



The  
**Budget Team**  
CITY OF FLAGSTAFF



# Budget Retreat

## April 27th & 28th, 2023



The  
**Budget Team**  
CITY OF FLAGSTAFF



# Welcome and Overview

# Retreat Protocol

- Think high level
- Complex process with multiple components
- Great amount of staff discussion to get here
- No problem solving, but rather building framework
- Inclusive but succinct
- Stay on track

# Agenda - Day 1

- Budget Timeline and Approach
- Revenue Updates
- Investing in Employees Update
- New Budget Appropriations
- Capital Improvement Program

# Agenda - Day 2



- Opening and Overview
- Key Community Priorities
- Future Planning
- Financial Planning for Future Considerations
- Ballot Measures Discussion
- Priority Based Budget
- Council Parking Lot (Adds/Deletes) and Discussion

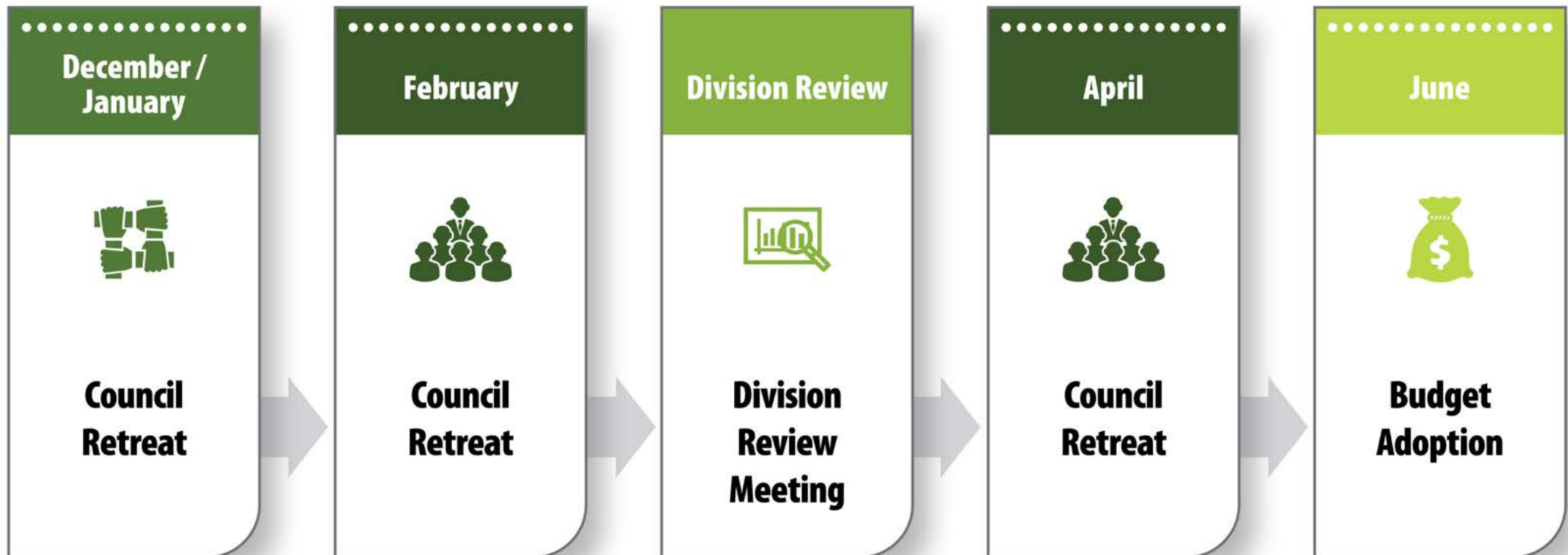


The  
**Budget Team**  
CITY OF FLAGSTAFF



# Budget Timeline and Approach

# Budget Timeline




# Budget Approach

- ☺ Compensation and benefits
- ☺ Key Community Priorities and Objectives
- ☺ Basic services and operational needs
  - ☹ Transitioning 50% of ongoing operational needs funded one-time to ongoing funded
- ☺ Infrastructure needs
- ☺ Carbon Neutrality Plan (CNP)

# 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.

<ul style="list-style-type: none"> <li>Library - Secondary property tax and general fund transfer</li> <li>HURF (Streets) - Gasoline tax</li> <li>Transportation tax - 1.281% sales tax             <ul style="list-style-type: none"> <li>» Transportation Improvements (.426%)</li> <li>» Road Repair &amp; Street Safety (.33%)</li> <li>» Transit (.295%)</li> <li>» Route 66 to Butler Overpass (.23%)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>BBB tax - 2.0% tax on bed, board &amp; beverage             <ul style="list-style-type: none"> <li>» Beautification (.40%)</li> <li>» Economic Development (.19%)</li> <li>» Arts &amp; Science (.15%)</li> <li>» Tourism (.60%)</li> <li>» Recreation (.66%)</li> </ul> </li> <li>ParkFlag</li> <li>Housing &amp; Community Services - Grants</li> </ul>
--	--

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

<ul style="list-style-type: none"> <li>Water</li> <li>Wastewater</li> <li>Reclaim</li> <li>Stormwater</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability and Environmental Management</li> <li>Airport</li> <li>Solid Waste</li> <li>Flagstaff Housing Authority</li> </ul>
--	--

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

<ul style="list-style-type: none"> <li>Restricted Funding Sources - Voter Approved Bonds, Grants, Third Party Restricted Fees</li> </ul>	<ul style="list-style-type: none"> <li>General Obligation Bond Projects:             <ul style="list-style-type: none"> <li>» FUTS/Open Space</li> <li>» Watershed Protection</li> <li>» Courthouse</li> </ul> </li> <li>USGS campus expansion</li> </ul>
--	---

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

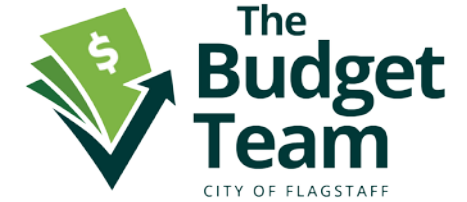
**General Fund**  
Accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government that are not accounted for in other funds and most revenues are unrestricted.

- 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



- Special Revenue, Enterprise, Debt Service and Capital Project Funds
  - The revenues in these funds are restricted on how they can be spent
    - Voter approved
    - State statute
    - Ordinance
- General Fund –mostly unrestricted revenues



The  
**Budget Team**  
CITY OF FLAGSTAFF

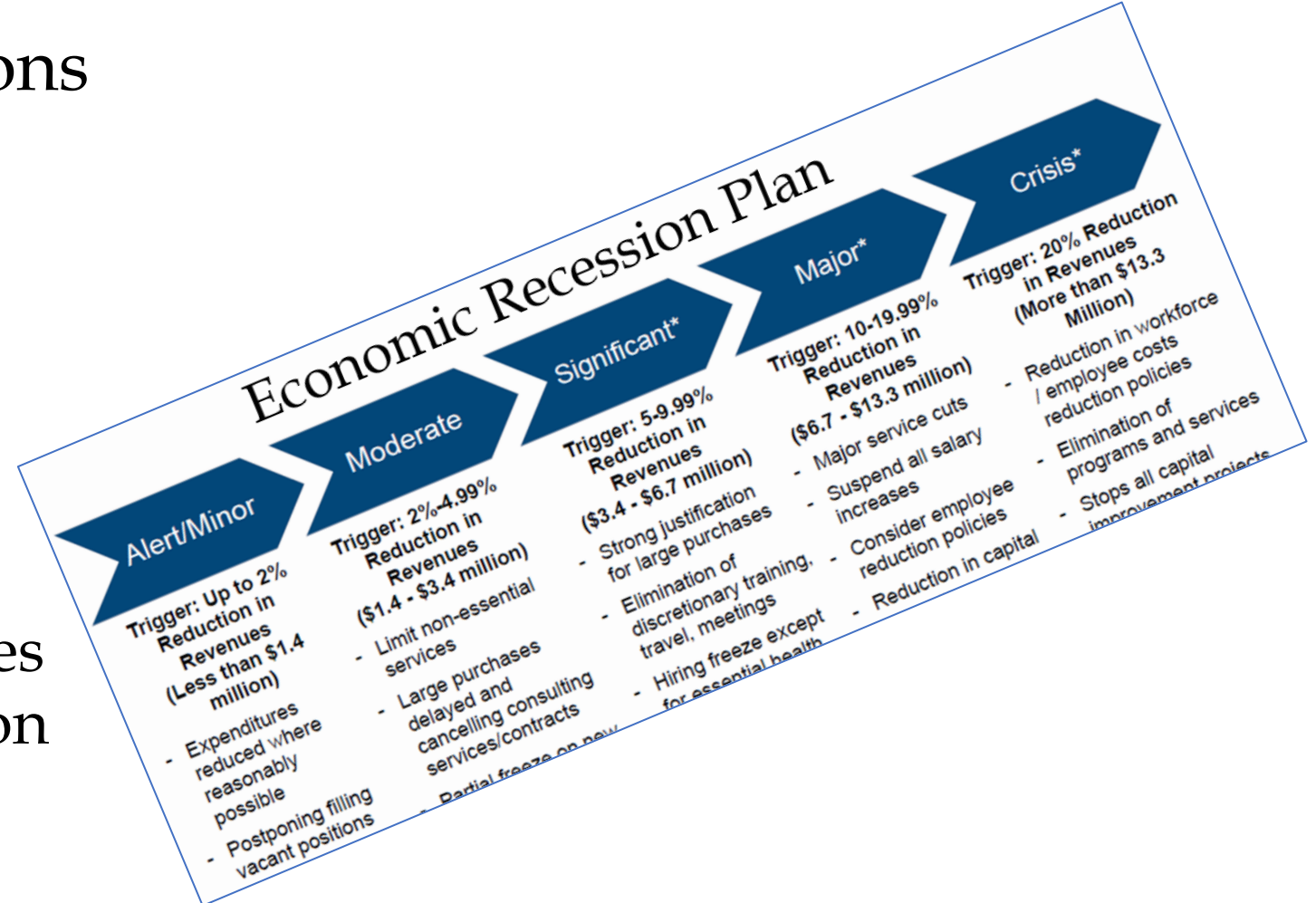


# Revenue Updates

# Revenue Update

## Economic Considerations

- Recession likely
- Inflation continues
- Federal Reserve rates
- Debt ceiling
- Workforce
- Fuel prices
- War in Ukraine
- Supply chain improves
- State legislative session
- AND....



# Revenue Update – General Fund



- Last update provided at February retreat
- Activity for February and March continued growth
- Some categories saw decreases in last three months
  - Amusements, construction contracting, retail
- Projected slight decline from projected to FY 2023-2024 budgeted, then slow growth following year
- Recommend maintaining February revenue projections

# Revenue Update - General Fund



## City General Sales Tax Revenue

Category	FY 2021-22	FY 2022-23	FY 2022-23	FY 2023-24	\$ Change	% Change
	Actual	Budget	Estimate	Budget	Budget to Budget	Budget to Budget
Utilities	\$ 1,140,596	\$ 1,073,600	\$ 1,160,000	\$ 1,136,800	\$ 63,200	6%
Telecom	136,997	146,000	130,000	127,400	(18,600)	-13%
Restaurants/Bars	3,649,070	3,296,600	3,800,000	3,724,000	427,400	13%
Amusements	89,964	99,900	100,000	102,000	2,100	2%
Commercial Rental	1,147,011	1,087,300	1,280,000	1,254,400	167,100	15%
Personal Property Rental	819,159	770,100	890,000	872,200	102,100	13%
Construction Contracting	2,412,364	2,118,500	2,850,000	2,736,000	617,500	29%
Retail	14,319,420	13,657,800	14,400,000	14,112,000	454,200	3%
Marketplace Retail	1,039,064	1,022,000	1,160,000	1,136,800	114,800	11%
Hotel/Motel/STR	2,073,966	1,777,900	2,090,000	2,048,200	270,300	15%
Miscellaneous	107,107	97,800	103,000	100,900	3,100	3%
Use Tax	1,937,747	1,794,800	2,020,000	1,979,600	184,800	10%
<b>City Sales Tax 1% Totals</b>	<b>\$ 28,872,465</b>	<b>\$ 26,942,300</b>	<b>\$ 29,983,000</b>	<b>\$ 29,330,300</b>	<b>\$ 2,388,000</b>	<b>9%</b>

# Revenue Update - General Fund



State Shared Revenues						
Category	FY 2021-22 Actual	FY 2022-23 Budget	FY 2022-23 Estimate	FY 2023-24 Budget	\$ Change Budget to Budget	% Change Budget to Budget
State Shared Sales Tax	\$ 10,855,221	\$ 10,403,000	\$ 11,000,000	\$ 10,780,000	\$ 377,000	4%
State Shared Urban Revenue	10,075,723	14,800,000	14,605,000	18,119,900	3,319,900	22%
Auto Lieu	4,148,649	4,011,000	4,100,000	3,977,000	(34,000)	-1%
<b>State Shared Totals</b>	<b>\$ 25,079,593</b>	<b>\$ 29,214,000</b>	<b>\$ 29,705,000</b>	<b>\$ 32,876,900</b>	<b>\$ 3,662,900</b>	<b>13%</b>



The  
**Budget Team**  
CITY OF FLAGSTAFF



# Investing in Employees

# Staffing Increases



- General Fund
  - Human Resources Senior Analyst (1.0 FTE) – Human Resources
  - IT Supervisor (1.0 FTE) – Information Technology
  - Management Analyst (1.0 FTE) – Management Services
  - Finance Specialist (0.5 FTE) – Management Services
  - Accountant Senior (1.0 FTE) - Management Services
  - Administrative Specialist (1.0 FTE) – Management Services
  - Fire Captain (1.0 FTE) – Fire
  - Police Aides (3.0 FTE) – Facilities
  - Housing Planner (1.0 FTE) – Community Development

# Staffing Increases

- Water Services
  - Water Services Operations Section Director (1.0 FTE)
  - Project Manager Senior Lead (1.0 FTE)
  - Water Services OT Administrator (1.0 FTE)
  - Water Services Operator (2.0 FTE)
  - Water Services Supervisor (1.0 FTE)
- Solid Waste
  - Equipment Operator I (1.0 FTE)

# Staffing Increases

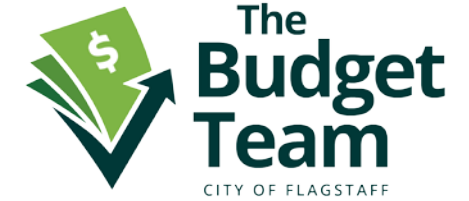
- Sustainability
  - Sustainability Coordinator I (1.0 FTE)
- Airport
  - Maintenance Worker I (1.0 FTE)
- Flagstaff Housing Authority
  - Housing Navigator (1.0 FTE) – General Fund 25%

# Staffing Increases



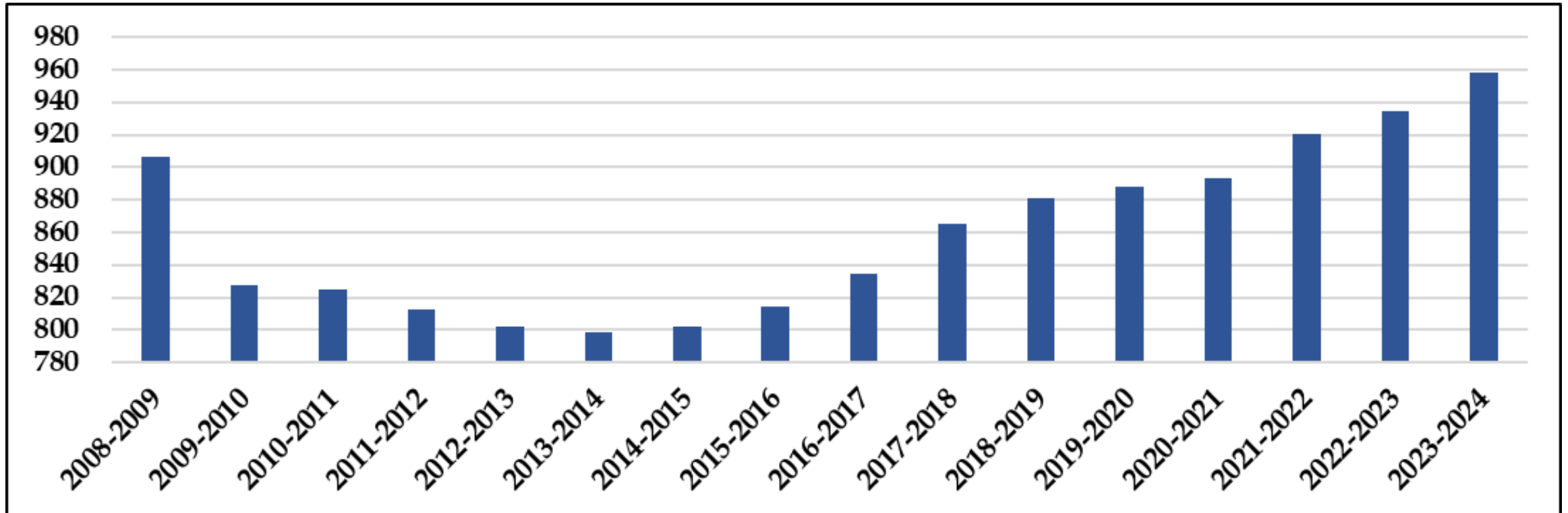
- General Fund (Continued)
  - Maintenance Technician III (1.0 FTE) – Public Works
  - Mechanic II (1.0 FTE) – Public Works
  - Transportation Planner (1.0 FTE) - City Engineering
  - Park Ranger (1.0 FTE) - Parks, Recreation, Open Space & Events
- Library
  - Information Technology Analyst (1.0 FTE) - County Library
  - Library Cataloger (1.0 FTE) - County Library
  - Marketing Specialist (1.0 FTE) - County Library

# Reclassifications



- General Fund
  - 9 positions
- Stormwater
  - 1 position
- Solid Waste
  - 1 position
- Sustainability
  - 3 positions
- Airport
  - 1 position

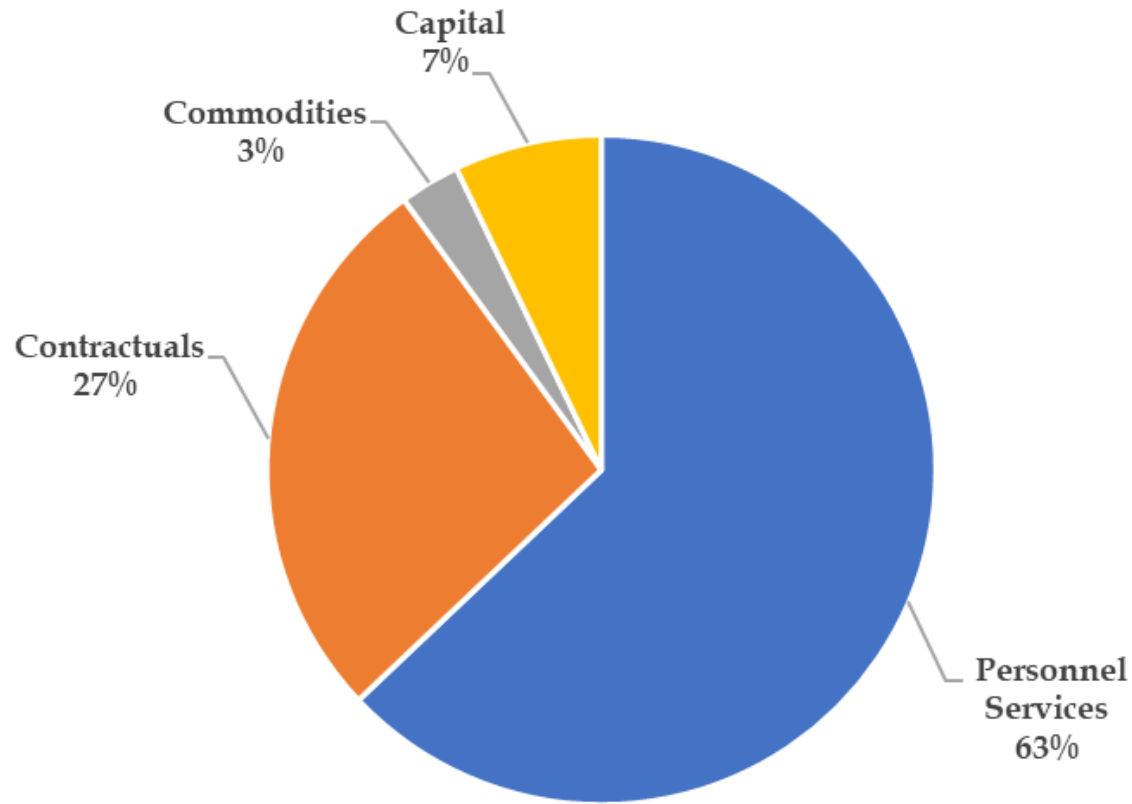
# Staffing History (Full-time Equivalents)



# FY 2023-2024 Proposed Budget by Category



## General Fund Expenditure Budget



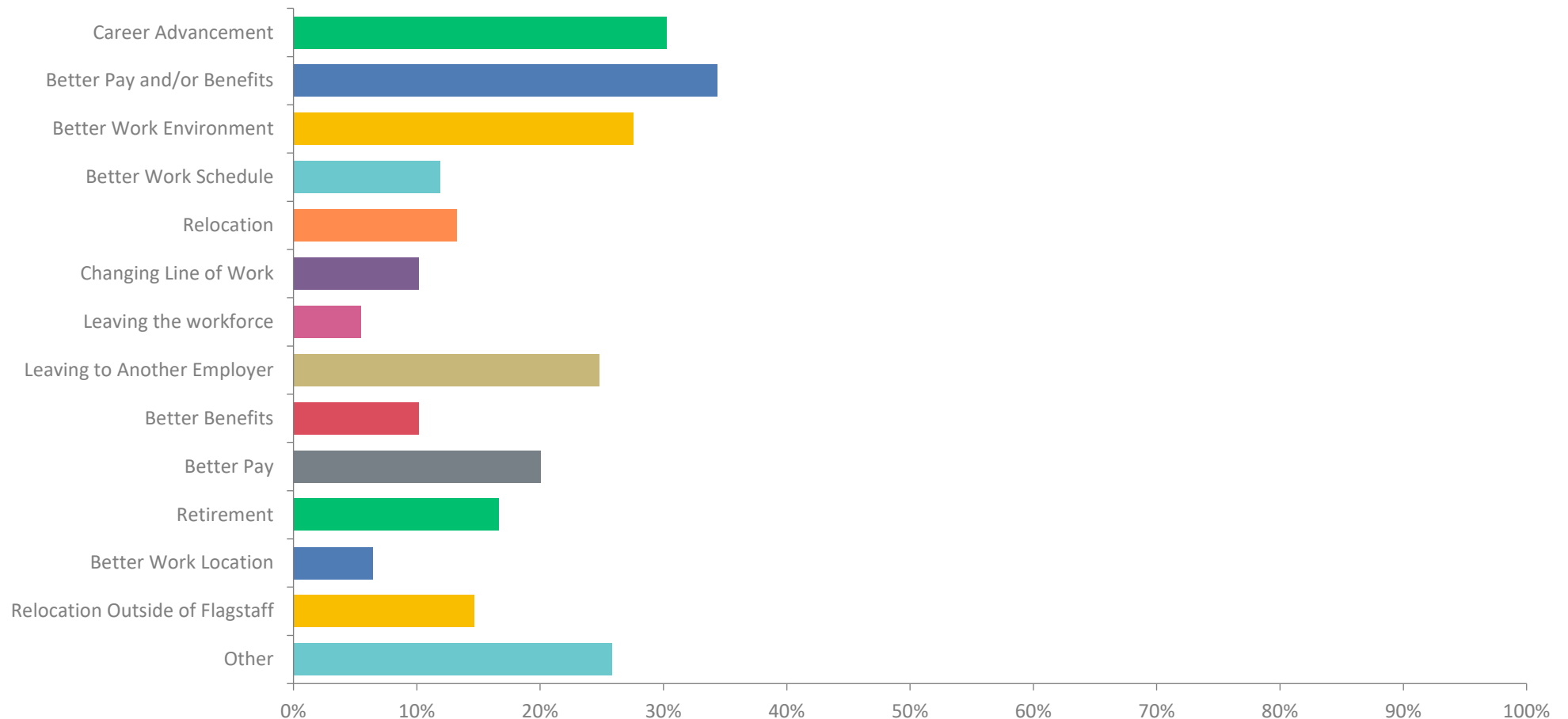
# Retention Trends - Turnover Comparison



	Calendar Year 2020	Calendar Year 2021	Calendar Year 2022
Total Separations	124	177	178
Retirements	23	26	27
Voluntary/Involuntary	84	151	148
Total Turnover Percentage	17.44%	24.10%	24.76%
Bureau of Labor Statistics: State/Local Rate	19.10%	18.70%	18.8%
Temporary/Contract Separations	211	193	193
Vacancy Rate	12.01%	17.07%	15.54%

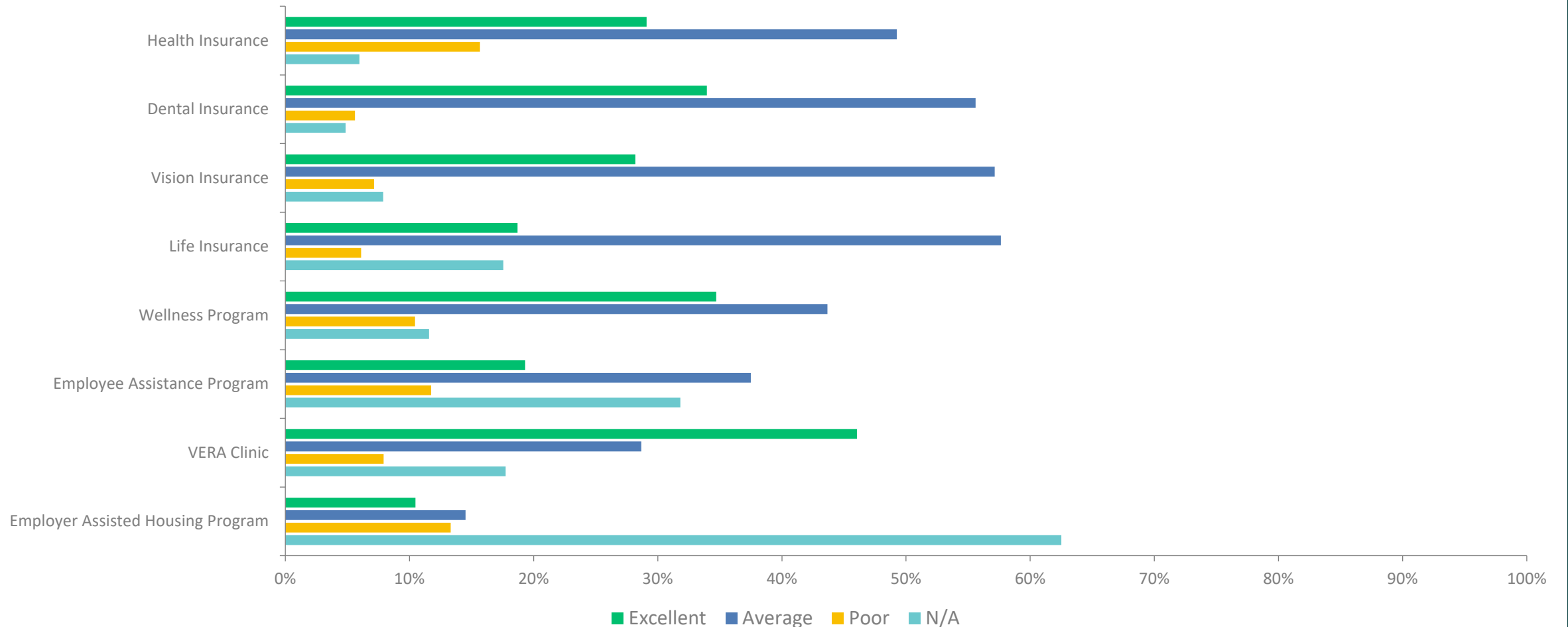
# Retention Trends - Exit Interview Summary

Better pay and/or benefits continues to be the dominant reason  
Primary reason(s) for leaving the City of Flagstaff workforce - CY 2022



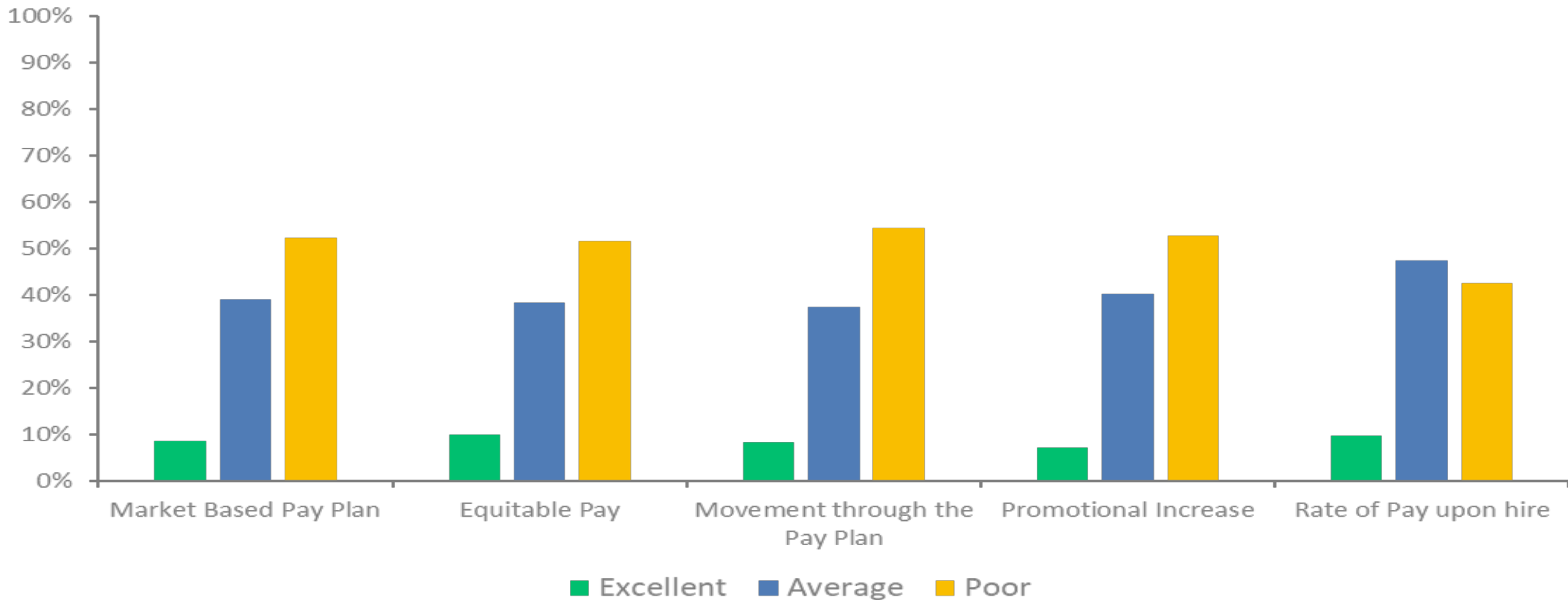
# Retention Trends - Exit Interview Summary

Please rate the following employee benefits - CY 2022



# Retention Trends – Exit Interview Summary

Employee Compensation – CY 2022



# Attraction Trends

## Recruitment – Positions Filled

- 2020: 155 - 25 internal (16%)/130 external
- 2021: 290 - 103 internal (35%)/187 external
- 2022: 349 - 84 internal (23%)/265 external

## Declined Offers have increased

- 2020 = 17 (11%), Reason because of another offer = 5
- 2021 = 14 (5%), Reason because of another offer = 2
- 2022\* = 98 (28%)
  - 38 accepted another offer (a few of these accepted other City of Flagstaff positions)
  - 20 declined due to salary
  - 12 declined due to cost of living/lack of housing
  - 26 declined for other reason
  - 2 declined due to cost of benefits

\*Reporting for offer declinations was refined for the 2022 year to improve accuracy in addition to changes in the recruitment world

# Recruitment Efforts

Continued to run radio, print, and digital spots locally, regionally and nationally

- Handshake
- Coconino Community College
- Arizona Daily Sun
- Navajo Hopi Observer
- Flagstaff Business News
- Mountain Line
- Harkins Theatres
- KAFF Radio
- Linked In
- Social Media



**Good Business Requires Good People.**

**ARE YOU HIRING?**

**ARE YOU LOOKING FOR GOOD PEOPLE?** Advertise your employment opportunities in the Flagstaff Business News Local Employment Section (Sponsored by **FLAGSTAFFCITYCAREERS.COM**)

- Reach up 40,000 people per month with your employment ad!
- Receive 50 percent off your hiring ad as a courtesy sponsorship from the City of Flagstaff
- Cost \$199 per month with a 3-month commitment

Please contact FBN:  
Amy@Flagstaffbusinessnews.com or  
602-909-3910 for more information



# Recruitment Efforts

- [Marketing Video](#) created by the CVB
- First annual City of Flagstaff job fair
- Creation of Employee Referral Program (pending implementation)
- Email signature created
- Job specific brochures created



**COOL CAREERS.**  
COOL PEOPLE. COOL MOUNTAINS.



**COOL CAREERS.**  
APPLY NOW!



**Job Fair Schedule**

- HOW TO STAND OUT AS AN INTERNAL APPLICANT (OPEN TO COF EMPLOYEES ONLY) 12:30 - 1:15 PM
- CREATING A RESUME AND COVER LETTER 1:30 - 2:15 PM
- USING MICROSOFT TEAMS FOR INTERVIEWS 2:30 - 3:15 PM
- USING GOOGLE DRIVE

**City of Flagstaff Job Fair**

Friday, April 14th, 2023  
12:00pm – 5:00pm  
Downtown Library

- See current job openings
- Learn how to create a resume and cover letter and use Microsoft Teams for interviews
- Speak with members of city departments to see what they're looking for in applicants
- Sign up for personalized resume and cover letter help or a mock interview

Find current jobs at [FlagstaffCityCareers.com](http://FlagstaffCityCareers.com)  
Flagstaff City - Coconino County Public Library  
500 W Aspen, Flagstaff, AZ 86001  
[www.flagstaffpubliclibrary.org](http://www.flagstaffpubliclibrary.org) | 928-215-2251

To request a reasonable accommodation for any type of disability, please call 928-215-2251. Three days prior notice is requested.

**CITY ENGINEER**

COOL CAREERS. COOL PEOPLE. COOL MOUNTAINS.

**ENGINEERING DIVISION**  
CITY OF FLAGSTAFF

# Budget Approach

## Compensation and Benefits

- ✓ Merits are funded, implement pay for performance
- ✓ Implement potential adjustments to the pay plans based on market data
- ✓ Minimum wage adjustments based on Consumer Price Index (CPI)
- ✓ Maintain cost share levels for benefit coverage contributions

# Benefit Recommendations

- No Changes to benefit plan options
- Medical premiums increased
  - 6% for the Buy Up Plan
  - 5.5% for the Base plan
  - 5% for the High Deductible Health Plan
- Cost share for all employees
  - City covers:
    - 100% for base plan employee only coverage if they participate in the wellness program
    - 72% of the base plan family/employee +1 plan and applied the subsidy amount to the remaining plans
- **Cost: \$509,000**

# Compensation Recommendations



- Merit - \$2.5 M
  - Budgeted and planned in all five year plans
    - Transition to Pay for Performance (PFP) 2%-4% depending on evaluation Rating after July 1, 2023 for regular pay plan
    - Step increases for all step pay plans
- City's Starting Wage Adjustment
  - New starting wage - \$18.00 (05R), collapse/eliminate 04R
  - IMPLEMENT EARLY: July 1, 2023 versus January 1, 2024
  - Regular Plan: (04R to 25R) \$600,000
  - Temp Pay Plan: \$91,000
  - **Total: \$691,000**

# Compensation Recommendations



## Market Adjustment

- Regular Pay Plan 30R and up: \$976,000
- Police Step Pay Plan: \$1,071,000
- Water Services Step Pay Plan: \$72,000
- Fire Step Pay Plan: \$567,000

**Total: \$2,686,000**

## Ongoing Market Adjustment Review

- \$170,000

# Total Employee Investment



- ✓ Merits up to 4% in Regular Pay Plan and step increase for all Step pay plans
- ✓ Starting Pay Adjustments
  - ✓ Starting wage \$18.00
  - ✓ Eliminated 04R
  - ✓ Impacts 05R to 25R ranges
- ✓ Market adjustments in 30R and up, Fire, Police and Water plans
- ✓ Maintain ongoing market adjustment review
- ✓ Maintain improved cost share for all medical plans
- Total recommended compensation and benefits commitment: \$6.5 Million (with employee related expenses)



The  
**Budget Team**  
CITY OF FLAGSTAFF



**Break**



The  
**Budget Team**  
CITY OF FLAGSTAFF



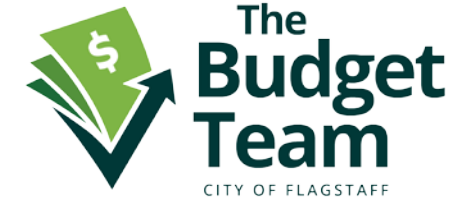
# Employee Advisory Committee

# Input on Compensation/Benefits



- Impact of inflation and market trends on wages
- Minimum wage impact
- Pay for performance program
- Maintain cost share levels for benefit coverage contributions

# Impact of Inflation, Market Trends, and Minimum Wage



- July 9, 2023, new starting wage of \$18.00
- Additional adjustments were made to the lower ranges to help those most closely impacted by the large increase in minimum wage (10R thru 25R )
- Strategic market adjustments for positions facing recruitment and retention challenges
- Between pay plan adjustments and market adjustments all employees to receive a minimum of a 3% increase
- Ongoing commitment to market adjustments to ensure that our market based pay plans stay competitive

# Pay for Performance



- Pay for Performance system has been created for FY 2023-2024
- Employees in the regular pay plan can now earn up to a 4% merit increase on the annual evaluation date

# Benefits



- No changes to benefit plan options
- Medical premiums increased but cost share for all employees remained the same ratio
- The City will cover 72% of the base family/employee +1 plan while the employee will cover the remaining 28%



The  
**Budget Team**  
CITY OF FLAGSTAFF



# New Budget Appropriations

# Summary - Total Budget Requests



Total General Fund Budget Requests	Ongoing	One-Time
Personnel (excludes merits and employee benefits)	\$ 4,884,711	\$ 598,266
Other Budget Requests	5,895,036	9,673,782
Total Requests	\$ 10,779,747	\$ 10,272,048

Total All Other Budget Requests	Ongoing	One-Time
Personnel (excludes merits and employee benefits)	\$ 1,752,913	\$ 17,727
Other Budget Requests	6,380,683	8,387,720
Total Requests	\$ 8,133,596	\$ 8,405,447

<b>Total All Funds</b>	<b>\$ 18,913,343</b>	<b>\$ 18,677,495</b>
------------------------	----------------------	----------------------

# Employee Investments – General Fund



Summary of Employee Investments – General Fund	Ongoing
Merit – Pay for Performance	\$ 2,055,000
Starting Wage Pay Plan Adjustments	475,000
Ongoing Market Adjustments	170,000
Market/Pay Plan Adjustments	2,310,000
Medical Insurance	329,000
<b>Total Employee Investments</b>	<b>\$ 5,339,000</b>

# Infrastructure - General Fund



Summary of Infrastructure - General Fund	One-Time
Fleet	\$ 400,000
Facilities - Facility Improvements	400,000
Information Technology - Fiber Projects	500,000
Information Technology - Infrastructure	489,000
Carbon Neutrality (NORESKO) projects	3,100,000
<b>Total Infrastructure</b>	<b>\$ 4,889,000</b>

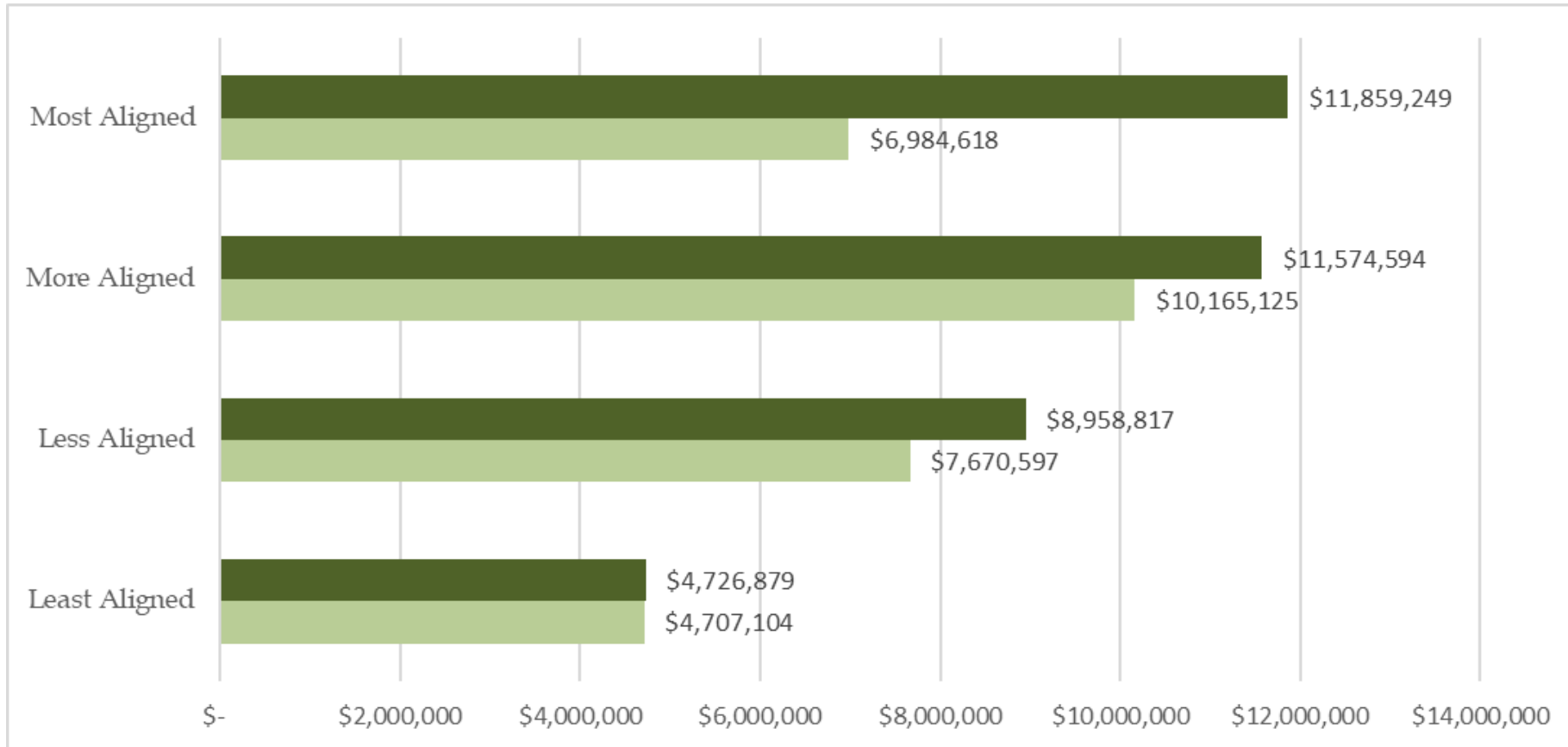
# Summary - General Fund



Summary - General Fund	Ongoing	One-Time
Available FY 2023-2024 - February Retreat	\$ 4,665,000	\$ 20,045,000
PSPRS Contingency and other projected FY2023 savings	0	3,174,000
Funding Set Aside (Merits -ongoing)	1,725,000	800,000
<b>Total Available FY 2023-2024</b>	<b>6,390,000</b>	<b>24,019,000</b>
Approved Budget Requests and Fixed Costs		
Investing in Employees	5,339,000	0
Infrastructure Investments	0	4,889,000
All Other Approved Budget Requests (Net)	1,037,000	7,414,000
Support for Other Funds	0	9,230,000
FY 2024-2025 Set Aside for Capital Reserve	0	2,500,000
<b>Total Available</b>	<b>\$ 14,000</b>	<b>\$ (14,000)</b>

*No Primary Property Tax levy increase, except new construction.*

# Total Budget Requests\* - All Funds

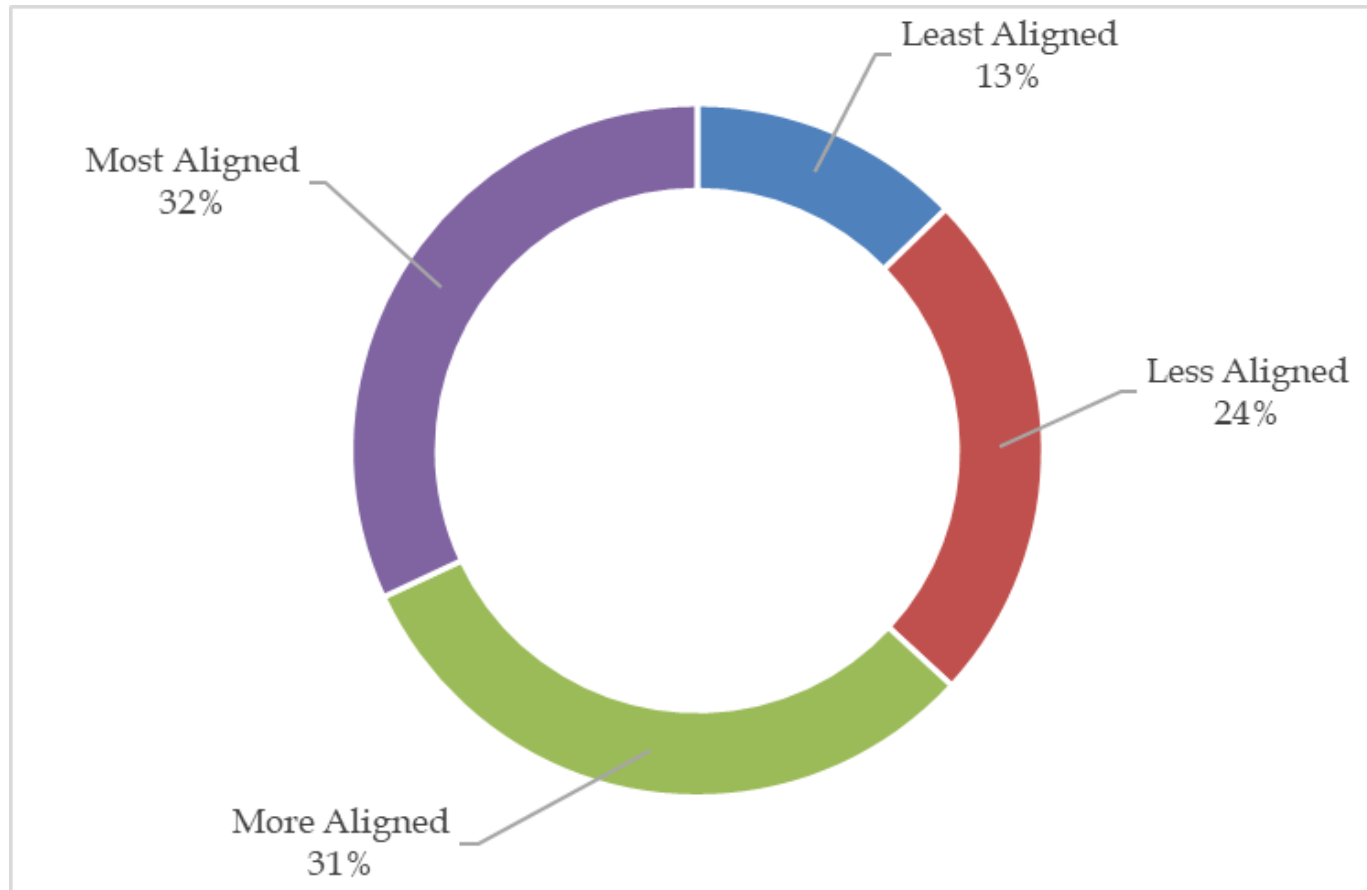


Total Requested:  
\$37,117,539

Total Recommended:  
\$29,527,444

\*Excludes grants, capital and reclassifications

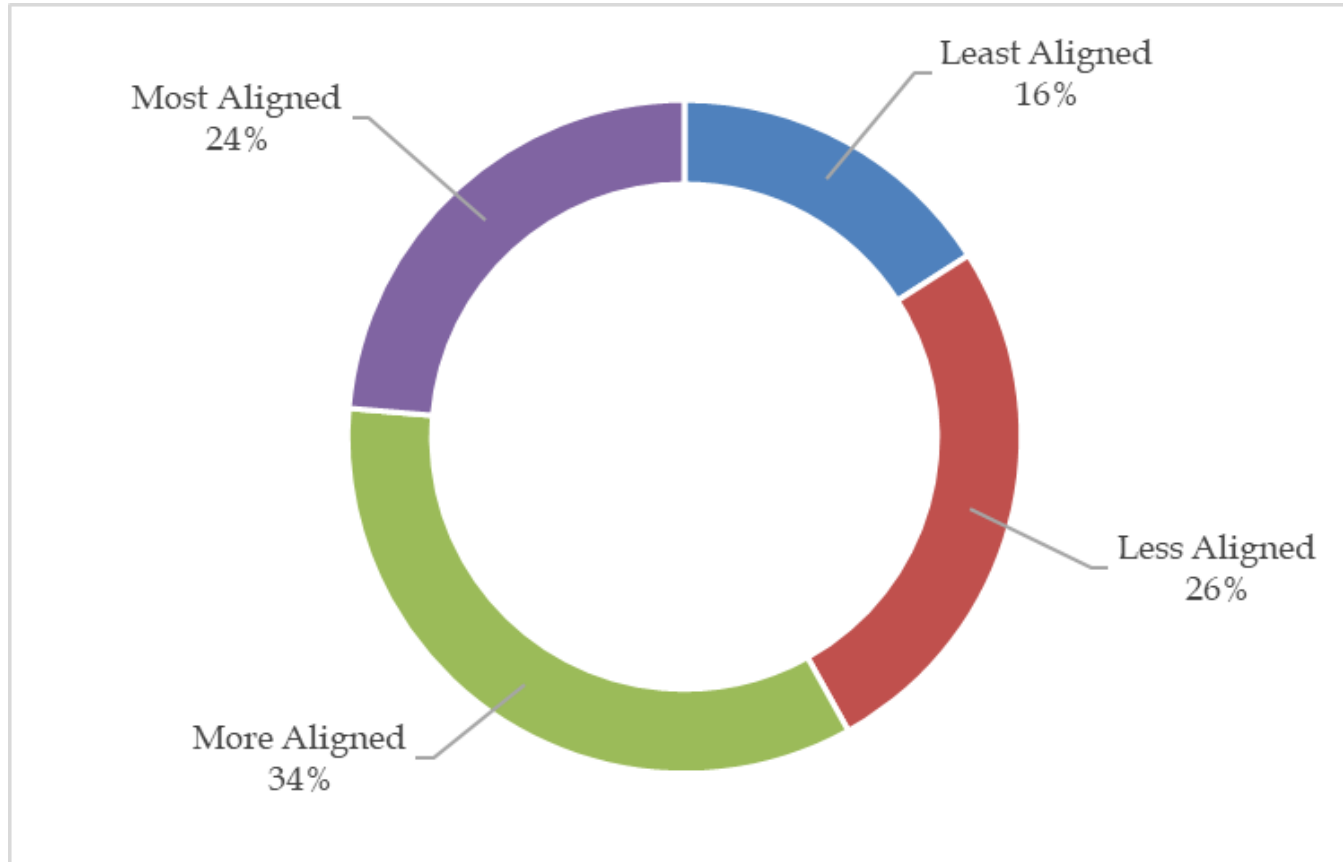
# Operating Requests by Quartile



Quartile	Total Requested
Most Aligned	\$ 11,859,249
More Aligned	11,574,594
Less Aligned	8,958,817
Least Aligned	4,726,879
<b>Total</b>	<b>\$ 37,119,539</b>

\*Excludes grants, capital and reclassifications

# Recommendations by Quartile



Quartile	Total Recommended
Most Aligned	\$ 6,984,618
More Aligned	10,165,125
Less Aligned	7,670,597
Least Aligned	4,707,104
<b>Total</b>	<b>\$ 29,527,444</b>

\*Excludes grants, capital and reclassifications

# Requests and Recommendations



Quartile	Total Requested	Total Recommended	Percent Approved
Most Aligned	\$ 11,859,249	\$ 6,984,618	59%
More Aligned	11,574,594	10,165,125	88%
Less Aligned	8,958,817	7,670,597	86%
Least Aligned	4,726,879	4,707,104	100%
<b>Total</b>	<b>\$ 37,119,539</b>	<b>\$ 29,527,444</b>	<b>80%</b>

\*Excludes capital

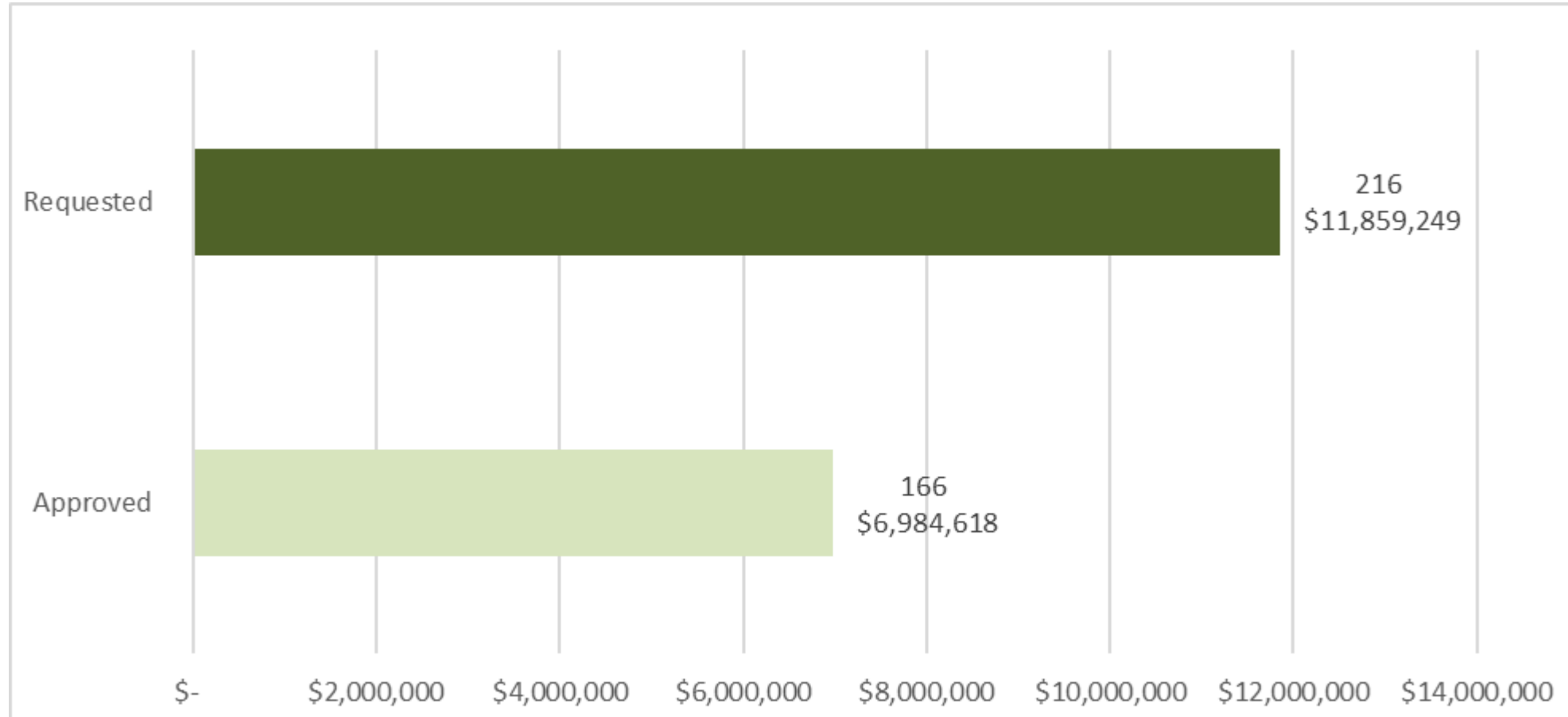


The  
**Budget Team**  
CITY OF FLAGSTAFF



# Lunch

# Quartile 1 - Most Aligned



# Quartile 1 – Most Aligned



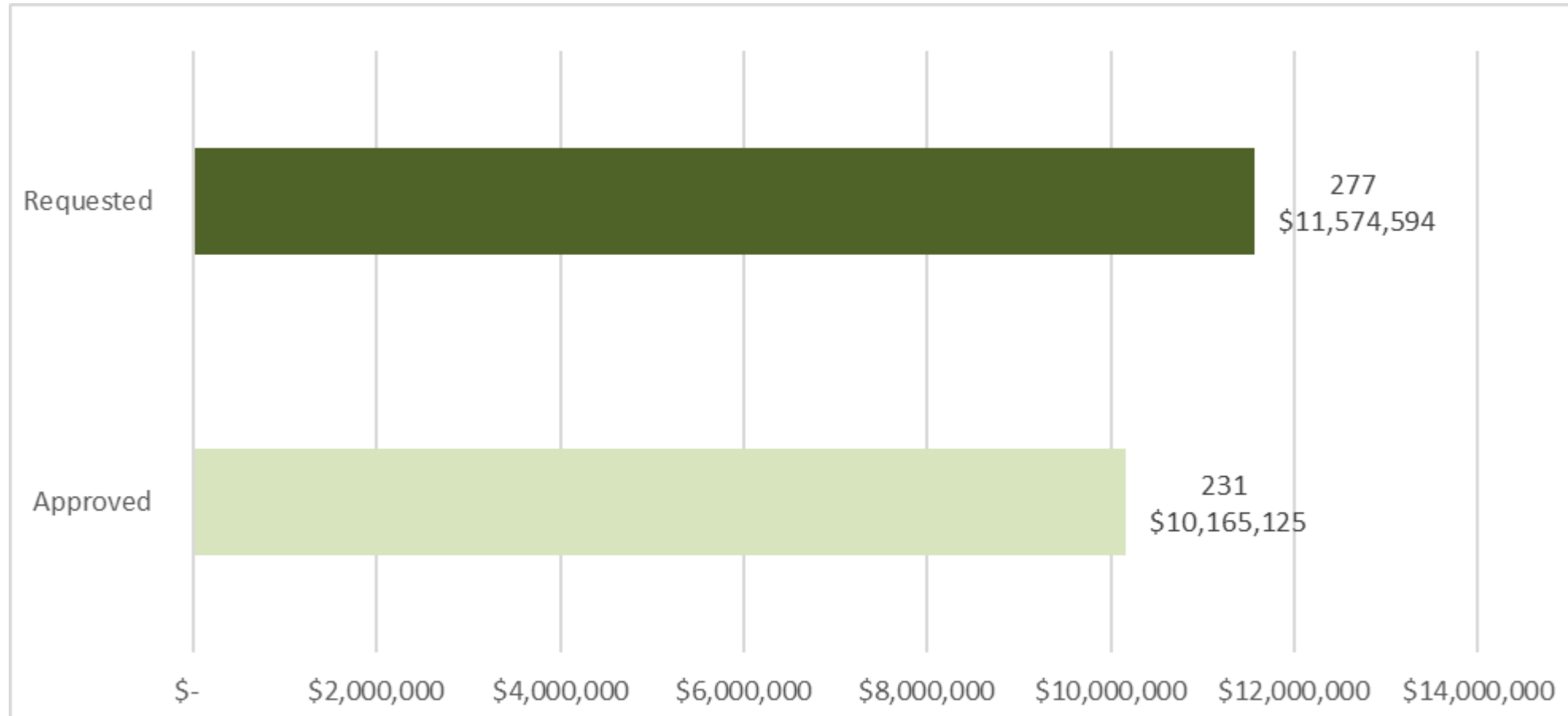
Highlights of Recommended Requests By Priority Based Budget Program	Color of Money	Ongoing	One-Time
Budget Development and Monitoring		\$ 156,903	\$ 56,439
Emergency Management		36,359	170,100
Fire Suppression		26,288	174,875
Fire All-Risk/Catastrophic Emergency		5,258	228,602
Floodplain Management/Emergency Flood Response		367,616	6,185
Grant Management		87,074	6,809
Infrastructure Management		14,400	835,607

# Quartile 1 – Most Aligned

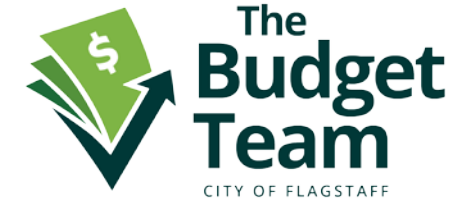


Highlights of Recommended Requests By Priority Based Budget Program	Color of Money	Ongoing	One-Time
Medical Response		\$ 71,153	\$ 232,442
Public Housing: Residential Property Maintenance		125,670	0
Stormwater Infrastructure Maintenance		229,089	1,806,185
Traffic Systems Management		114,353	11,000
Water Services Capital Project Delivery		132,151	5,185
Water Services Computerized Remote/Monitoring		106,375	109,815
Wildfire Management		10,515	65,251

# Quartile 2 - More Aligned

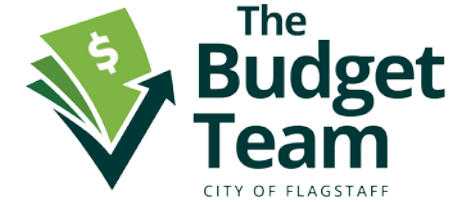








# Quartile 2 - More Aligned



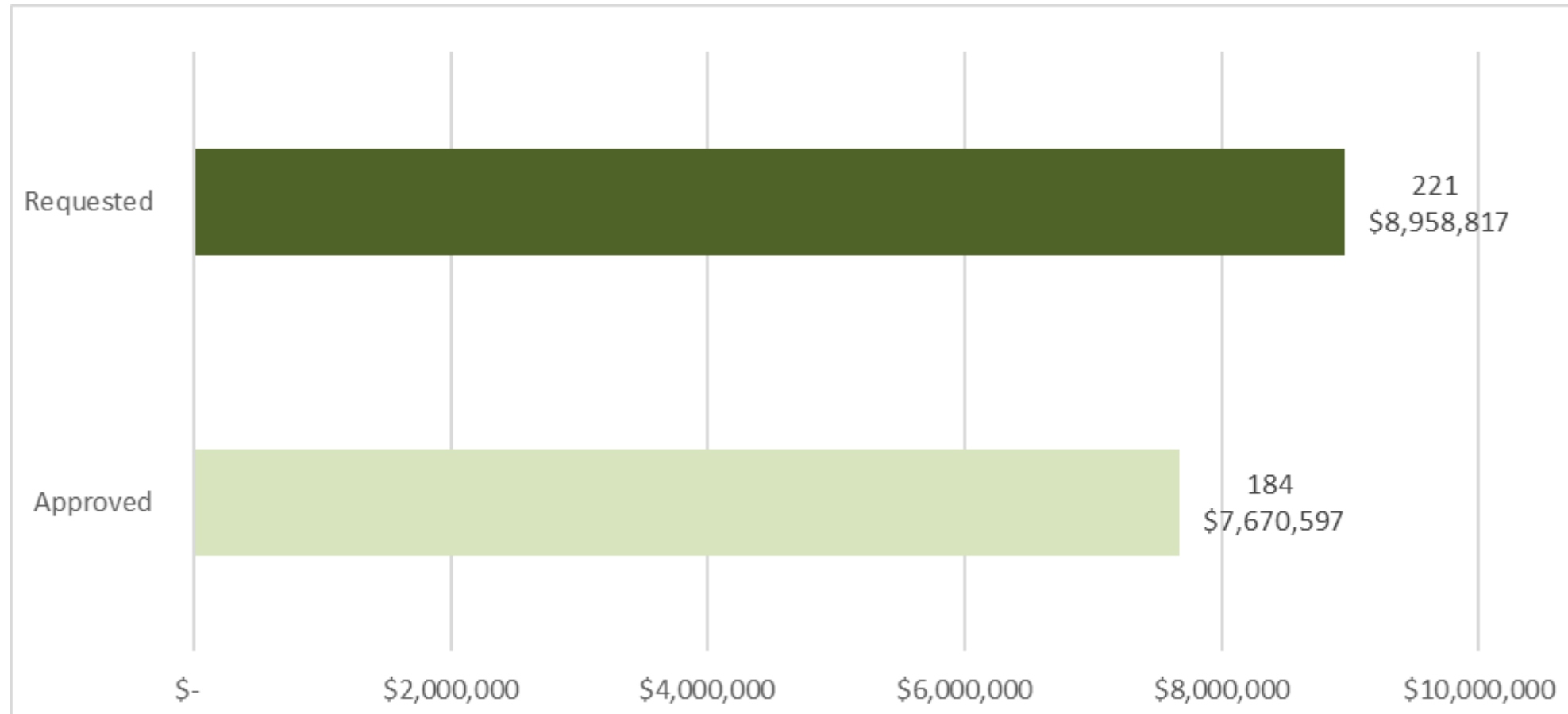
Highlights of Recommended Requests By Priority Based Budget Program	Color of Money	Ongoing	One-Time
911 Communications Regional Call Taking/Dispatch		\$ 0	\$ 216,382
Affordable Housing Unit Creation		122,934	130,100
BBB/Right of Way/Streetscape Maintenance		0	14,599
Business Retention and Expansion		80,000	74,257
City Facility Inspection and Maintenance		0	363,900
Climate Action		0	4,461,520
Community Climate Change		0	358,711

# Quartile 2 - More Aligned

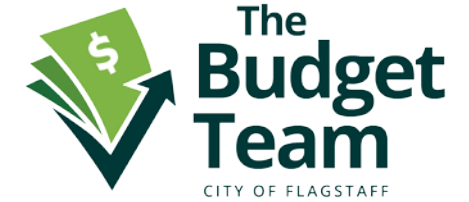


Highlights of Recommended Requests By Priority Based Budget Program	Color of Money	Ongoing	One-Time
Community Policing		\$ 0	\$ 208,681
CVB Community Programming		62,743	135,816
Criminal Investigations		0	230,164
Emergency and Non Emergency Uniform Response		0	550,486
Recruitment		92,201	32,109
Stormwater Public Education and Outreach		105,800	50,185

# Quartile 3 - Less Aligned

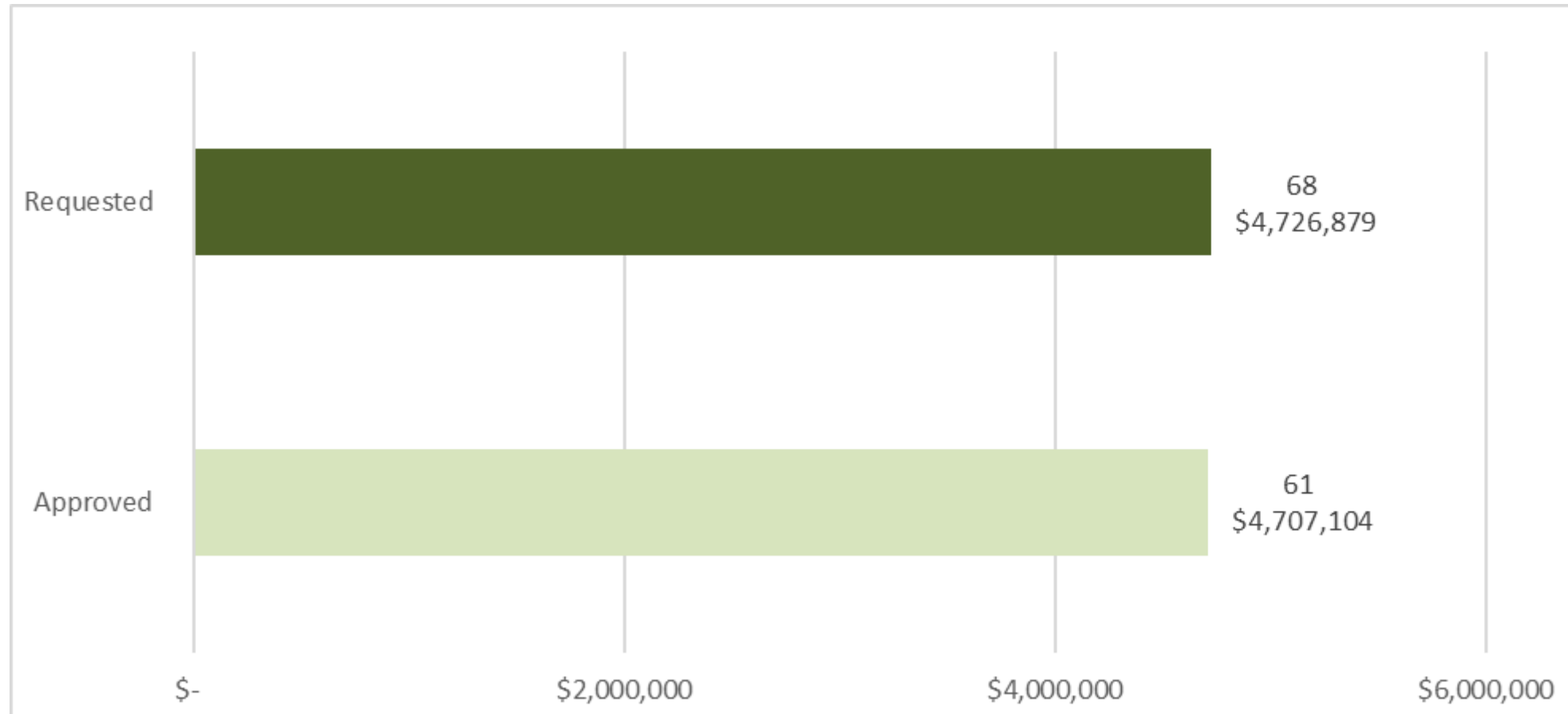


# Quartile 3 - Less Aligned







Highlights of Recommended Requests By Priority Based Budget Program	Color of Money	Ongoing	One-Time
Alternate Response		\$ 105,152	\$ 208,000
Art and Science Community Funding		10,833	230,000
City Facilities Security and Access Control		218,154	100,000
Domestic Markets		32,933	237,618
Facility Equipment Repair and Maintenance		80,155	372,171
Police Emergency Response Team		0	293,887
Service Partner Contracts		0	497,448

# Quartile 4 - Least Aligned



# Quartile 4 - Least Aligned



Highlights of Recommended Requests By Priority Based Budget Program	Color of Money	Ongoing	One-Time
Airport Facility and Building Maintenance		\$ 69,254	\$ 4,023,182
Pavement Management		0	250,000
Police Recruiting and Hiring		0	140,668
Title Research/Review		0	30,000



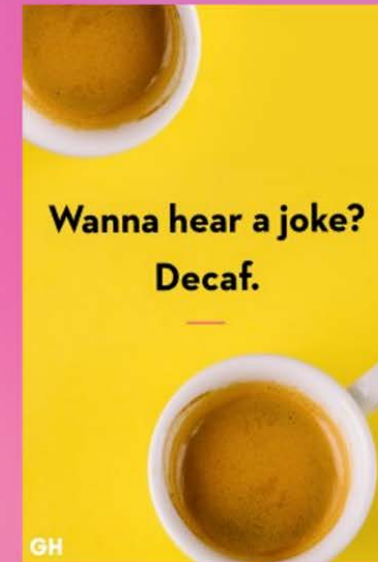
# The Budget Team

CITY OF FLAGSTAFF



# FIKA

Something fun, sweet, caffeinated, & stress-free



# Service Partner Contracts



General Fund Contracts			
Agencies	FY 2022-2023 Adopted	FY 2023-2024 Proposed	
United Way	\$ 293,750	\$ 293,750	
FACTS	272,319	272,319	
Humane Society	417,390	430,160	*
Victim Witness	41,304	41,304	
Coalition for Children and Youth	19,669	19,669	
NACASA	18,627	22,000	*
Weed & Seed	5,503	5,503	
Boys & Girls Club	35,000	35,000	
Shelter Winter Overflow	25,000	-0-	
Shelter Services	-0-	100,000	*
Black Lived Experience	49,900	49,900	
Elevate Pre-K	25,000	-0-	
Lowell Discovery Center	35,000	-0-	
Mobile Outreach Bus	37,500	-0-	

# Service Partner Contracts

- NACASA funding increase request of \$3,373
- High Country Humane (City/County IGA)
  - Funding to match County's agreement in price and CPI adjustments
  - CPI Adjustment \$12,770
  - Does Council want to extend the contract the same term as the County?
- Shelter Services operations support - \$100,000
- Consideration of 5% increase to existing Service Partner Contract
  - Approximately \$36,100 (Unfunded)

# Carbon Neutrality Plan

## An Investment in Our Future



*The risk and cost of inaction will be far greater than the cost of action*

1. Staff were asked to consider funding requests through the lens of the Carbon Neutrality Plan
2. The benefit of this process:
  - Accountability
  - Understanding the City's investment
  - Education and capacity building
3. Analysis
  - How requests align with Carbon Neutrality Plan
  - New funding that advances the CNP



# Carbon Neutrality



## Neighborhoods

Community Resilience

Equitable Systems

Decreased  
Dependence on Cars

Housing for All

Inclusive Recreation

## Energy

Electric Mobility

Clean Electricity

Building Fuel  
Switching

## Consumption

Reduced Building  
Energy Use

Sustainable  
Consumption

Water Security

## Commitments

Healthy Forests  
and Open Spaces

Health and Safety

Economic Prosperity

Carbon Dioxide  
Removal

# Funded Budget Requests by CNP Priorities

Neighborhoods



Energy



Consumption



Commitments



0 50 100 150 200 250

# Approved Budget Items by CNP Target Area

Community Resilience

Health and Safety

Economic Prosperity

Equitable Systems

- Neighborhoods
- Energy
- Consumption
- Commitments

174

140

59

34

Water Security

Carbon Dioxide Removal

Inclusive Recreation

33

Fuel Switching

Healthy Forests

Sust. Consump.

Decreased Dependence on Cars

Reduced Building Energy Use

Electric Mobility

Housing for All

C.Elect.

12

11

11

9

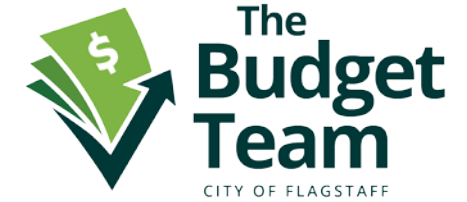
8

22

11

7

# CNP Investments



**\$9,300,000 in funded budget requests advance the CNP**

**This includes the following large requests:**

- \$4,400,000 NORESKO Energy Conservation Project
- \$1,000,000 Water Rights legal fees
- \$850,000 HUD Funding
- \$200,000 Pre-season flood mitigation
- Water Services Operator, Transportation Planner, Housing Planner, CARE Unit Administrative Captain, housing and tuition for police academy recruits, portable restroom rentals



The  
**Budget Team**  
CITY OF FLAGSTAFF



# Capital Improvement Program

# Summary



Program	FY 2022-23 Estimate	FY 2023-24 Budget	FY 2025-28 Projection
General Government	\$ 22,178,986	\$ 30,351,164	\$ 133,221,749
Streets/Transportation	43,591,330	69,159,304	256,940,105
BBB	3,548,247	2,974,000	15,561,919
Water Services	47,614,931	46,704,734	86,970,436
Solid Waste	6,495,671	4,100,000	10,350,000
Airport	4,934,453	14,525,500	44,105,622
<b>Total</b>	<b>\$ 128,363,618</b>	<b>\$ 167,814,702</b>	<b>\$547,149,831</b>

# Capital Retreat Follow-Up



- City is embarking upon several years of significant capital projects
- Obligated expenditures over this year and next is near \$300M
- Staff will do its part to ensure transparency
- Council support will be needed to ensure timely deliverables as budgeted
- Staff capacity will be strained
- These projects, upon completion, will be significant milestones for Flagstaff



The  
**Budget Team**  
CITY OF FLAGSTAFF



# Public Participation



The  
**Budget Team**  
CITY OF FLAGSTAFF



# Day 1 Wrap Up



The  
**Budget Team**  
CITY OF FLAGSTAFF



# Day 2

## Opening and Overview

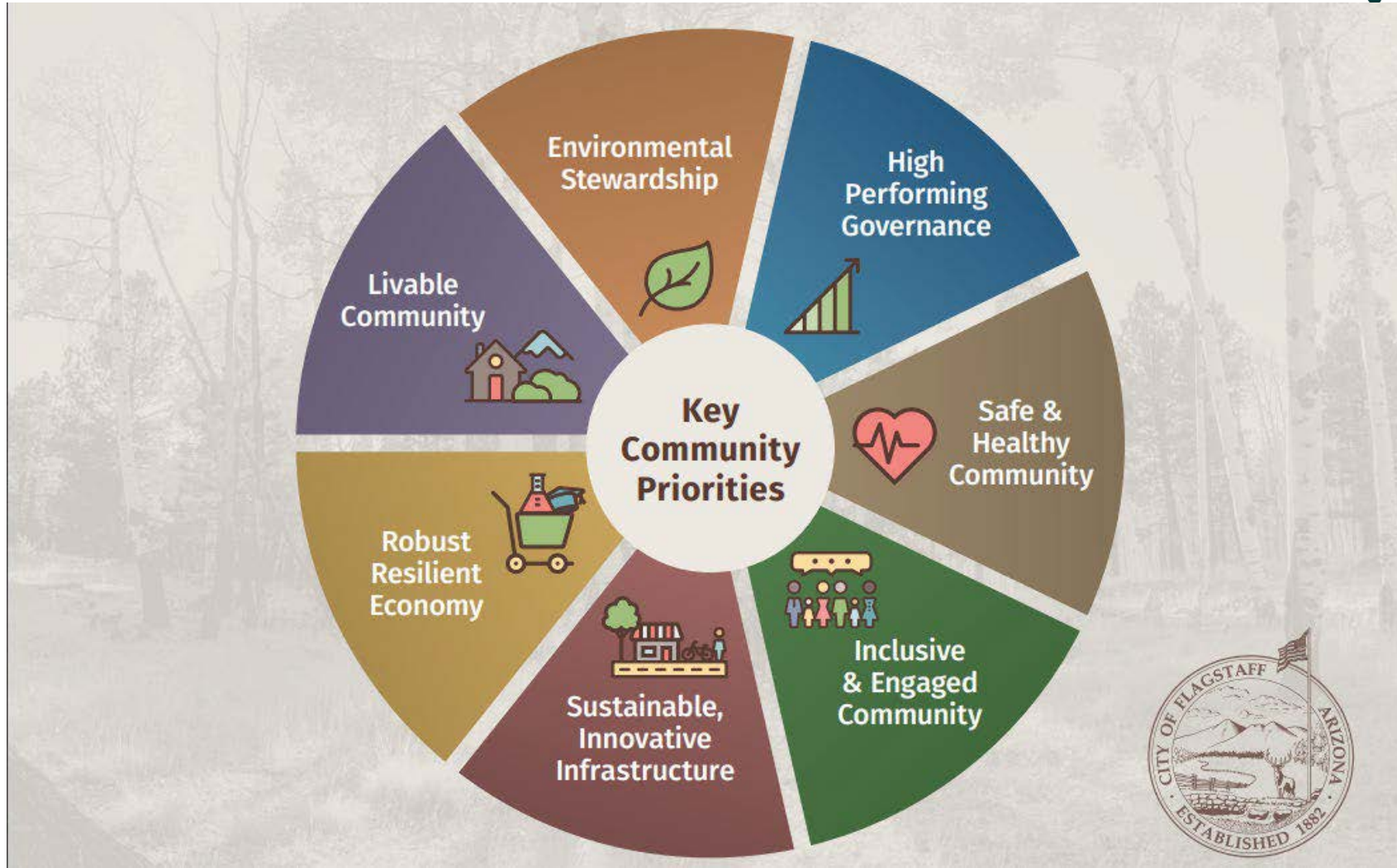


The  
**Budget Team**  
CITY OF FLAGSTAFF

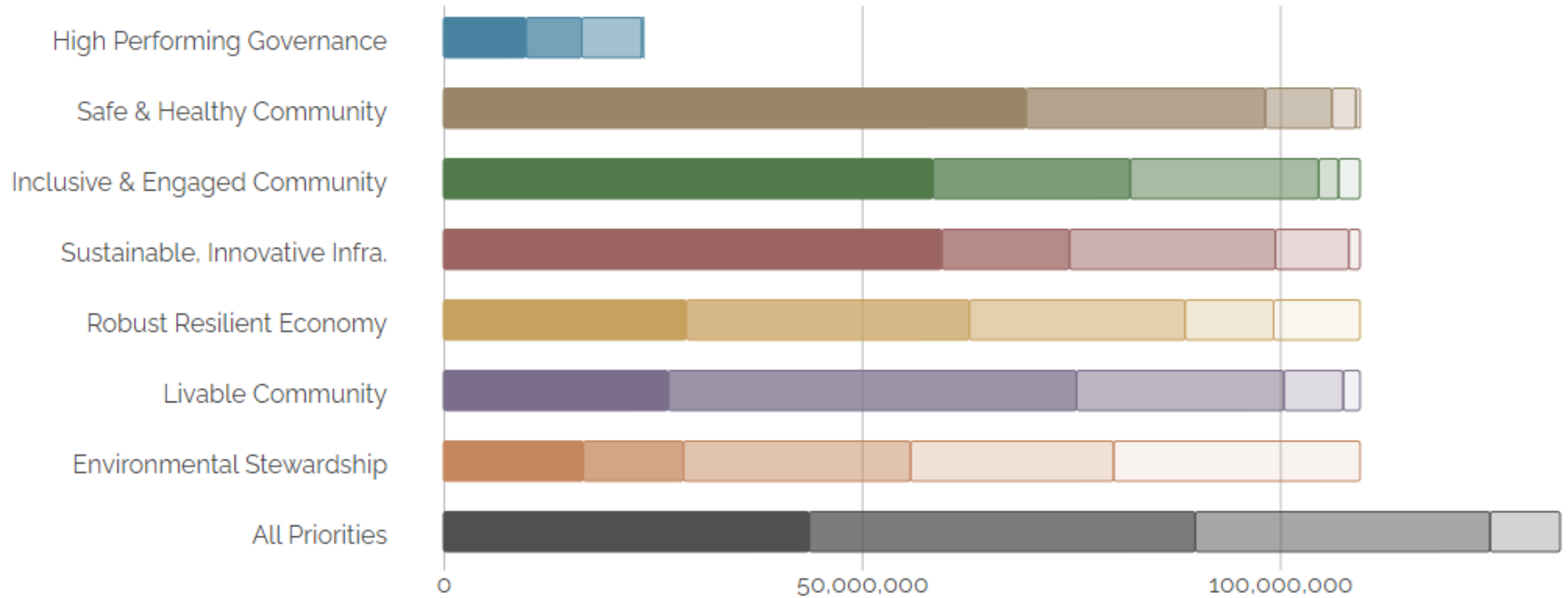


# Key Community Priorities

# Key Community Priorities



# Key Community Priorities - FY 2022-2023 Base Budget



# High Performing Governance



- Digital transformation by modernizing aging software systems
- Enhanced data driven court case management efforts
- Implement electronic warrant and validation processes
- Resume contact with leaders within Indigenous nations
- Successfully implemented fourth year of priority-based budgeting
- Managing numerous grants to enhance the City's fiscal stability, increase efficiency and effective
- Implementing OnBase for contracts to encourage public trust through transparency and accessibility
- Implementing an automated time entry system

# High Performing Governance



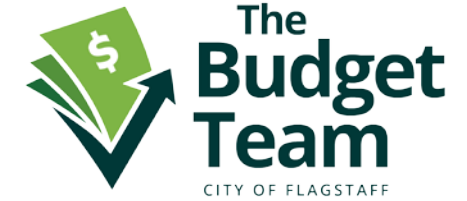
- Currently revising, updating and enhancing procurement policies and procedures
- Compensation funding for pay for performance merits, step plan merits and market adjustments
- Enhanced training and professional development
- Successfully received regional grants to support better response, efficiencies and partnership in the region
- For emergency and non-emergency response, upgrading emergency vehicle equipment and radio system components
- Provided acquisition services for a range of transportation, stormwater and capital projects

# High Performing Governance



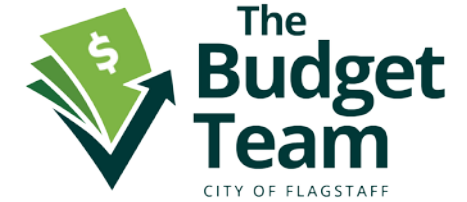
- Public portal available for development and application submittals
- Public housing and voucher programs application process and waiting list management, interviews and referrals
- Project planning, development, execution, monitoring, and closing of projects associated with infrastructure and services
- Fleet coordinates the Fleet Management Committee, acquisition of rolling stock, and the general maintenance of 800+ vehicles and pieces of equipment, increased funding for replacements
- Assisted the tourism sector in rebounding from the pandemic and FY 2021-2022 was the highest Bed, Board and Beverage (BBB) tax collection ever

# High Performing Governance



- Water Services, City Engineering and Human Resources/Risk Management leadership transitions
- New planning efforts to provide clear and focused direction into the future
- Public trust through enhanced transparency, accessibility and use of the City's public participation policy
- Fiscal efficiency and effectiveness by supplementing budgets with grants resulting in:
  - Buffalo Park accessibility
  - Picture Canyon restoration/trails
  - Observatory Mesa invasive weed mitigation

# High Performing Governance



- Launched the Four Corners Carbon Coalition to spark market transformation in carbon dioxide removal ~ the coalition awarded funding for the world's first project using carbon removed from the atmosphere to produce ultra-low carbon concrete at the Block-Lite masonry facility
- Launched a citywide electricity rate optimization study, to identify cost savings in utility account rate plans
- Updated the Municipal Sustainable Building Resolution to incorporate City priorities around resilience, housing, and carbon neutrality
- Received an Urban Agriculture and Innovative Production grant to fund the region's first comprehensive food systems assessment and food action plan

# Safe and Healthy Community



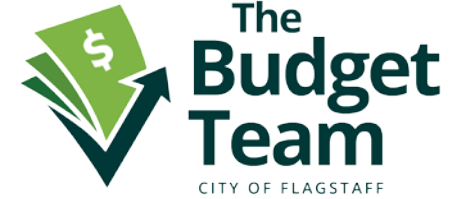
- Provide emergency management services with resources, staff and training to support the community's needs
- Schultz Creek basin, channel stabilization and Highway 180 culvert projects to ensure community safety from flooding
- CARE Program funding, equipment and new van
- Replaced aged out safety equipment and continued making strides in fleet replacements
- Code and Dark Sky compliance performs regular patrols/monitors for ongoing and active code violations, performs graffiti removal and enforces specialized compliance focusing on outdoor lighting

# Safe and Healthy Community



- Community Development Block Grant (CDBG) funds affordable housing, homelessness, neighborhood revitalization and workforce development
- Police aides at City facilities to help reduce misbehavior and ensure staff and patrons feel safe
- Delivered effective messaging to key drive markets on snow play, fire, flooding and forest safety
- Complete lead and copper rule revisions and requirements
- Preventative maintenance investment in the wastewater collection system and facilities

# Safe and Healthy Community



- Operation and maintenance of twenty-four real-time flood alert gauges
- Perform thorough reviews of civil construction plans to ensure new infrastructure is designed and constructed in compliance with applicable codes and engineering standards
- Review and approve transportation impact analyses (TIAs) associated with land development

# Safe and Healthy Community



- Promote health and wellness for everyone in Flagstaff
  - Guided hikes in open space/natural areas
  - Adult and youth recreational sports leagues
  - Active and passive recreation opportunities in parks
  - Safe, fun, and cultural connections through events
- The Incident Management Team hosted five volunteer events, engaging nearly 250 volunteers who contributed nearly 1,000 service hours to help community members refresh sandbags to protect more than 40 homes
- Grant funded programming that provides high efficiency particulate air (HEPA) air purification units to community members at high risk during poor air quality days



# Inclusive and Engaged Community



- Successful bond and candidate elections
- Improved videography, digital services and increased staffing
- Submitted an Environmental Justice Government to Government grant to assist underserved and disadvantaged for the Flagstaff Regional Resilience project
- CARE Captain to oversee the new program and to be the Emergency Medical Services liaison to internal and community partners
- Increased social media platforms and presence for information flow and recruitment

# Inclusive and Engaged Community



- Advance social equity and justice through crime victim notification and survey software and project alert in schools
- Regional Plan update is engaging the community in a variety of visioning and scenario planning events
- Neighborhood specific plans engage residents to plan the future of neighborhoods and develop policies that guide future growth
- 10 Year Housing Plan has an eighteen month implementation plan
- Snow plowing operations responded to an extraordinary winter season to remove snow and ice from downtown and select areas within the City

# Inclusive and Engaged Community



- Pavement management process of planning the maintenance and repair of the roadway network
- Facility tenant improvements for existing buildings and workspaces
- Implementing new Airport website with real-time flight information and updates
- Consumer-facing marketing with Flagstaff Local Your Actions Matter

# Inclusive and Engaged Community



- Create community engagement through
  - Outreach and education programs
  - Lead and Copper Rule revision and requirement
  - Water, Wastewater and Reclaimed Water Rate study
  - Water Reclamation Facility Master Plan
  - Increased Stormwater preparedness and response, increased staffing
- Enhanced community outreach to engage residents, business owners, etc. during design and construction of capital projects to get feedback and respond as needed

# Inclusive and Engaged Community



- Partner with outside agencies:
  - Arizona Department of Transportation
  - Coconino County
  - Mountain Line
  - MetroPlan
  - Northern Arizona University
  - Flagstaff Unified School District and other schools
  - BNSF Railway
  - U.S. Army Corps of Engineers
- Park amenities, recreation programming and Open Space trail planning are focused on being inclusive and accessible to all

# Inclusive and Engaged Community



- PROSE planning actively engages the local community to provide the amenities and activities residents want to see
- Hosted a nine-week Sustainability Leaders course, which included classes on transportation, energy, sustainable food systems, waste diversion, and other climate action topics
- Supported the Flagstaff Unified School District in climate planning and goals by participating in climate action advisory committee



# Inclusive and Engaged Community



- Supported Northern Arizona University on its climate action plan task force assisting to chart a path forward to achieve carbon neutrality by 2030

# Sustainable, Innovative Infrastructure



- Fiber funding to improve connectivity across the community
- Public outreach for recycling programs with multi-family housing managers
- Received Nationally Significant Multimodal Freight and Highway (INFRA) grant for the Downtown Mile
- Submitted for grants for the Airport Snow Removal Equipment Building (SREB) and Rebuilding American Infrastructure with Sustainability and Equity (RAISE) for Beulah Complete Streets
- Replaced all mobile data computers in Fire units to assist with City Information Technology oversight and connectivity with the 911 dispatch center

# Sustainable, Innovative Infrastructure



- Improvements to computer aided dispatch consoles, internet cabling parking lot and crisis negotiations equipment
- Community Development Block Grant (CDBG) funds have completed neighborhood revitalization projects including bicycle and pedestrian infrastructure
- Acquisition of property rights for transportation, stormwater and capital improvement projects
- Replacing City vehicles with electric and hybrid options
- Significant repairs and updates to the NACET campus

# Sustainable, Innovative Infrastructure



- Improve our supervisory control and data acquisition (SCADA) system by continuing to update legacy equipment, standardizing new equipment and decreasing downtime of equipment failure
- Complete improvements to Inner Basin water system
- Complete groundwater yield and recovery assessment
- Update City codes, ordinances and engineering standards to align with the Carbon Neutrality Plan, Active Transportation Master Plan (ATMP), etc.
- Conduct traffic studies and order associated improvements to ensure safe traffic operations
- Utilizing stormwater infrastructure as recreation amenities

# Sustainable, Innovative Infrastructure



- Community garden space at Hal Jensen Recreation Center
- Pollinator gardens and growing our own plants
- Flagstaff Urban Trails System (FUTS) maintenance for alternate transportation
- Electric mower purchase and other electrified equipment to reduce emissions and noise pollution
- Drainage Improvements
  - Rio de Flag
  - Spruce Wash drainage corridor
  - Highway 180 box culvert



# Sustainable, Innovative Infrastructure



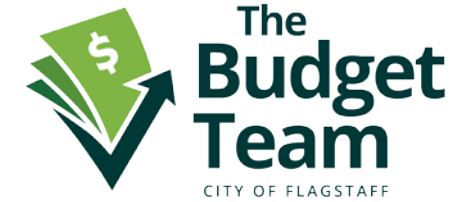
- Review and update as needed the rate structure for Water Services
- Completed a citywide energy audit and initiated Phase 1 of a comprehensive energy conservation initiative that will begin with lighting and weatherization upgrades at key facilities
- Partnered with APS Take Charge AZ program to install 18 electric vehicle charging stations at four separate facilities (Aquaplex, City Hall, Flagstaff Airport, and Visitors Center)
- The Residential Food Scrap Drop-off pilot program diverted over 20,000 pounds of food waste and opened two new drop-off locations at the Aquaplex and Bow and Arrow Park

# Robust Resilient Economy



- Multilingual advertisements for minimum wage materials
- Provided and managed the American Rescue Plan Act (ARPA) funds to small business's and for aid to tourism to support workforce development programs
- Partner with agencies to identify opportunities for joint purchasing to leverage combined purchasing power
- Secured grant funding for forest restoration projects
- Affordable housing creation by managing the affordable housing incentive program, support low income housing tax credit (LIHTC) applications, and managing City land trust

# Robust Resilient Economy



- Manage neighborhood and specific plans that create policies and standards for healthy places people want to live
- Interdivision staff (IDS) development review team rechartering establishing reviewers, process and procedures and training staff
- Installation of Airport paid parking program
- Lease of Airport 31.45 acres for business development

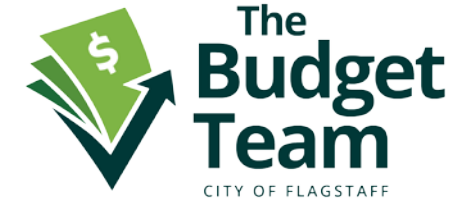


# Robust Resilient Economy



- Funding for economic development oriented non-profits that were impacted by COVID-19
- Identify and implement workforce development strategies
- Encourages safe and responsible visitation that in turn creates an economic impact for our residents and businesses
- Coordinate with County, State, and Federal agencies for pre and post-fire community flood mitigation and preparedness
- Recreational opportunities and events draw visitors and locals who then contribute to the local economy

# Robust Resilient Economy



- Sports tournaments like softball (adult and youth) and this year's Professional Disc Golf Masters tournament, and signature events like the Winter Wonderland Tree Lighting draw tourists to Flagstaff who stay in hotels, eat in restaurants, and shop in local stores
- Awarded \$50,000 in Neighborhood Sustainability micro grants to inspire creative projects that enhance community sustainability and to foster partnerships that promote sustainable and healthy lifestyles
- Completed nearly one megawatt of residential solar installations through Solar United Neighbors bringing the community closer to the 2030 target of 10 megawatts

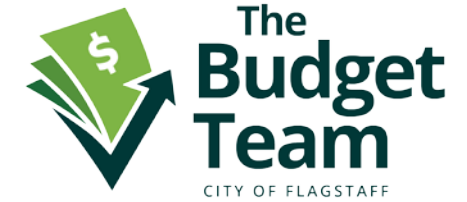


The  
**Budget Team**  
CITY OF FLAGSTAFF



**Break**

# Livable Community



- Increased community engagement through additional community outreach platforms
- Relationship building through the Neighborhood Liaison
- Museum Flood and Pipeline West Flood community awareness
- Provided and managed the American Rescue Plan Act (ARPA) funds to support affordable housing
- Implementation of Proposition 442 housing bond funds by creating rental and home ownership opportunities
- Implementation of the 10-Year Housing Plan
- Airport will continue to recruit new air service and new destinations

# Livable Community



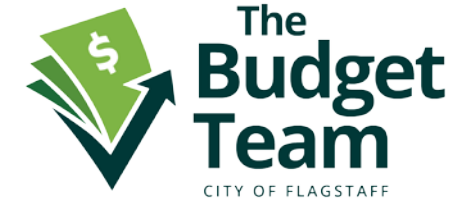
- Expansion of funding to arts, science and culture non-profits through Creative Flagstaff
- Expansion of Beautification in Action grants program
- Promote safe and accessible snow play areas and manages the City/County hotline
- Operate and maintain the drinking water system to provide sustainable and high-quality water to the community
- Operate and maintain a sanitary sewer system to protect the environment and water resources
- Operate and maintain a stormwater system that minimizes community impact from a runoff event

# Livable Community



- Implement income-qualifying homeowner leak repair and fixture efficiency program
- Capital Projects Delivery
  - Replacement of aging infrastructure (asphalt, water and sewer)
  - Bike and pedestrian improvements
  - Transportation improvements with ATMP components
- Supports a healthy lifestyle through Open Space and exceeded 100,000 visitors in 2022
- FUTS travelers exceeded 215,000 in 2022 (for select sections of trail)

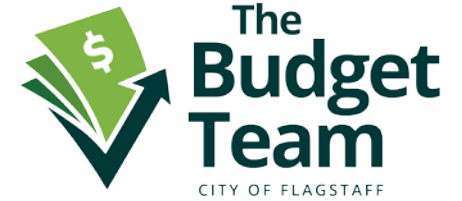
# Livable Community



- Dedicated a position to outdoor education for Open Space
- Launched the Community Resilience Project, a monthly workshop and dialogue series that works with residents to promote individual and community resilience to climate change
- Coordinated clean-up efforts on over 100 miles of trails and avenues, collecting 600 bags of trash and recycling. These efforts supported nearly 1,000 volunteers contributing nearly 1,800 service hours



# Livable Community



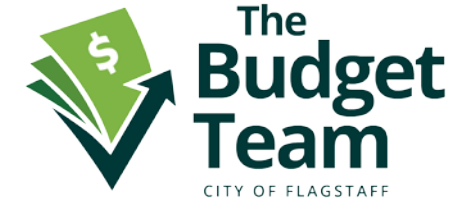
- Rented all community garden plots at the Bonito, Izabel, and Southside Community Gardens
- Hosted the first Expert Composter Certification course ~ the five-week program provided residents with the skills needed to become effective composters, educators, and climate action advocates within their community

# Environmental Stewardship



- Partnering with NORESKO for facility weatherization, lighting, irrigation, and electric vehicle stations
- Wildfire Management supports year-round forest treatment projects while enhancing local, state and federal partnerships
- Rotate out fossil fuel vehicles for hybrids and electric models where feasible
- Heritage Preservation processes promote preservation and reuse of existing buildings for housing and economic purposes
- Regional Plan Update sets Citywide policies and priorities for the conservation of natural resources based on best available science and data as well as input from community members and expert feedback

# Environmental Stewardship



- Environmental assessment of the airport property for future projects as well as purchase of land to protect runway safety areas
- Replenished the Innovate Waste Challenge, the Sustainable Automotive Tax Credit, and the Adaptive Reuse Program
- Conducts clean-up days and has programming around donating to the Flagstaff Trails Initiative
- Reducing carbon footprint through efficiency projects and resource reuse for water infrastructure



# Environmental Stewardship



- Implementing Water Conservation Strategic Plan
- Replacement of existing street lights with dark sky compliant light fixtures
- Partnering with APS the City is powering operations with 100% carbon-free electricity through the Green Power Partners program and be ahead of schedule to meet its 2025 goal to use 100% renewable electricity for municipal operations
- Incentivize residential and commercial water conservation through rebate programs

# Environmental Stewardship



- Distributed \$30,000 in grant funding to a community based organization to employ unsheltered community members for litter abatement
- Launched the Stream Stewards program, which facilitates litter clean ups, debris removal, and invasive species removal from the Rio de Flag. 118 volunteers, contributed over 3,300 service hours helping maintain sections of the Rio de Flag



The  
**Budget Team**  
CITY OF FLAGSTAFF



# Future Planning

# Unfunded Capital Improvements



- Information Technology - \$14M
- Fire Department - \$25.8M
- Police Department - \$8.3M
- Flagstaff Housing Authority - \$18M
- Municipal Facilities - \$10.9M
- Parks - \$89.2M
- Recreation - \$35.6M
- Open Space - \$66.8M
- Parking - \$20M

- Airport - \$25M
- Library - \$30M
- Drinking Water - \$297.9M
- Wastewater - \$238.2M
- Wastewater Collection/Reclaim Distribution - \$5.6M
- Reclaim - \$29.3M
- Stormwater - \$74.6M
- Transportation - \$461.1M

# Fire Department Facility Projects



- Fire Stations
  - New Fire Station to address the John Wesley Powell growth corridor
  - Relocation of Fire Station #6 to address the NAH hospital impacts
- Additional Projects
  - New Fire Administration space (possibly in conjunction with a new Fire Station) to relieve space constraints at City Hall
  - Expansion projects at existing fire stations to accommodate apparatus and staffing needs responding to growth
  - Completion of Fire Training Facility
  - Wild Fire Management Operations

# Police Facility Expansion



- Need for a large garage with three storage bays:
  - Storage for the Bomb Truck, Incident Command Vehicle and the SWAT Rescue truck
  - Garage needs to be on site or close proximity to Police Station
  - Benefits:
    - Flexible vehicle bay for vehicle search warrants during inclement weather
    - Faster response times to emergencies
    - Better security

# Sunnyside STEAM/ Neighborhood Facility

- Sunnyside STEAM/Neighborhood Facility
  - Community process
  - Final design
  - Construction documents
- Foundation for Senior Living
  - Parking/affordable housing project
  - Partially funded
- Old Courthouse Property
  - Procurement process to follow



# Facilities Capital Renewal



Larger capital renewal projects are difficult to fund ~ a large bundling of city wide projects could address the most significant needs and most expensive types.

- City wide major life cycle projects and capital renewal
- Building envelopes – roofs, windows and siding replacements
- Parking lots, landscaping and common areas
- Renovation and interior upgrades for best use of space and efficiencies

# City Storage

- Loss of City space for storage
- City industrial and surplus storage
  - Holiday displays, property surplus and furnishings
  - Attic stock, bulk products and maintenance inventory
- Specialized vehicle storage
  - Mobile Library buses
  - Fire apparatus
  - Graffiti Buster van
  - Weather sensitive equipment
- Workforce materials for sustainability, open space, parks and recreation and many other programs citywide

# Old Courthouse Site Redevelopment



- Identified in the Downtown Vision Plan as a catalyst site
- Mixed use redevelopment opportunity – commercial, residential, parking
- Requires a formal solicitation
- Property could be sold or developed in partnership



# Girls Softball Complex

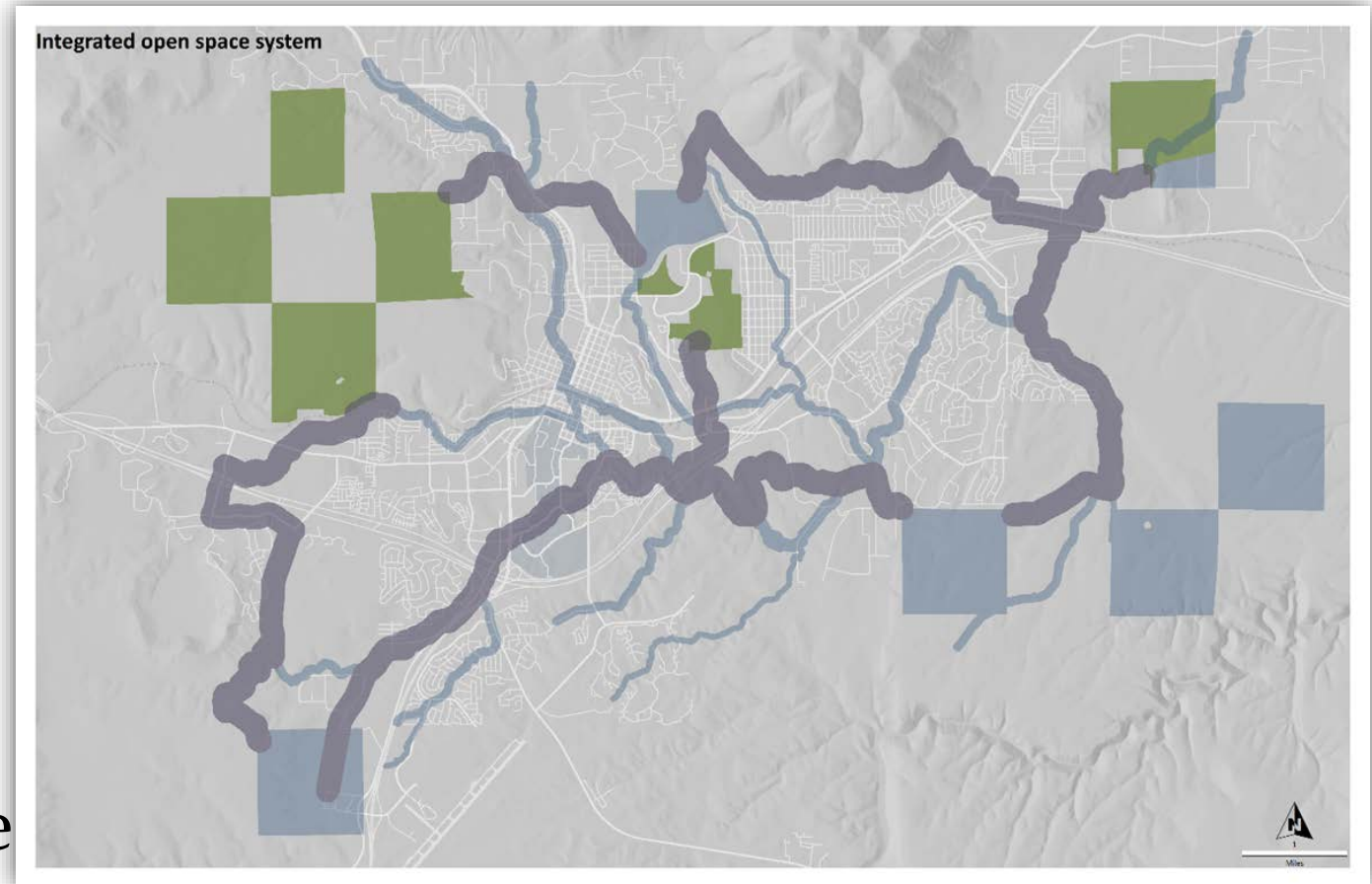


- Design-Build of girls/youth softball complex at Continental Park
- Achieves ecotourism and fulfills a large vacancy in the system
- Promotes Safe and Healthy Community



# Acquisition of Open Space

- Land acquisition for neighborhood connectors and access points
- Achieves fair and equitable distribution and access to community natural areas
- Promotes healthy lifestyle
- Protection of cultural, viewshed, environmental, and wildlife resources



# East Flagstaff Library

- Currently, we lease 10,000 square feet from Coconino Community College (CCC)
- Lease is expiring July 2024
- CCC has expressed a desire to take the space back for their programming
- Staff is asking about a lease extension so we have time to look for other space
- Ideally, we'd like to double our space as we have outgrown this location



# Water Services Resiliency

## Upper Lake Mary Raw Water Pipeline Rehabilitation

- \$22,000,000



This would replace the 1960 wire wrapped concrete cylinder pipe that can no longer be repaired

# Expansion and Enhancement of Water Services



## Inner Basin Rehabilitation

- North Reservoir Treatment Plant
  - Including laterals - \$4,600,000



This compliments the pipeline repair work currently funded by Department of Forestry and Fire Management (DFFM) ~ can work with local focus groups to provide support for this measure

# Expansion and Enhancement of Water Services



## Water Reclamation

- Flagstaff Interceptor
  - Butler to Wildcat Hill Reclamation Facility - \$5,900,000
  
- Wastewater Treatment Plant Enhancement and Expansion
  - Design and construction - \$220,000,000



# Butler Avenue "Complete Street"

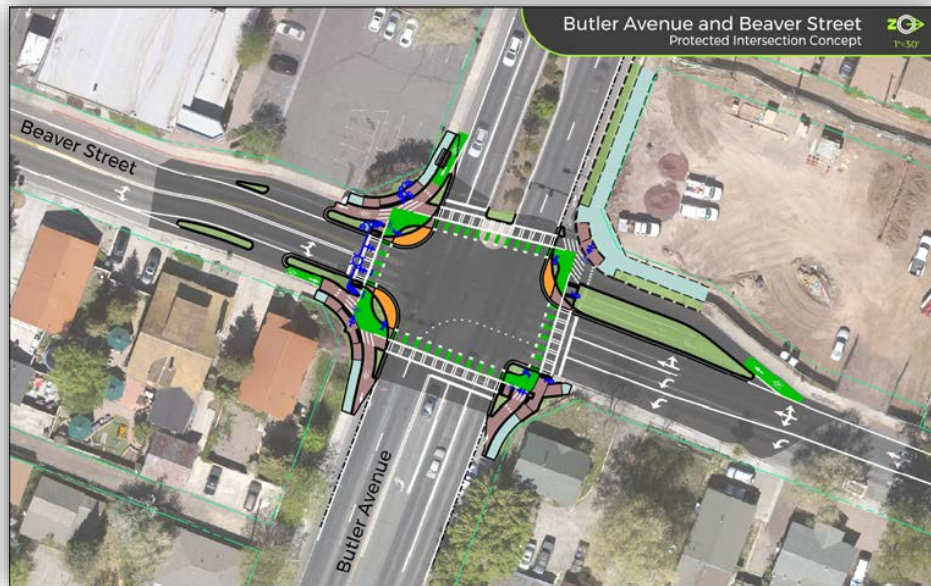


- Raised bike/pedestrian pathways from Milton Road to Sawmill Road
- Protected intersections at Butler Street and San Francisco Street
- Protected intersection 15% concept plans have been completed
- Consultant is preparing 15% conceptual plans and for Butler Avenue raised bike/pedestrian pathways
- \$10 million estimated rough project cost

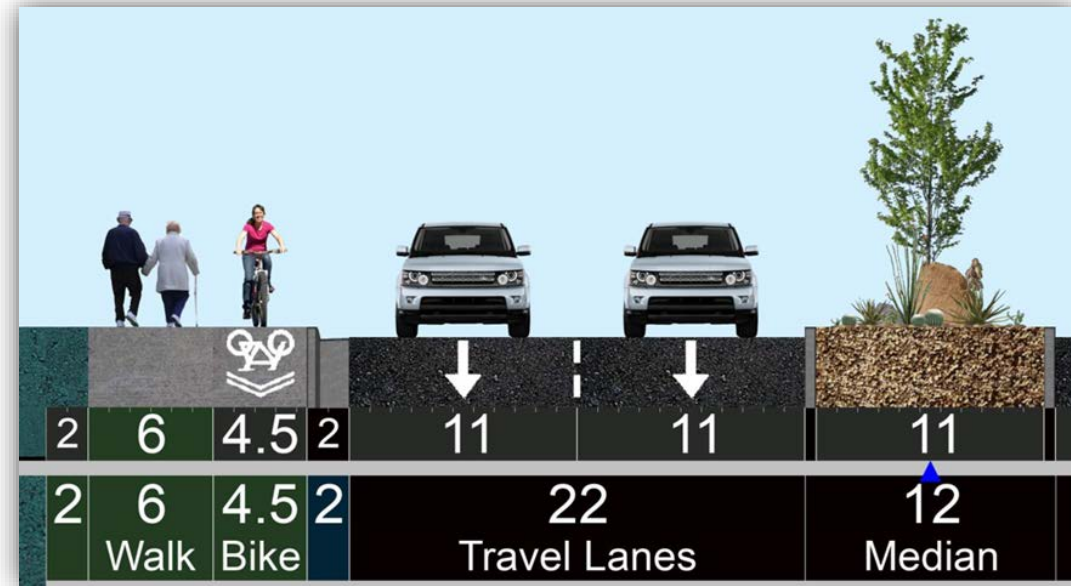
# Butler Avenue "Complete Street"



- Butler Avenue "Complete Street" (Milton Road to Sawmill Road)
- Protected intersections at Butler Street and San Francisco Street

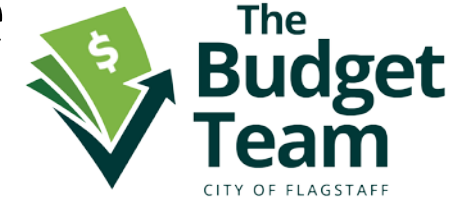


Protected intersection 15% Concept



Raised bike and pedestrian pathways

# Lone Tree Realignment & Interchange (Paul)



- 2006 Lone Tree Corridor Study (Route 66 to JW Powell)
- Realignment and I-40 Interchange in Flagstaff Regional Plan 2030
- New gateway to the community and entry to downtown Flagstaff
- Provides enhanced regional mobility, improves local traffic circulation, provides Active Transportation Master Plan and transit components.
- Estimated Cost of \$122,000,000

# Carbon Neutrality

Healthy and  
Efficient  
Homes

Energy  
Independence  
Initiative

Safe and  
Accessible  
Bike and  
Pedestrian  
Infrastructure

Community  
Health and  
Resilience  
Initiative

Accessory  
Dwelling  
Units Infill  
Accelerator

Healthy  
Homes and  
Stoves

Community  
Electric  
Mobility

Northern  
Arizona Food  
Systems  
Support

# Carbon Neutrality



<b>Healthy and Efficient Homes</b>	\$15.5 million	Increase home health, safety, affordability, and energy-efficiency through: <b>1) 500 deep energy retrofits</b> for low-income families <b>2) Expanded rebates</b> for energy efficiency upgrades <b>3) Loan guarantee and interest buy-down program</b> <b>4) Workforce development</b>  <i>Current funding: \$20,000 annually – rebates for home energy efficiency upgrades</i>
<b>Energy Independence Initiative</b>	\$ 10 million	<b>Solar and battery microgrid systems</b> at emergency response facilities – police, fire, airport.

# Carbon Neutrality



**Safe and Accessible Bike and Pedestrian Infrastructure**

\$ 30 million

**Construct safe biking and walking infrastructure** to fulfill the goals of Active Transportation Master Plan (ATMP). Includes pedestrian crossings, primary bikeways, new FUTS trails, protected bike lanes.

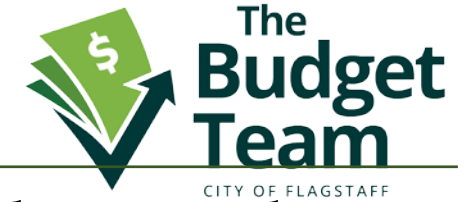
*Current funding: \$34.5 Million from Proposition 419 and the First-last mile grant.*

**Community Health and Resilience Initiative**

\$ 2 million

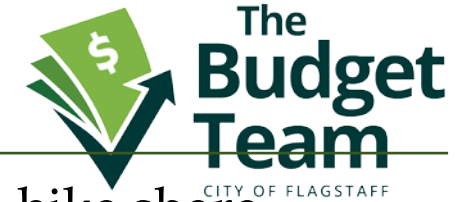
- 1) Create **Community Resilience Hubs** by retrofitting existing COF recreation facilities with advanced air filtering, solar panels and battery back-up systems. Neighborhood-based Hubs will provide refuges and resources in emergencies big and small.
- 2) Expand the **HEPA filtration system grant program**. Breathing-impaired and smoke-sensitive residents will receive filters to assist on unhealthy air days, which are becoming more frequent.

# Carbon Neutrality



<b>Accelerating high efficiency residential structures</b>	\$ 1.5 million	<p>Accelerate the construction of high efficiency / carbon neutral dwelling units.</p> <ol style="list-style-type: none"><li><b>1. Incentives for new Accessory Dwelling Units (ADUs)</b> that provide affordable and energy-efficient rental housing. This will increase the availability of housing in existing neighborhoods through financial incentives and pre-approved plan sets for small, energy-efficient homes.</li><li><b>2. Incentives for new single family and multi-family structures</b> to build to the highest efficiency / carbon neutral dwelling units.</li></ol>
<b>Healthy Homes and Stoves</b>	\$ 0.75 million	<p><b>1,500 woodstove rebates</b> to assist residents with the purchase of EPA-certified wood stoves.</p> <p>These stoves are more energy-efficient, require 33% less wood for the same heat, and improve air quality. Stove upgrades will lead to cleaner air in homes and in neighborhoods and will help residents save money on fuel.</p>

# Carbon Neutrality



**Community  
Electric  
Mobility**

\$ 2  
million

- 1) Launch Flagstaff bike share.** A City-operated bike share system will provide affordable and convenient transportation to Flagstaff residents and visitors. Bike share can reduce reliance on vehicles, complement transit, and help manage congestion.
- 2) Subscription Electric Vehicle-Sharing Program** in Flagstaff Housing Authority neighborhoods. Enables as-needed car access while drastically reducing costs from private vehicle ownership. 15 vehicles and charging infrastructure across three sites.

**Northern  
Arizona Food  
Systems  
Support**

\$ 3  
million

Launch a **multi-pronged initiative to increase food security and resilience.** Develop community gardens, indoor community greenhouses, and a regional commissary kitchen. Provide business development and food-to-market assistance to local farm and food businesses.

*Current funding: \$16,500 annually - for current food initiatives*

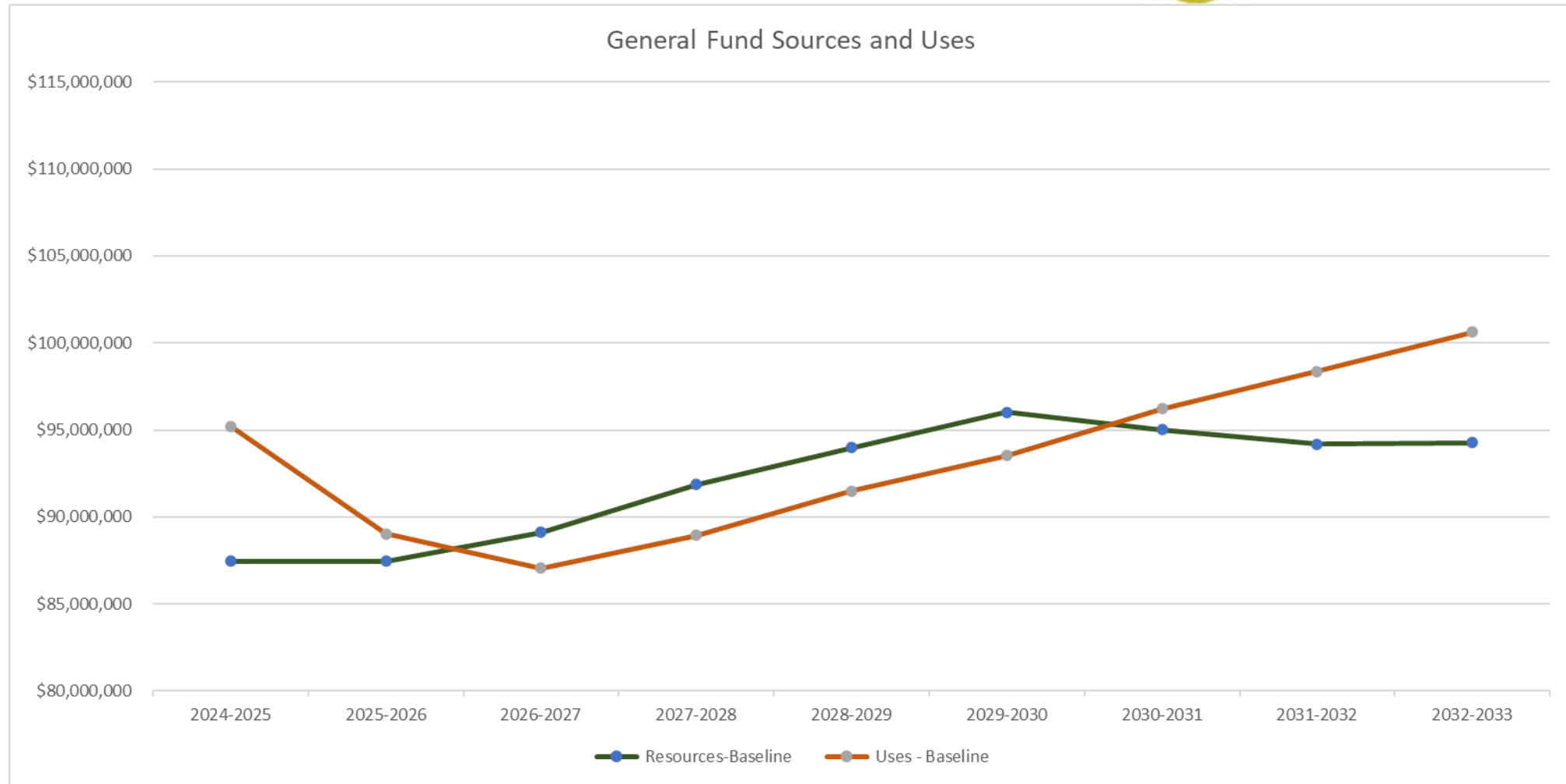


The  
**Budget Team**  
CITY OF FLAGSTAFF



# Financial Planning for Future Considerations

# General Fund 10-Year Plan Sources and Uses

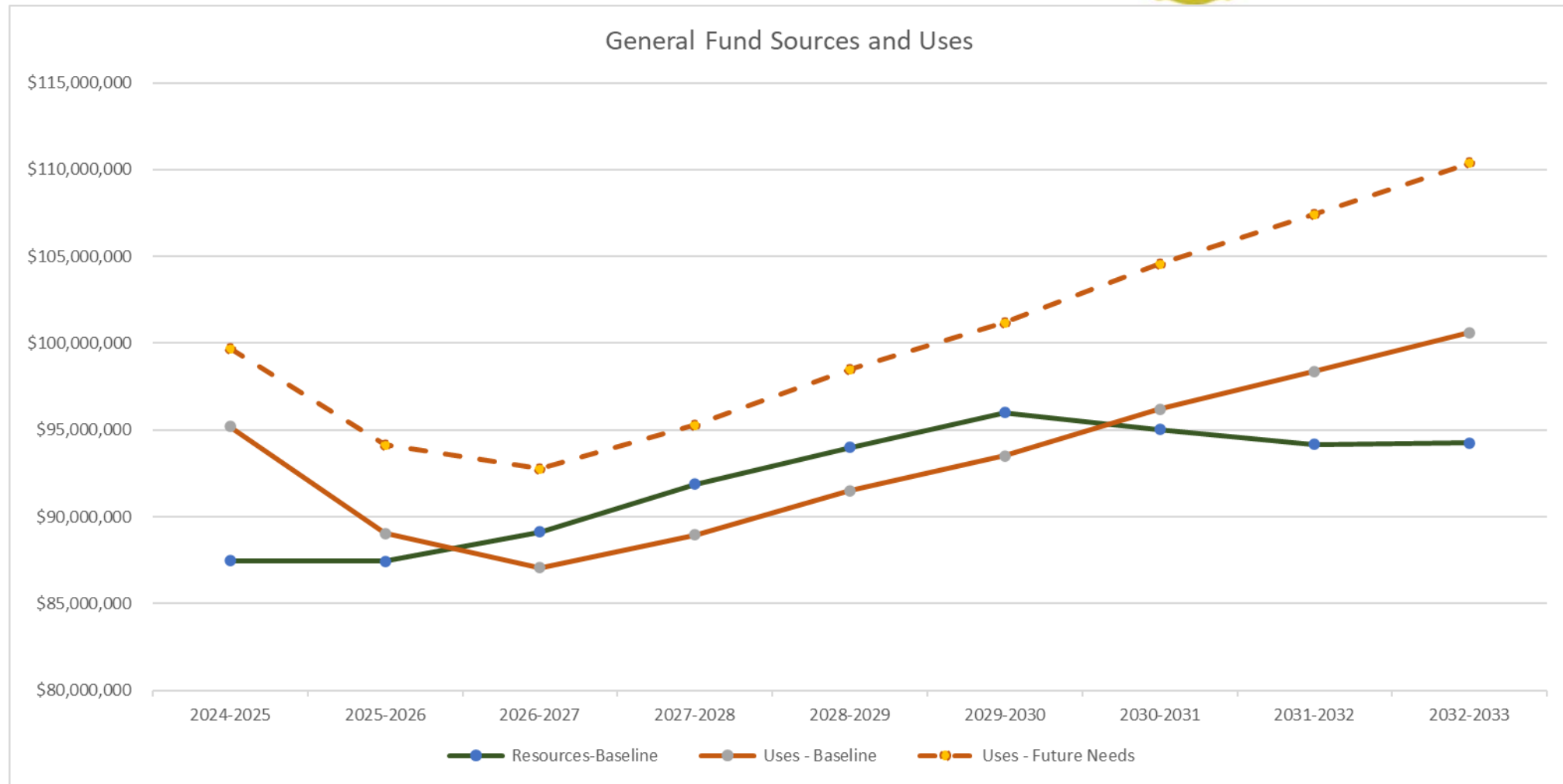


# General Fund Funding

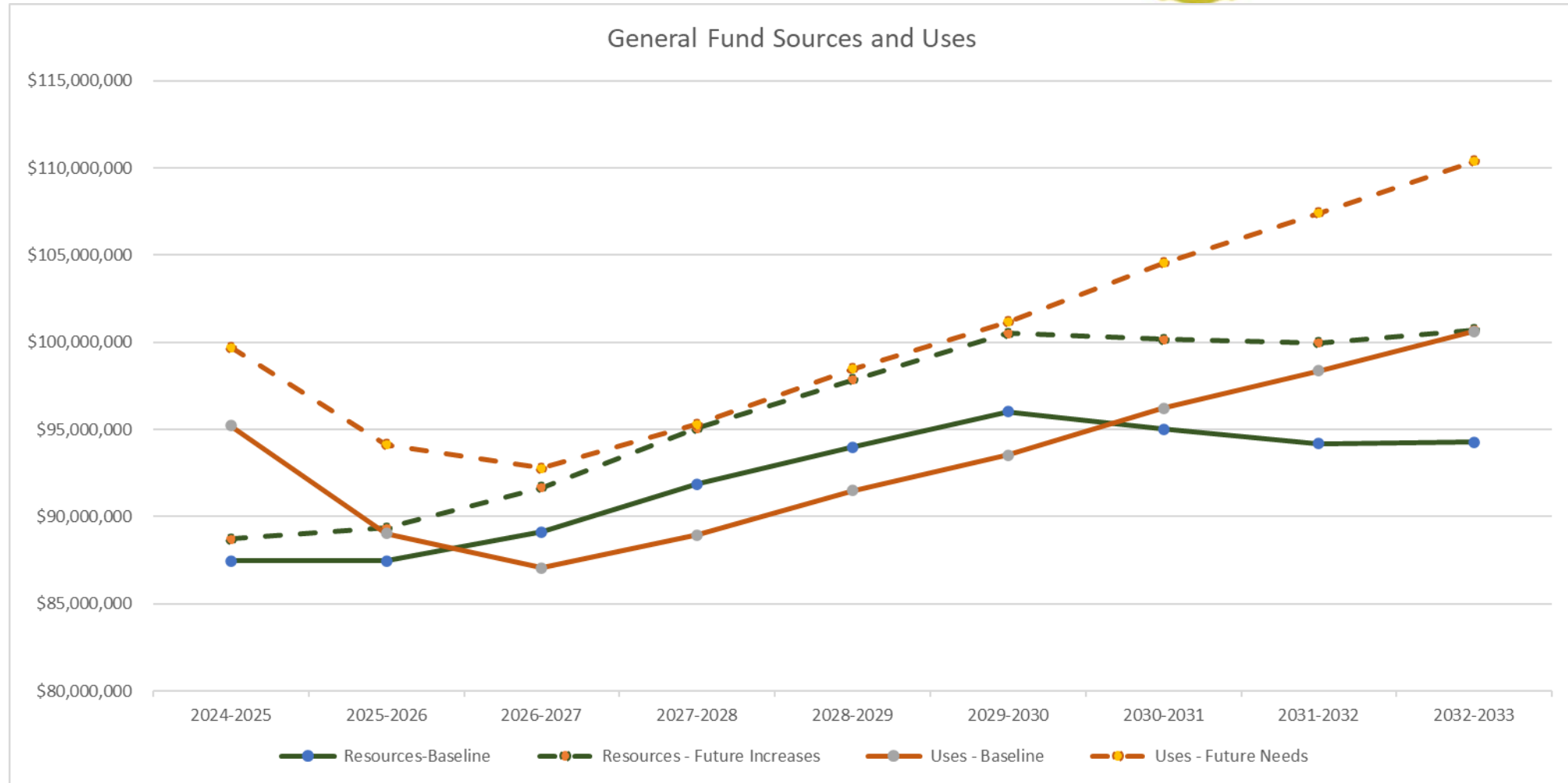


- Ongoing funding needed to support core services and growth
  - Investing in people through compensation and benefits
    - Merits are budgeted, no future market adjustments or insurance increase
  - Ongoing requests funded with one-time revenue is a growing concern
    - Seeing similar issues across other funds like Sustainability, Water Services and Library
  - Inflation in operating costs
    - No built in growth in the plan
  - Maintenance and operations for capital projects
    - Addressing as new projects come on line versus reserving future resources
  - Additional staffing to support growth
    - 34 staffing request for this budget cycle not approved and future needs
  - Infrastructure resource needs
    - Resource needs facility maintenance, fleet replacement and IT software/hardware

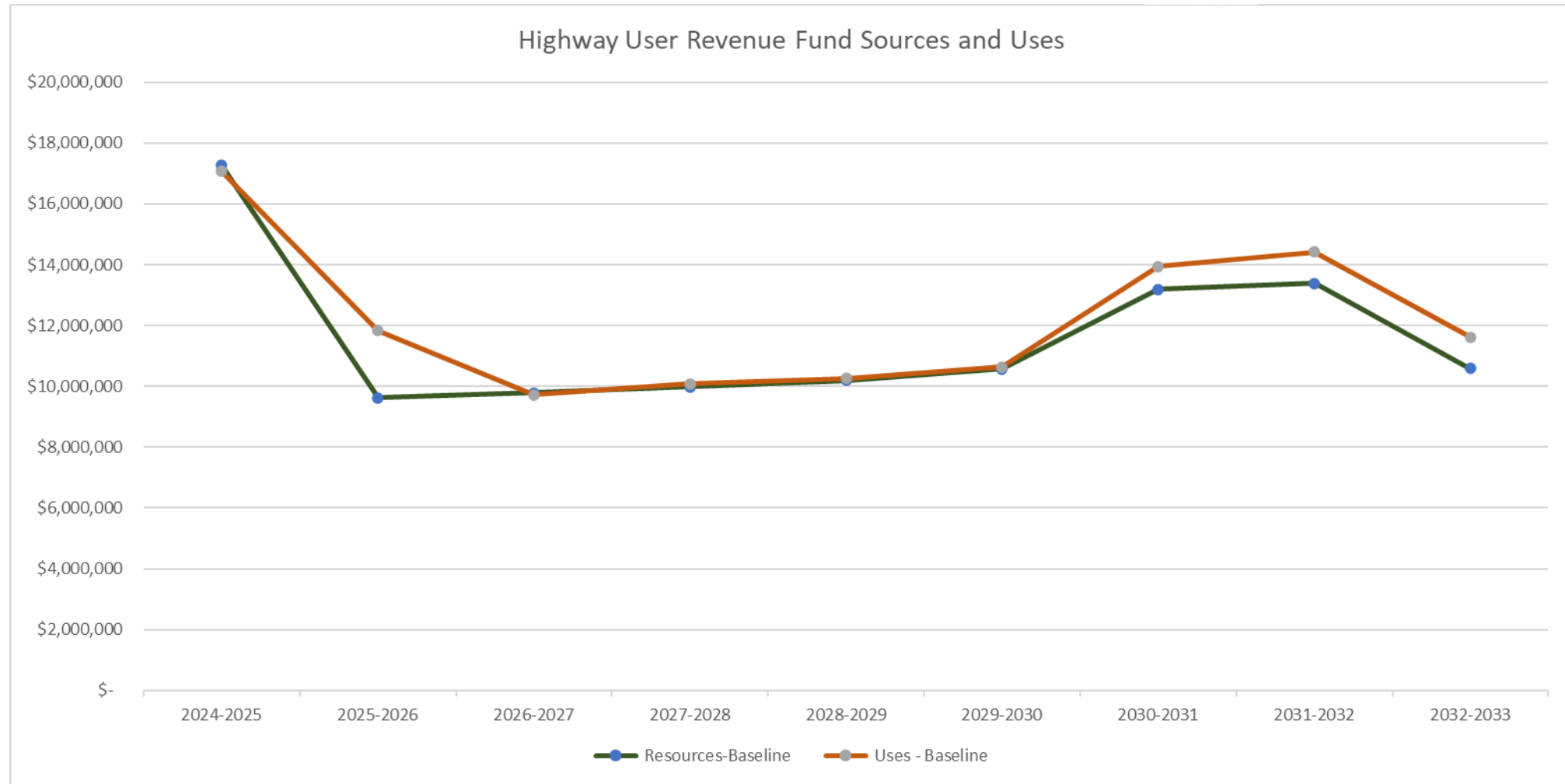
# General Fund 10-Year Plan Future Sources and Uses



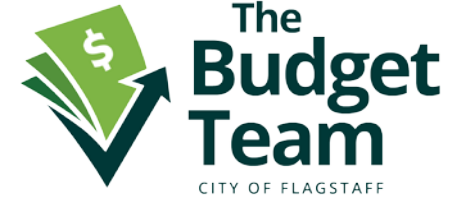
# General Fund 10-Year Plan Future Sources and Uses



# HURF Fund 10-Year Plan Sources and Uses



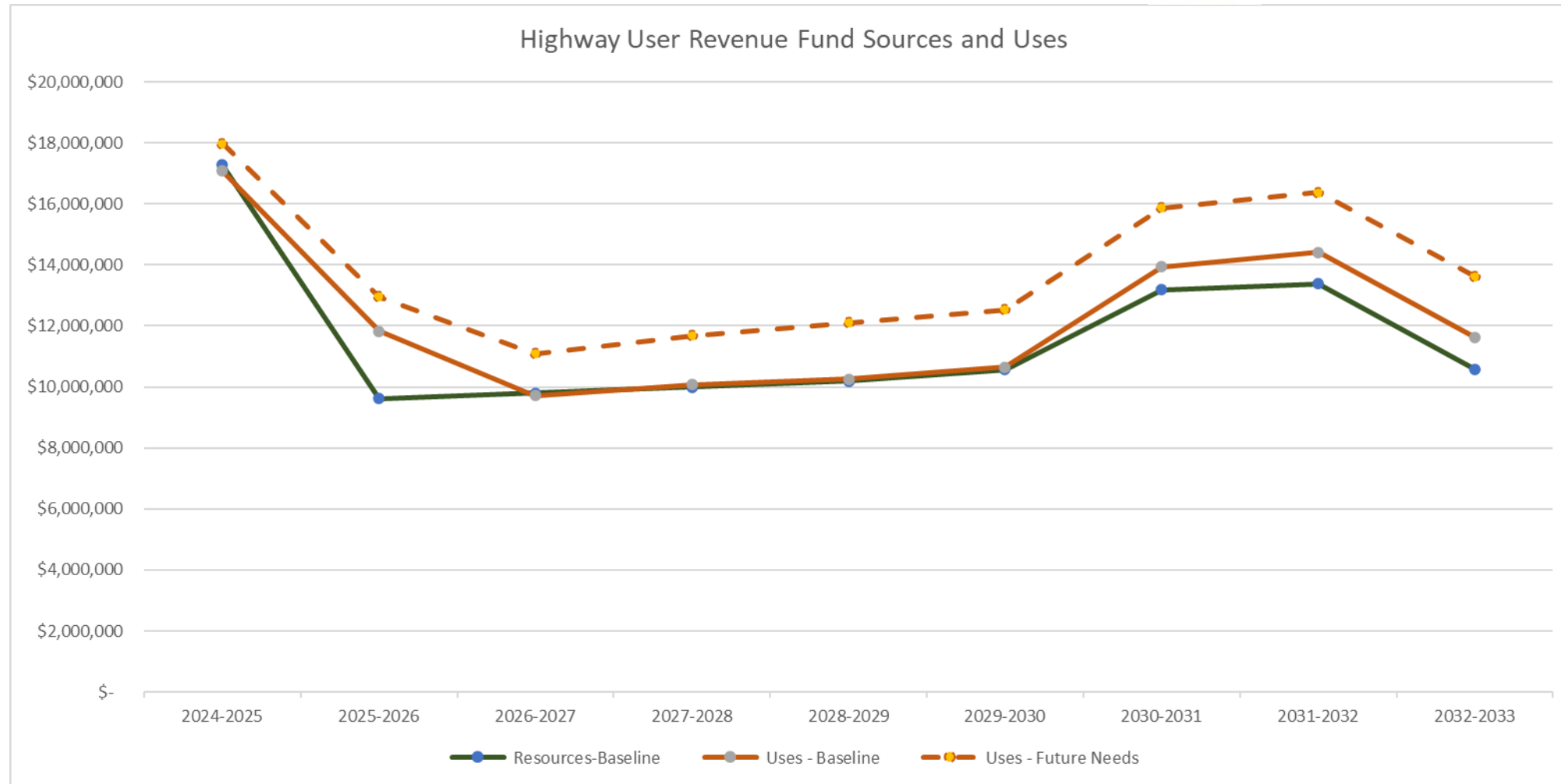
# HURF Funding



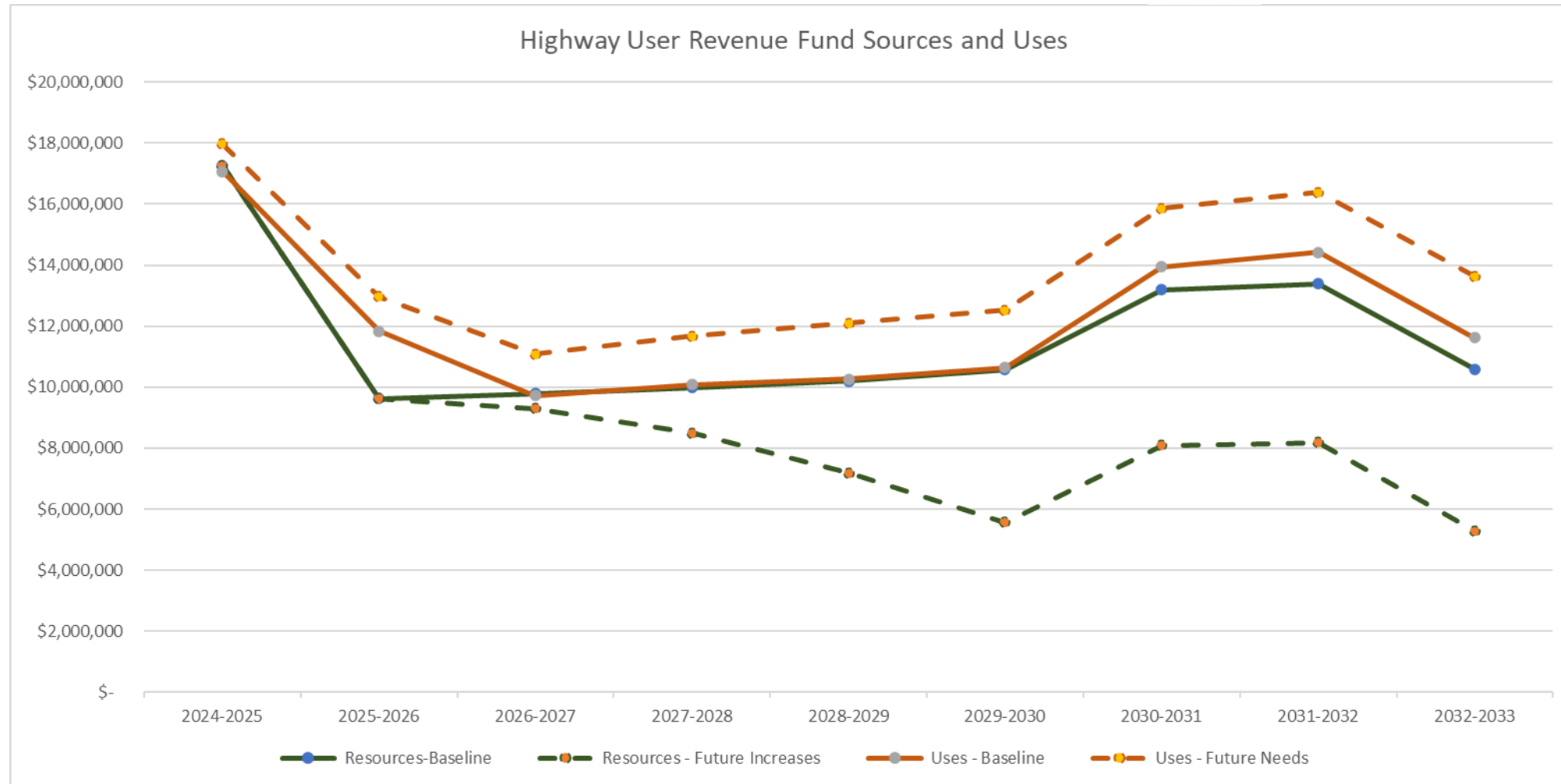
Gas tax is limited to federal rate per gallon and has not been adjusted since the early 90's

- The maintenance and operations is outpacing the on-going growth of the fund
- Fuel efficient vehicles and electric vehicle market share impacts
- Growing infrastructure of bike/ped without the funding of ongoing maintenance and operations
- Cost inflation for products and contracted service is resulting in less lane miles maintained annually
- Community expectations exceed the resources of the HURF fund and meet the maintenance obligations of existing infrastructure

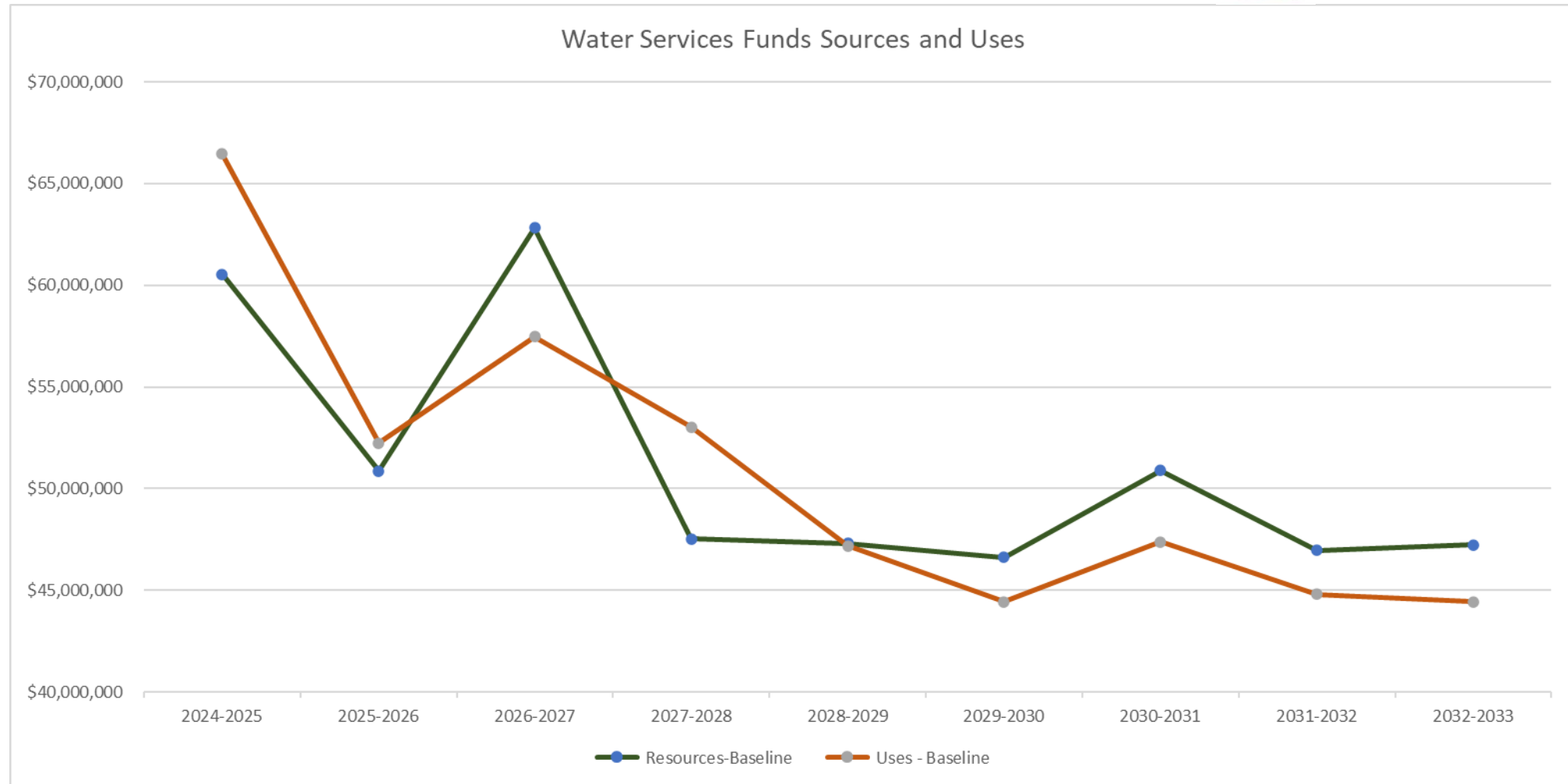
# HURF Fund 10-Year Plan Future Sources and Uses



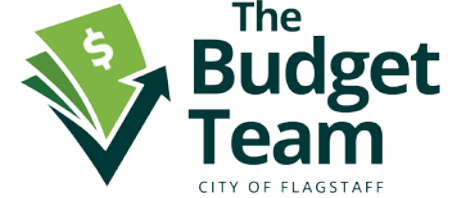
# HURF Fund 10-Year Plan Future Sources and Uses



# Water Service Funds 10-Year Plan Sources and Uses

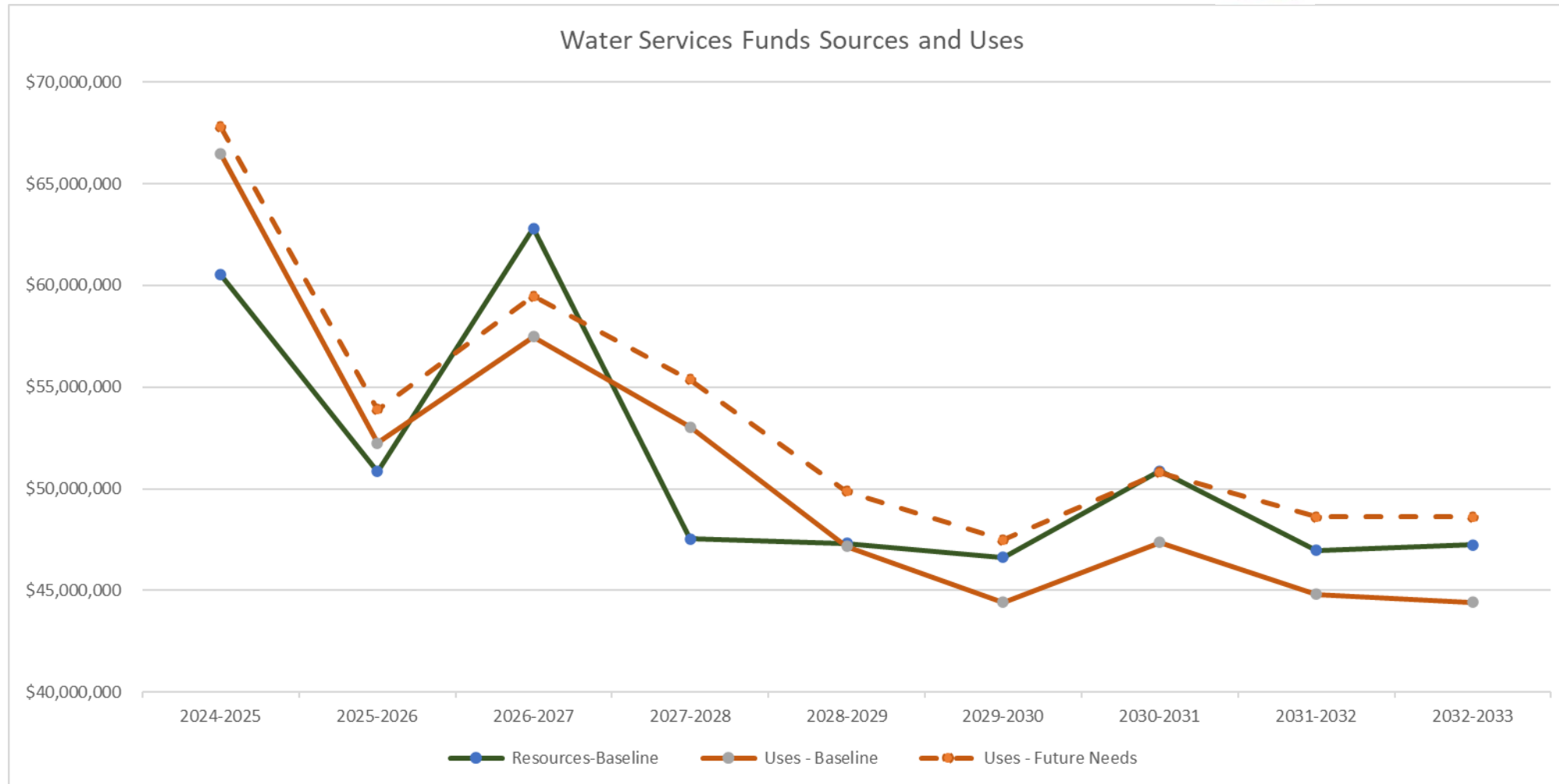


# Water Services Funding

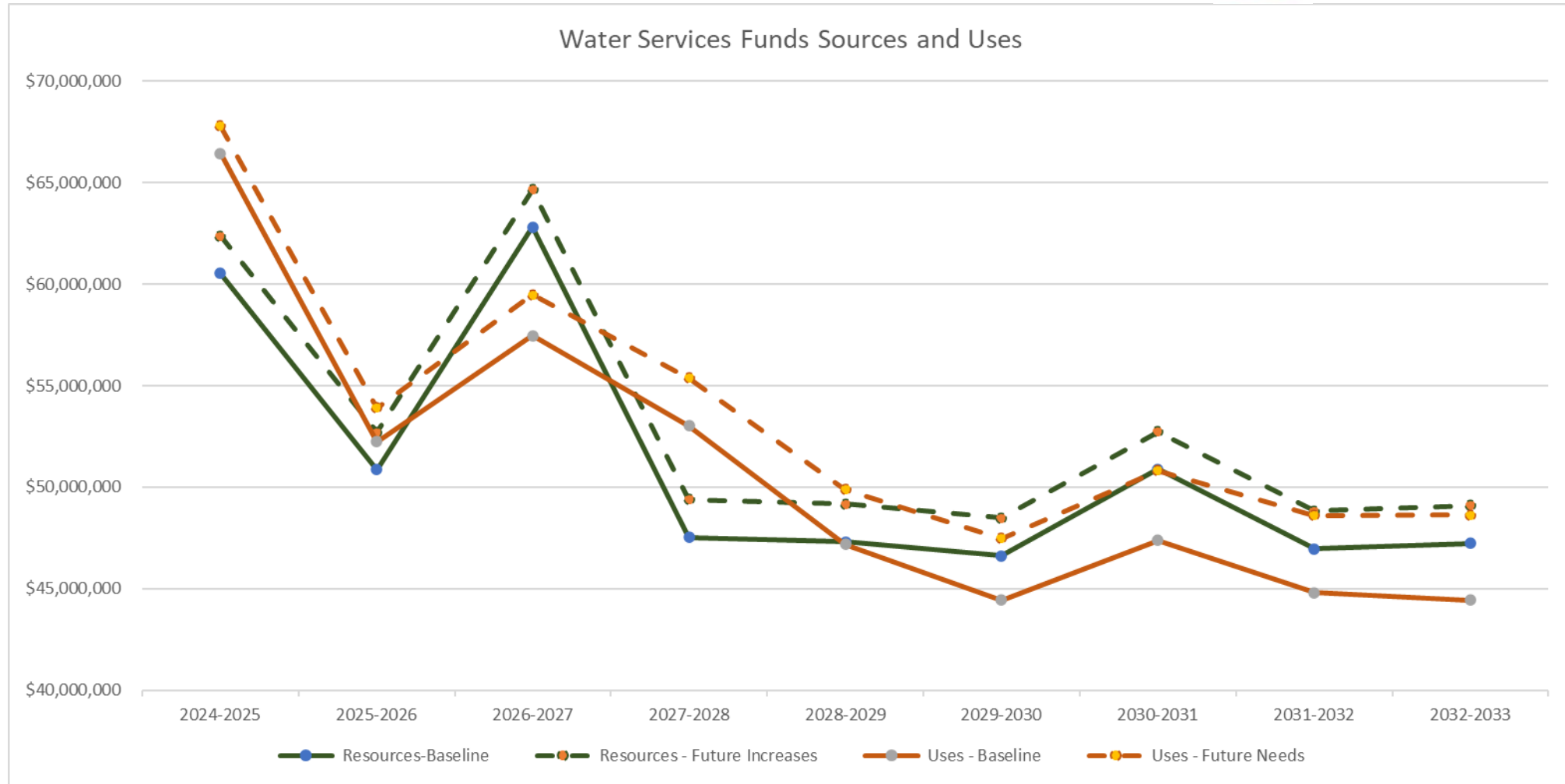


- Significant cost increases for parts, materials, and chemicals used to treat and deliver water
- Integrating technology into capital projects and existing facilities and these components have a relatively short life cycle and require specialized updates and support
- Able to fund six new positions, however little capacity for new positions in the future
- Excessive capital needs and initiatives are taxing all resources and causing maintenance program to be deferred
- Rates no longer keeping pace with cost of service; rate study underway

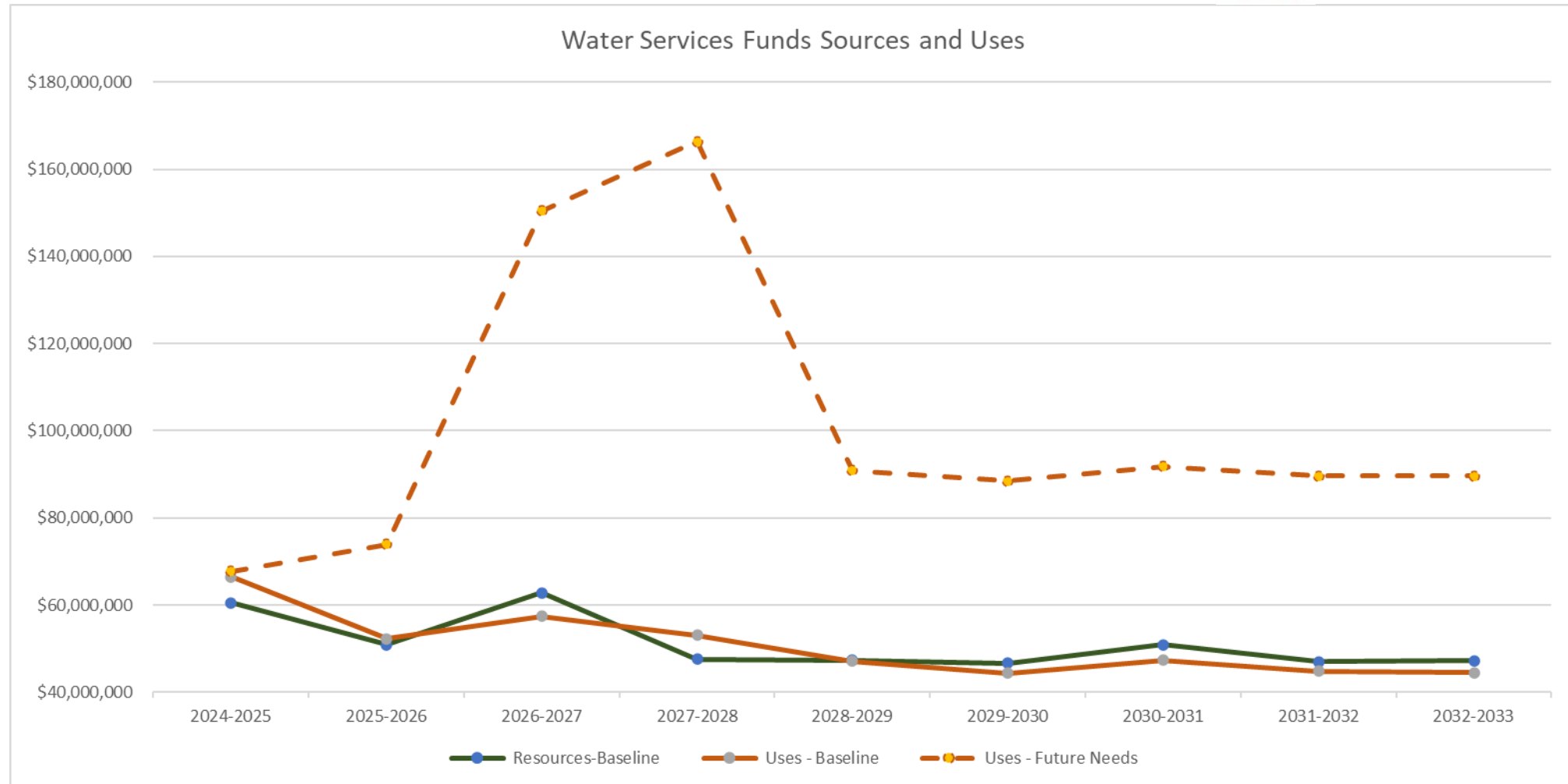
# Water Service Funds 10-Year Plan Future Sources and Uses



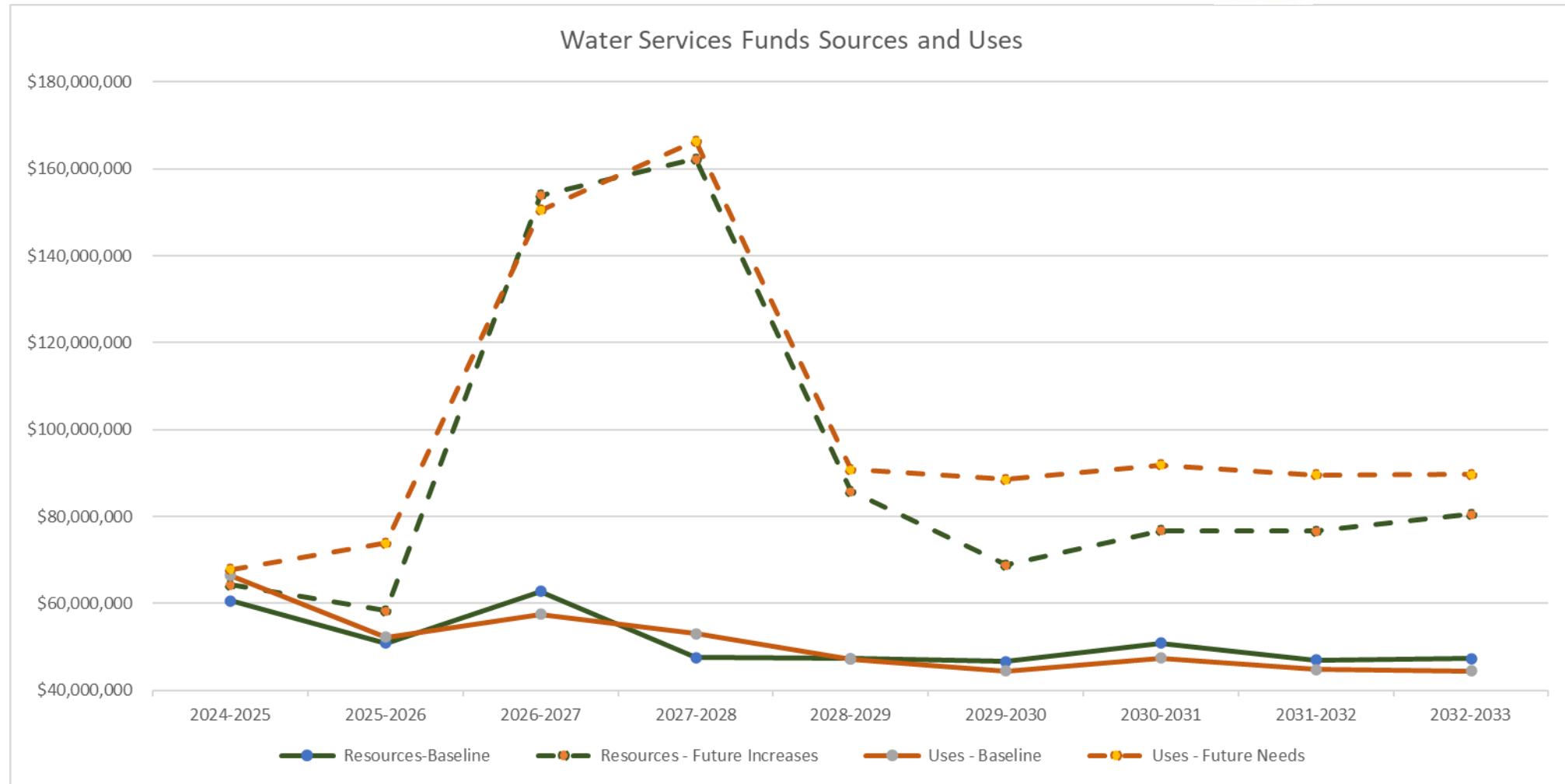
# Water Service Funds 10-Year Plan Future Sources and Uses



# Water Service Funds 10-Year Plan Future Sources and Uses



# Water Service Funds 10-Year Plan Future Sources and Uses





The  
**Budget Team**  
CITY OF FLAGSTAFF



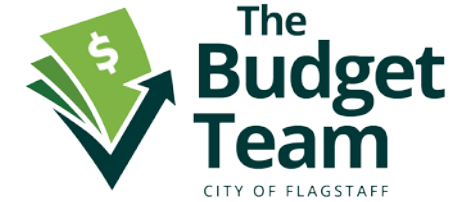
# Revenue Toolbox

# Revenue Toolbox



- User Fees
  - Need statutory authorization from State
  - City may charge user fees for cost of providing a service from the people who benefit
  - Must be reasonably related to recovering costs of providing the service
  - Citywide Cost Recovery Policy in the works
  - Examples: plans review, permits, admissions, ramada rentals, special events applications, fingerprinting, liquor license, parking fees

# Revenue Toolbox



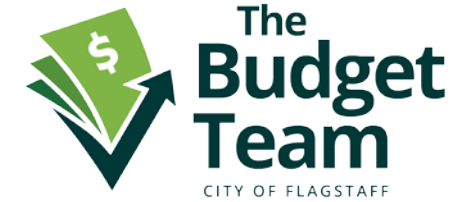
- Rates
  - Generally set on a consumption base
  - Tends to be more inclusive of cost recovery to deliver the service or program; operation and maintenance, debt service, capital additions and replacement, overhead
  - Customer classes may have varying rates based on impact
  - Most common for Enterprise Funds
- State Shared Revenues
  - Sales Tax, Income Tax, Auto Lieu, HURF

# Revenue Toolbox



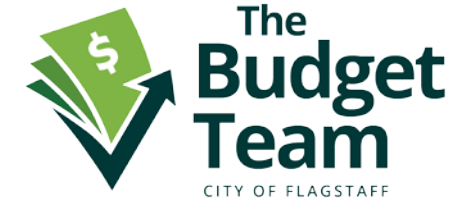
- Primary Property Tax
  - Rate adopted by City Council to impose a levy
  - State restrictions on annual increase in levy 2%
  - FY 2023-2024 capacity is up to 8%, \$590,336 levy increase
- Secondary Property Tax
  - Voters must authorize using secondary property tax
  - Only used to pay general obligation bond debt
  - Rate must match the current amount of debt service requirements
  - State limits total general obligation debt outstanding
- Voter approved Transaction Privilege Taxes (Sales Tax)
  - Information in the next section

# Revenue Toolbox



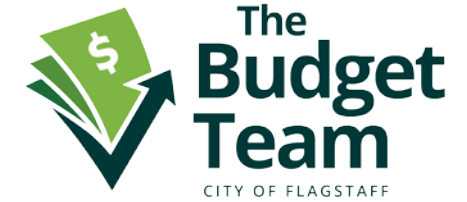
- Debt Options
  - Require a future resource to pay obligations
  - Revenue obligations
    - Only sales tax backed bonds require voter approval
    - Backed by various tax and fee revenues
    - Business Incubator, Water, Wastewater, and Road Repair and Street Safety
  - Certificates of Participation
    - No voter authorization required
    - Pledges assets of the City, lease purchase agreements
    - Payment resources vary
    - Core Services Facility, Courthouse, Public Safety Pensions

# Revenue Toolbox



- Debt Options
  - Loans
    - No voter authorization required, unless using secondary property tax
    - Water Infrastructure Finance Authority of Arizona (WIFA)
    - Water, Wastewater and Stormwater
  - Capital Leases
    - No voter authorization required
    - Purchase of equipment and smaller capital improvements
    - Solar equipment, copier, parking kiosks, airport hangars
  - Special Improvement District Bonds
    - No voter authorization required
    - Development tool for delivering major infrastructure enhancements
    - Obligation to pay is on the property owners, based on benefits
    - Backed with the full faith of the City, default issues
    - Downtown, Aspen Place, possible John Wesley Powell

# Revenue Toolbox



- Development Fees (Impact Fees)
  - Public Safety renewed in Fall 2020
  - Revisit every five years to address new growth and evaluate
    - Development growth model and Infrastructure improvement plan
  - Study budgeted for \$75,000 on integrating development agreements into impact fees
  - Other areas allowed are libraries, parks, recreation facilities, street facilities, water, wastewater, stormwater
- Capacity Fees
  - Fees allowed for Water, Wastewater and Stormwater infrastructure growth

# Revenue Toolbox



- Grants
  - Many levels of grants: Federal, State, County, Local, and Foundations
  - Federal grants broken out by various federal agencies
  - State matching grants programs, such as Arizona Department of Transportation (ADOT) Aeronautics, ADOT AZ SMART Program
  - Can be formula, entitlements or competitive
  - Often require local matches
  - Generally not used for ongoing programs, prefer funding projects
  - FY 2021-2022 reported \$22.4M federal and \$3.8M state and local

# Revenue Toolbox



- State and Federal Appropriations
  - Annual legislative budget processes
  - Congressionally directed spending vs competitive appropriation
    - Funds for Stormwater, Forest Health, Sustainability, Public Safety
  - Arizona Environmental Infrastructure Program through the U.S. Army Corp of Engineers
  - Federal and State lobbyist advocacy and provide grant application congressional letters of support



The  
**Budget Team**  
CITY OF FLAGSTAFF



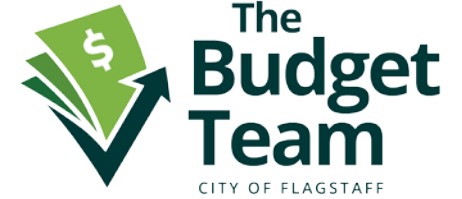
# Ballot Measures Discussion

# General Obligation (GO) Bonds



- What are GO Bonds
- Secondary Property Tax
- Legal Limits
- City Policy
- Tax Capacity
- Impacts

# What are GO Bonds



- General obligation bonds (GO Bonds) are a debt financing option for cities
- For the city to issue GO bonds, we must receive voter approval
- The City may levy a secondary property tax for payment

# Secondary Property Tax

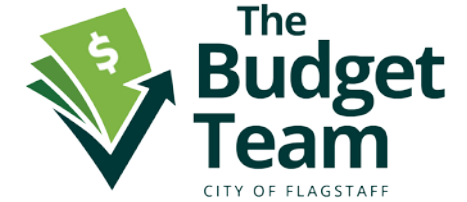


- Can only be used to pay off general obligation debt
- Assessed valuations can only increase by 5% annually
- Can only assess the amount to pay debt service estimates with allowances for delinquencies

# Legal Limits

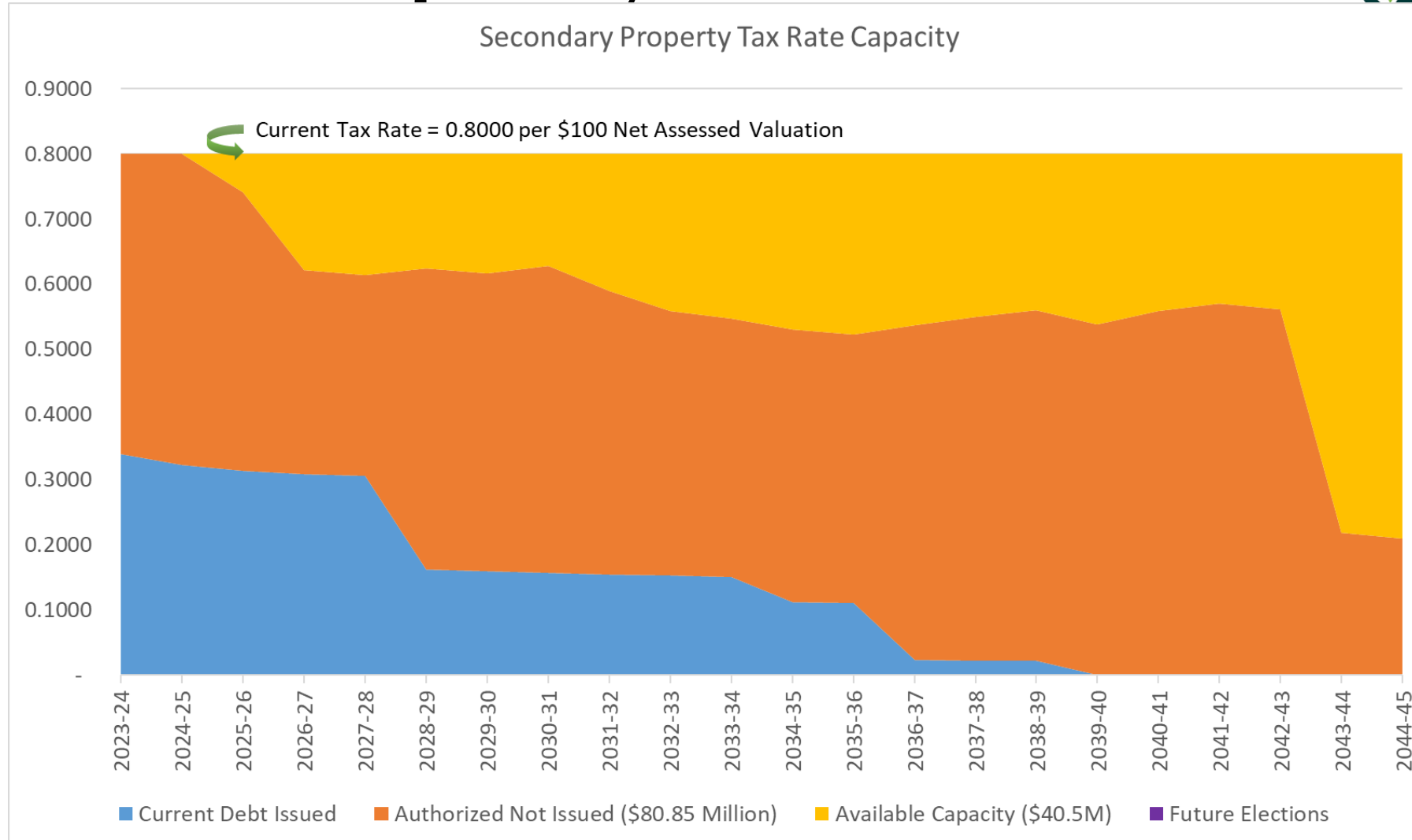
- State statute and assessed valuation
- 20% Limitation: water, sewer, artificial lighting, parks, open space, recreational facilities, public safety, law enforcement, fire and emergency services and street and transportation facilities
  - Bond capacity in this limitation = \$245M, less current outstanding
- 6% Limitation: (i.e. Housing, Climate Action)
  - Everything else
  - Currently no issuance under this limitation
  - Bond capacity in this limitation = \$73M, less current outstanding

# City Policy Limits



- Current policy tax rate not to exceed 0.8000 per \$100 of net assessed valuation (NAV)
  - This is based on promises made during the November 2022 election
  - The City allowed to go above this rate for purpose of paying debt
- Based on current projection of NAV
  - Estimated total capacity \$40.5M under current rate policy
  - Remaining capacity through FY 2044-2045
- Additional tax rate of 0.1000 per \$100 of NAV
  - Provides an estimated additional capacity of \$17M through FY 2044-2045

# Tax Rate Capacity



# Tax Payer Impacts

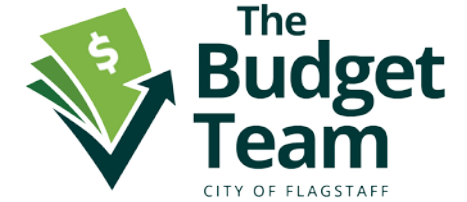
- City policy maintains a steady tax rate for the term of the bonds
- Annual levy per property will increase or decrease based on net assessed valuations provided by the County
- State maximum allowed valuation increase is capped at 5%

# Expenditure Limitation



- Established by legislation in 1980
- Places a limitation on how much cities are allowed to spend each year
  - Adjusted annually by inflation and population growth
- An increase in the expenditure limitation does not increase the City revenues but provides the City with the authorization to spend the revenues that are being collected as promised
- Flagstaff permanently adjusted the State imposed expenditure limitation in 1988, 2006, 2020
- If a city exceeds their allowed expenditure limitation without authorization, State income taxes are withheld

# Expenditure Limitation

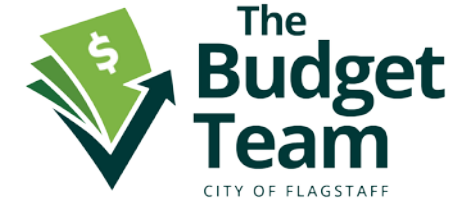


- Maintaining a budget below the expenditure limit has been challenging.
- Growing cash balances:
  - Due to COVID-19 pandemic
  - Timing of capital projects
- FY 2023-2024 expenditure limit: \$231,868,073
- FY 2023-2024 budget before carryforwards: \$406,457,017
  - Exclusions: \$204,129,014 (grants, debt funded, debt service etc.)
  - Budget subject to expenditure limit: \$202,328,003

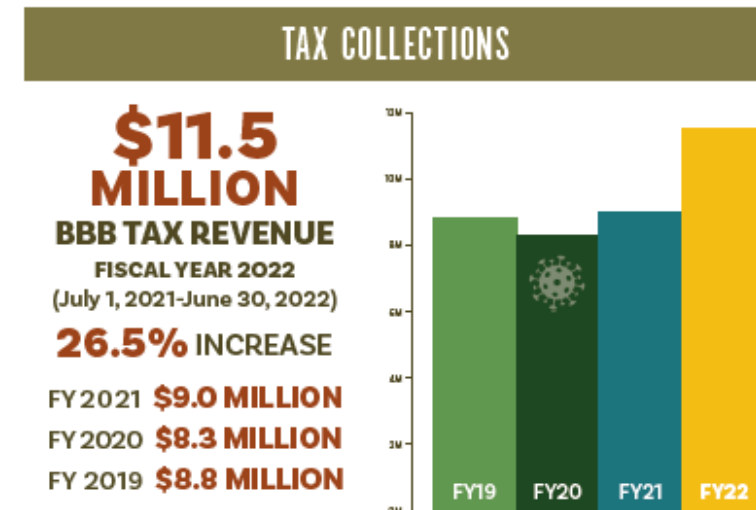
# Voter Approved TPT Taxes

- General Transaction Privilege Tax (Sales Tax) - 1.0%
  - Extended by voters Nov 2020, expires 6/30/2035
- Transportation Tax - 0.429%
  - Initial voter approval May 2000, initially separate measures
  - Combined and extended by voters Nov 2018, expires 6/30/2041
- Transit Tax - 0.295%
  - Initial voter approval May 2000, expanded and approved May 2008
  - Extended by voters Nov 2016, expires 6/30/2030
- Road Repair and Street Safety - 0.330%
  - Approved by voters Nov 2014, expires 12/31/2034
- Lone Tree Overpass - 0.230%
  - Approved by voters Nov 2018, expires 6/30/2039

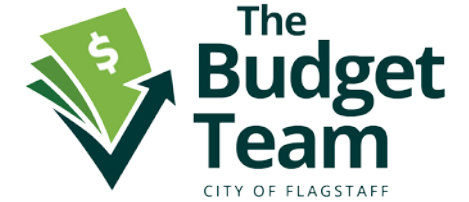
# Bed, Board and Beverage Tax



- Bed, Board and Beverage Tax
  - Originally approved by voters in 1998
  - Renewed by voter in 2011 and Sunsets in March 31, 2028
  - 2% tax on lodging and restaurants
  - Currently funds Arts & Sciences, Beautification, Economic Development, Parks & Recreation, and Tourism
  - Revisit with voters in November 2024



# Bed, Board and Beverage Tax



- Leading up to the vote, BBB sub-committee will create a local marketing/advertising campaign to educate the public on the importance of the renewal
- BBB Logo User Guide Created
- BBB Video will be updated
- Advertising in print, digital, and social will be created



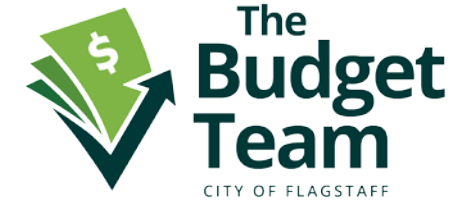


The  
**Budget Team**  
CITY OF FLAGSTAFF



# Priority Based Budget

# Priorities and Objectives



- Council approved first Priorities and Objectives in November 2019
- Amended following public outreach in November 2020
- Important to revisit priorities periodically
  - Evolving community needs
  - Opportunity for stakeholder input
  - Organizational changes

CITY OF FLAGSTAFF  
**Key Community Priorities**



# CITY OF FLAGSTAFF

## Priority Based Budgeting Priorities and Objectives



 High Performing Governance	 Safe & Healthy Community	 Inclusive & Engaged Community	 Sustainable, Innovative Infrastructure	 Robust Resilient Economy	 Livable Community	 Environmental Stewardship
Serve the public by providing high quality customer service	Enhance community engagement & strengthen relationships between the community & public safety services	Foster community pride & civic engagement by increasing opportunities for public involvement, in line with best practices & legal requirements	Deliver outstanding services to residents through a healthy, well maintained infrastructure system	Support & strengthen a more robust, diverse, & sustainable economy in ways that reflect community values & provides for affordable housing opportunities	Create a welcoming community through partnerships, resilient neighborhoods, & civic engagement	Promote, protect & enhance a healthy, sustainable environment & its natural resources
Foster community-wide clear & consistent communication strategies & products	Support social services, community partners & housing opportunities	Advance social equity & social justice in Flagstaff by supporting social services	Utilize existing long-range plan(s) that identify the community's future infrastructure needs & all associated costs	Maintain & enhance an equitable & effective business recruitment, retention, & expansion program throughout the community	Provide amenities & activities that support a healthy lifestyle	Engage community members through education & volunteer opportunities
Encourage public trust through transparency, accessibility & use of the City's public participation policy	Provide alternative responses, resources & programs, inclusive of mental health & other services	Facilitate & foster diversity & inclusivity, including support of anti-racist policies & practices	Provide effective management of and infrastructure for all modes of transportation	Enhance understanding between the development community, the City & Flagstaff residents	Support regional partners which provide equitable & inclusive educational opportunities for Flagstaff residents of all ages	Implement sustainable building practices, enhance waste diversion programs, alternative energy programs & multi-modal transportation options
Enhance the organization's fiscal stability & increase efficiency & effectiveness	Provide public safety services with resources, staff & training responsive to the community's needs	Enhance community involvement, education & regional partnerships to strengthen the level of public trust	Facilitate & develop carbon-neutral energy opportunities	Attract employers that provide high quality jobs & have a low impact on infrastructure & natural resources	Actively support attainable & affordable housing through City projects & opportunities with developers	Increase the private sector's participation in environmental stewardship efforts
Implement innovative local government programs, new ideas & best practices; be recognized as a model for others to follow	Promote physical health through providing recreation opportunities, parks, open space & multiple transportation options	Ensure city facilities, services, & programs are accessible for all residents & representative of Flagstaff's diverse community	Support the community's social infrastructure needs; assist those partner organizations that provide services the City does not	Enhance the community's workforce development programs & improve partnerships with higher education institutions & the private & public sectors	Support diverse employment opportunities that provide residents with a living wage	Implement, maintain & further the Climate Action & Adaptation Plan (CAAP) with awareness of social inequities
Be an employer of choice through inclusive recruitment & by providing employees with the necessary tools, training, support & compensation	Ensure the built environment is safe through the use of consistent standards, rules & regulations, & land use practices	Promote environmental justice & the fair distribution of environmental benefits		Embrace & invest in responsible tourism opportunities to promote economic development	Achieve a well-maintained community through comprehensive & equitable code compliance, & development that is compatible with community values	Strengthen Flagstaff's resilience to climate change impacts on built, natural, economic, health, & social systems

THE OBJECTIVES LISTED IN THIS DOCUMENT WERE APPROVED BY COUNCIL ON NOVEMBER 10, 2020.

# Possible Approaches



## Amend Existing Priorities

- Quicker and less labor intensive
- Can build off strengths of existing priorities
- Existing organizational knowledge
- Would allow for refinement

## Start From Scratch

- Larger undertaking by Council and staff
- Allows for reimagination of community priorities
- Unrestricted dialogue on community needs
- Could produce larger changes to priorities

# Possible Processes



## Community to Council

- Allows more unrestricted and broad input from community
- Could increase participation and community ownership
- Council can amend priorities based on community feedback

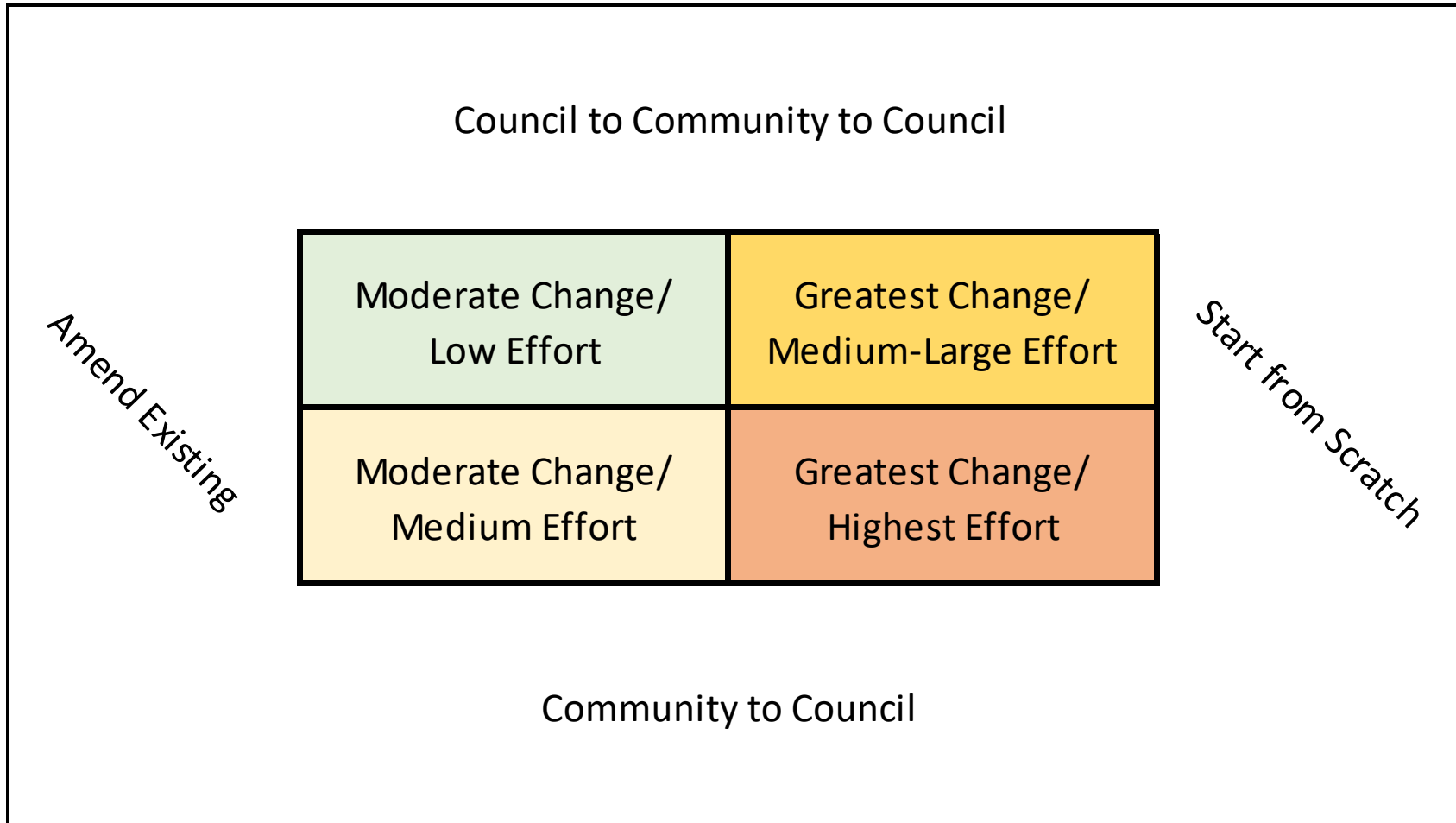
## Council to Community

- Council can set broad ideas and parameters before public input
  - Public input would be more focused
- Early input on more mundane City needs
- Would come back to council after community for finalization

# Outreach

- In-person open houses
- On-line forums
- Social and conventional media
- Engage community partners and citizens

# Council Direction





The  
**Budget Team**  
CITY OF FLAGSTAFF



# Public Participation



The  
**Budget Team**  
CITY OF FLAGSTAFF



# Council Parking Lot Adds/Deletes Discussion



The  
**Budget Team**  
CITY OF FLAGSTAFF



# Review and Confirm Council Direction



# The Budget Team

CITY OF FLAGSTAFF