550 billion in *new spending* over five years (FYs 2022 – 2026) above current baseline levels, including:

- Transportation: \$284 billion
- Power and Grid Infrastructure: \$65 billion
- Broadband Infrastructure: \$65 billion
- Drinking Water and Infrastructure: \$55 billion
- Resiliency: \$47 billion
- Environmental Remediation: \$21 billion
- Western Water Infrastructure: \$8.3 billion

New Spending in Billions of Dollars



Infrastructure Investment and Jobs Act (IIJA)



- Transportation
 - Funding to address major highway repairs
 - Competitive grants
 - Infrastructure for Rebuilding America (INFRA)
 - Rebuilding American Infrastructure with Sustainability & Equity (RAISE)
 - Promoting Resilient Operations for Transformative, Efficient and Cost-saving Transportation (PROTECT)
 - Bridge investment program – repair and replace bridges
 - Public transit
 - State of good repair grants to upgrade older rail and bus systems in urbanized areas
 - Formula funds to AZ transit systems

Infrastructure Investment and Jobs Act (IIJA)



- Climate Change
 - Electric vehicle charging infrastructure, carbon reduction, trail facilities for bike/ped, congestion management technologies
- Airports
 - Includes appropriations for airport terminal program projects and airport improvement program

Infrastructure Investment and Jobs Act (IIJA)



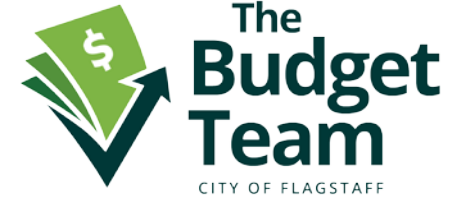
- Energy and Environment
 - Program to prevent outages and enhance the resilience of electric grid
 - Weatherization assistance program
 - Energy efficiency and conservation block grant program
 - Brownfields restoration projects
 - Carbon utilization program
 - Smart grid investments
- Wildfire Management
 - Community Wildfire Defense Grants
 - Hiring more federal wildland firefighters

Infrastructure Investment and Jobs Act (IIJA)



- Funding for FEMA programs
 - Disaster relief fund
 - National flood insurance fund
- Water Infrastructure
 - Drinking and clean water state revolving loan fund
 - Drinking water system infrastructure resilience and sustainability program
 - Connection to publicly owned treatment works
 - Stormwater infrastructure technology grants
 - Sewer overflow and stormwater reuse municipal grants
 - Per and polyfluoroalkyl substances (PFAS) to drinking and clean water program
 - Lead service lines to replace lead service lines

Infrastructure Investment and Jobs Act (IIJA)



- Broadband
 - Digital equity
 - Middle mile deployment program
 - Affordable Connectivity Benefit program
- Other provisions
 - Consumer recycling
 - State and local cybersecurity
 - Tribal needs
- Solicitations – timeline; depends on new vs. existing programs

What this Means for Arizona



- Funding to ADOT
 - Will likely encourage new roads and improvements in Flagstaff (possibly Lonetree/ 4th street/ JWP improvements)
- Public transit formula funds
 - Mountain Line to receive \$20.5M
- Funding to State of Arizona for affordable, high-speed broadband access
- Funding for the Ecological Restoration Institute (ERI) and NAU.
- Water Infrastructure
 - Funding to the Drinking Water State Revolving Fund
 - Funding to the Clean Water State Revolving Fund
 - New Culvert Removal, Replacement, Restoration competitive grant program



The
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Council Expectations



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