

MINUTES

1. Call to Order

Mayor Evans called the Budget Retreat of the Flagstaff City Council held April 23, 2020, to order at 8:30 a.m.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

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

2. Pledge of Allegiance and Mission Statement

The Council and audience recited the pledge of allegiance and Vice Mayor Shimoni read the Mission Statement of the City of Flagstaff.

MISSION STATEMENT

The mission of the City of Flagstaff is to protect and enhance the quality of life for all.

3. Roll Call

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

PRESENT:

ABSENT:

MAYOR EVANS (virtually)
VICE MAYOR SHIMONI (virtually)
COUNCILMEMBER ASLAN (virtually)
COUNCILMEMBER MCCARTHY (virtually)
COUNCILMEMBER ODEGAARD (virtually)
COUNCILMEMBER SALAS (virtually)
COUNCILMEMBER WHELAN (virtually)

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

4. City Council FY 2020-21 Budget Retreat - DAY 1

Mayor Evans offered opening remarks and Mr. Clifton began a PowerPoint presentation that covered the following:

RETREAT PROTOCOL
BUDGET OVERVIEW
BUDGET COMPONENTS
TRANSMITTAL
ISSUES AND UPDATES
AGENDA

BUDGET TIMELINE AND APPROACH
BUDGET TIMELINE
BUDGET APPROACH: ORIGINAL FOCUS
BUDGET APPROACH: EMERGING ASSUMPTIONS

Finance Director Brandi Suda and Management Services Director Rick Tadder continued the presentation.

COLOR OF MONEY
REVENUE PROJECTION UPDATES
ESTIMATING IN AN UNCERTAIN ECONOMY
EXAMPLES OF RECESSION RECOVERY
20 YEAR HISTORY OF SALES TAX
REVENUE SCENARIOS -- GENERAL FUND
WHAT ABOUT FY 2020-2021

Councilmember Whelan asked for clarification on the state-shared revenues. Mr. Tadder indicated that they included state-shared income tax, property tax, building permits, and auto registration.

UNFUNDED PUBLIC SAFETY PENSION (PSPRS)
PENSION TRENDS
PENSION FUNDING EQUATION
FUNDING OPTIONS

Councilmember McCarthy offered that it was important to consider the increase in value of assets.

Mr. Clifton introduced PSPRS Administrator Mike Townsend, along with Mark Reader, Omar Daghestani, and Rushta Mustafa with Stifel who continued the presentation.

PSPRS
UNDERSTANDING PENSIONS
STARTING THOUGHTS
DEFINED BENEFIT
UNFUNDED LIABILITY
FUNDED STATUS (FUNDED RATIO)
PENDING FUNDING EQUATION
UNFUNDED LIABILITY (DEBT)
CONTRIBUTIONS HAVE 2 COMPONENTS
WHERE DOES THE MONEY COME FROM?
CITY OF FLAGSTAFF EXAMPLES
CITY OF FLAGSTAFF -- POLICE
PENSION FUNDING EQUATION
CITY OF FLAGSTAFF -- POLICE FY 2020
CITY OF FLAGSTAFF -- POLICE IF 100% FUNDED
CITY OF FLAGSTAFF -- POLICE
QUESTIONS

A break was held from 9:55 a.m. through 10:05 a.m.

FLAGSTAFF POLICE AND FIRE PENSION LIABILITY MANAGEMENT
COMMITMENT TO THE CITY OF FLAGSTAFF
STATUS QUO: HOW DO WE COMPARE TO OUR PEERS?
STATUS QUO: WHAT ARE WE CURRENTLY PAYING?
ASSESSING RISKS: STATUS QUO V. PENSION BONDS

Councilmember Salas asked what the recommendation would be. Mr. Daghestani stated that they would recommend that the city considered borrowing with a bond to replace the pension liability to better stabilize payments over time.

Mayor Evans asked about the history of investment returns for PSPRS. Mr. Tadder stated that based on the information he had, since the 2008 recession the plan had done very well with around a 11% average. Mr. Reader indicated that so long as the returns stayed above 4% there would be a payback. He added that over the last few decades there had not been a time where they had fallen below 4%.

ASSESSING RISKS: STATUS QUO V. PENSION BONDS
MITIGATING RISKS: CONTINGENCY RESERVE FUND SIZING
MITIGATING RISKS: CONTINGENCY RESERVE FUND SIZING
MITIGATING RISKS: CONTINGENCY RESERVE FUND MECHANICS

A break was held from 11:18 a.m. through 11:30 a.m.

PENSION BONDS: PARTIAL V. FULL FUNDING
PENSION BONDS: 100% FUNDED WITH CRFs
PENSION BONDS: 100% FUNDED WITH CRFs AND RESHAPED DEBT
PENSION BONDS: 100% FUNDED WITH CRFs AMD RESHAPED DEBT

Mayor Evans asked if the contingency reserve fund could be kept by a local bank. Mr. Daghestani stated that it would be a Council decision with guidance from Finance and Administration.

PENSION BONDS: CREDIT CONSIDERATIONS
CASE STUDIES: PENSION BONDS
CONCLUSION

Councilmember Whelan asked about the cost to the city. Mr. Tadder explained that there was a cost to issue debt which included underwriters and bond counsel. Those costs were included in the true cost estimates for the issuance of debt.

Vice Mayor Shimoni asked for staff's recommendation for the 2020 election. Mr. Tadder stated that his recommendation was to fund a portion with General Obligation (GO) bonds which would require voter approval, and the other portion through Certificates of Participation (COP). COPs were debt financing that was backed with city-owned property. The city had utilized COPs on multiple occasions including the Courthouse and the Core Services facility. Mr. Clifton added the use of COPs made a lot of sense because they would be leveraging assets that were owned free and clear and did not require voter approval which allowed them to act quickly.

Councilmember Aslan asked what would happen if the GO bonds were not passed by voters. Mr. Tadder stated that the amount of the COPs would be dependent on the GO bond approval. If not approved, they could issue additional COPs to get to the 100% funding.

Council expressed support for 100% funding as soon as possible with the use of COPs. Council also expressed a desire to keep the contingency fund local if possible.

A break was held from 12:54 p.m. through 1:30 p.m.

Economic Vitality Director Heidi Hansen, Business Attraction Manager Jack Fitchett, Public Affairs Director Sarah Langley, Grants and Contracts Manager Stacey Brechler-Knaggs, Business Retention and Expansion Manager John Saltonstall, Community Investment Director Dave McIntire, Beautification, Arts, and Sciences Manager Eliza Kretzmann, Library Director Jared Tolman, Sustainability Director Nicole Antonopoulos, Airport Director Barney Helmick, Marketing and Media Relations Manager Lori Pappas, and CVB Director Trace Ward reviewed the city's local recovery plan.

LOCAL RECOVERY PLAN
VISIT. DISCOVER. GROW
DISCUSSION ITEMS
LOCAL RECOVERY PLAN -- GOVERNMENT RELIEF
LOCAL RECOVERY PLAN -- STATE LEGISLATION
LOCAL RECOVERY PLAN -- FEDERAL LEGISLATION
LOCAL RECOVERY PLAN -- CARES ACT (H.R. 748)

CARES ACT FOR BUSINESSES
 CARES ACT FOR INDIVIDUALS
 LOCAL RECOVERY PLAN -- WEBSITE RESOURCES
 CARES ACT FUNDS FOR LOCAL GOVERNMENT
 PUBLIC HEALTH AND SAFETY
 SOCIAL SERVICES, HOUSING, & COMMUNITY DEVELOPMENT
 ECONOMIC & WORKFORCE DEVELOPMENT, INFRASTRUCTURE AND SMALL BUSINESS
 ASSISTANCE
 STATE AND LOCAL STABILIZATION FUND UPDATE
 PHASE 4 CORONAVIRUS STIMULUS PACKAGE UPDATE

Vice Mayor Shimoni asked about options for those who were undocumented. Ms. Langley stated that she was not aware of any specific resources available for undocumented individuals. She noted that the Treasury guidelines contained some flexibilities on how cities could spend the funding they received.

Councilmember Aslan asked if there was any concern about the minimum wage assessment and the distribution of funding. Mr. Fitchett stated that the current funding had been allocated and he did not believe that the Governor would withhold that due to the minimum wage assessment.

LOCAL RECOVERY PLAN -- ECONOMIC DEVELOPMENT
 WHAT WE ARE CURRENTLY DOING
 ALREADY FUNDED
 IN DISCUSSION
 LOCAL RECOVERY PLAN -- ARTS & SCIENCE
 WHAT WE ARE CURRENTLY DOING
 PROPOSED RELIEF FUNDING FOR LOCAL NONPROFITS

Council expressed support for the relief funding for local nonprofits.

PLANS FOR REBOUNING
 LOCAL RECOVERY PLAN -- LIBRARY
 HISTORICAL TRENDS
 DIGITAL MATERIAL
 DIGITAL PROGRAMMING
 CURBSIDE PICKUP FOR LIBRARY MATERIALS
 WIFI ACCESS FOR PATRONS PARKED IN THE PARKING LOT
 LOCAL RECOVERY PLAN -- SUSTAINABILITY
 VIRTUAL COMMUNITY ENGAGEMENT AND CALLS TO ACTION
 PLANS FOR REBOUNING -- BUILDING COMMUNITY TOGETHER
 LOCAL RECOVERY PLAN -- AIRPORT
 WHAT WE ARE CURRENTLY DOING
 PLANS FOR REBOUNING

Councilmember Whelan asked if there were plans to expand a transit route to the airport with the funding. Mr. Helmick stated that staff was still evaluating the components of the grant and they would continue their discussions with NAIPTA.

Councilmember McCarthy asked about the long-term plan to transition the airport to a true enterprise fund. Mr. Helmick explained that an accurate timeline was difficult to determine within the current situation, but the efforts continued.

LOCAL RECOVERY PLAN -- TOURISM
 TOURISM DOLLARS ARE ESSENTIAL TO THE CITY'S ECONOMY
 DISCOVER FLAGSTAFF
 MARKETING COMMUNICATION
 DRIVE MARKET
 COMMERCIAL
 FLAGSTAFF LOCAL -- MY ACTIONS MATTER...MORE THAN EVER!
 VIRTUAL WEBSITE EXPERIENCES

NATIONAL TRAVEL & TOURISM WEEK
STAYCATION
ONLINE LISTINGS ARE FREE FOR BBB COLLECTING STAKEHOLDERS
TOURISM ECONOMIC RECOVERY PLAN
PARTNERSHIPS
DRIVE MARKET
STRATEGIES, TACTICS, PARTNERSHIPS
DIRECT-FLIGHT MARKETS
STRATEGIES, TACTICS, PARTNERSHIPS
MEETINGS & CONVENTIONS
STRATEGIES, TACTICS, PARTNERSHIPS
IN-MARKET CUSTOMERS
STRATEGIES, TACTICS, PARTNERSHIPS
INTERNATIONAL MARKETS
STRATEGIES, TACTICS, PARTNERSHIPS

A break was held from 3:30 p.m. through 3:40 p.m.

Council expressed a desire to have recovery information shared with the public to provide information on the plans to move forward.

Council also offered comments about the current state of the pandemic and their desire to open things back up. The public played a big role in determining when and what that would be. They encouraged continued and consistent messaging about safety.

Mr. Clifton and Mr. Tadder concluded the presentation.

POTENTIAL INDEPENDENT REVENUE STREAMS
WATER RESOURCES
AIRPORT
NEW BUDGET APPROPRIATIONS
TOTAL BUDGET REQUESTS
SUMMARY -- GENERAL FUND
PERSONNEL -- GENERAL FUND
APPROVED REQUESTS BY PRIORITY -- ALL FUNDS
APPROVED REQUESTS BY PRIORITY - \$17,119,992 GRAPH

Mr. Clifton provided a brief wrap up of the day and Council expressed their appreciation to staff for their work and information provided.

5. Public Participation

None

6. Adjournment

Day One of the Budget Retreat of the Flagstaff City Council held April 23, 2020, adjourned at 4:36 p.m.

DAY TWO

1. Call to Order

Mayor Evans called the Budget Retreat of the Flagstaff City Council held April 24, 2020, to order at 8:31 a.m.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

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2. Pledge of Allegiance and Mission Statement

The Council and audience recited the pledge of allegiance and Councilmember Aslan read the Mission Statement of the City of Flagstaff.

MISSION STATEMENT

The mission of the City of Flagstaff is to protect and enhance the quality of life for all.

3. ROLL CALL

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

PRESENT:

MAYOR EVANS (virtually)
 VICE MAYOR SHIMONI (virtually)
 COUNCILMEMBER ASLAN (virtually)
 COUNCILMEMBER MCCARTHY (virtually)
 COUNCILMEMBER ODEGAARD (virtually)
 COUNCILMEMBER SALAS (virtually)
 COUNCILMEMBER WHELAN (virtually)

ABSENT:

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

4. City Council FY 2020-21 Budget Retreat - DAY 2

Mr. Clifton provided opening comments and indicated that the day two format was the more traditional budget retreat format. He began the PowerPoint presentation that covered the following:

DIVISION UPDATES
 COUNCIL PRIORITIES
 CITY MANAGER
 HIGHLIGHTS OF APPROVED BUDGET REQUESTS
 COUNCIL PRIORITIES

Council discussed framing budget items within the context of the Recession Plan, specifically considering whether the plan was at a moderate or significant level. Mr. Clifton noted that while the plan was currently at the moderate level, any future changes would be discussed and approved by the Council. He emphasized the flexibility of the budget as a living document and explained that not all proposed programs may be implemented, especially if they conflicted with the Recession Plan. The process revolved around how to implement the Recession Plan at future stages, and the inclusion of items in the budget did not guarantee their implementation.

Human Resources Director Jeanie Gallagher continued the presentation.

HUMAN RESOURCES
HIGHLIGHTS OF APPROVED BUDGET REQUESTS
COUNCIL PRIORITIES

Councilmember Whelan expressed that some of the requests did not fit within the stages of the Recession Plan. She was concerned that movement from the moderate to significant state of the Recession Plan would not support the approved requests. Mr. Clifton offered that the Recession Plan was built to implement at any time and it would alter what may have been otherwise budgeted or appropriated. The city could not build a budget that assumed a recession, the better approach was to have a solid budget that could be adjusted according to the plan if and when needed.

IT Director CJ Perry continued the presentation.

INFORMATION TECHNOLOGY
HIGHLIGHTS OF APPROVED BUDGET REQUESTS
COUNCIL PRIORITIES

City Attorney Sterling Solomon continued the presentation.

CITY ATTORNEY
HIGHLIGHTS OF APPROVED BUDGET REQUESTS
COUNCIL PRIORITIES

Mr. Solomon noted that due to the pandemic and the competing priorities the Legal Division had pulled back their request on the two new positions.

Court Administrator Jessica Cortes continued the presentation.

MUNICIPAL COURT
HIGHLIGHTS OF APPROVED BUDGET REQUESTS
COUNCIL PRIORITIES

Management Services Director Rick Tadder continued the presentation.

MANAGEMENT SERVICES
HIGHLIGHTS OF APPROVED BUDGET REQUESTS
COUNCIL PRIORITIES

Council briefly discussed the need for an auditor to review returns from the state in terms of sales tax collection as well as credit card processing fees.

Fire Chief Mark Gaillard continued the presentation.

FIRE DEPARTMENT
HIGHLIGHTS OF APPROVED BUDGET REQUESTS
COUNCIL PRIORITIES

Council discussed peak hour rescues, the funding of wildfire management crews through Water Services, and a Regional Training Officer position.

Police Deputy Chief Dan Musselman continued the presentation.

POLICE DEPARTMENT
HIGHLIGHTS OF APPROVED BUDGET REQUESTS
COUNCIL PRIORITIES

Council discussed the success of the Police Aide positions in relieving some of the pressure from sworn

officers.

Community Development Director Dan Folke continued the presentation.

COMMUNITY DEVELOPMENT
HIGHLIGHTS OF APPROVED BUDGET REQUESTS
COUNCIL PRIORITIES

A break was held from 10:27 a.m. through 10:40 a.m.

Council discussed the Employee Housing Assistance program and requested that there be future discussion about how to make that program more sustainable long term.

Public Works Director Andy Bertelsen continued the presentation.

PUBLIC WORKS
HIGHLIGHTS OF APPROVED BUDGET REQUESTS
COUNCIL PRIORITIES

Economic Vitality Director Heidi Hansen continued the presentation.

ECONOMIC VITALITY
HIGHLIGHTS OF APPROVED BUDGET REQUESTS
COUNCIL PRIORITIES

Councilmember McCarthy asked about the addition of 200 new parking spaces downtown. Mr. Clifton noted that it was not an immediate item but was part of future planning.

Water Services Director Brad Hill continued the presentation.

WATER SERVICES
HIGHLIGHTS OF APPROVED BUDGET REQUESTS
COUNCIL PRIORITIES

Mr. Tadder continued the presentation.

NON-DEPARTMENTAL
HIGHLIGHTS OF APPROVED BUDGET REQUESTS

Management Analyst Jack Fitchett continued the presentation.

LEGISLATIVE
STATE MINIMUM WAGE

Rick Management Director Dean Coughenour continued the presentation.

WORKER'S COMPENSATION

Mr. Tadder continued the presentation.

COUNCIL PRIORITIES
SERVICE PARTNER CONTRACTS

Council discussed emergency support within the community and how funding for service partners could potentially be redirected to emergency support. It was requested that a future discussion occur about determining priorities during a recession.

Sustainability Director Nicole Antonopoulos continued the presentation.

CAAP

A break was held from 11:43 a.m. through 12:15 p.m.

Capital Improvement Senior Project Manager Bret Peterson and Water Services Engineering Manager Ryan Roberts covered the Capital Improvement Program portion of the presentation.

**CAPITAL IMPROVEMENT PROGRAM
SUMMARY
PROGRAM FUNDING SUMMARY
GENERAL GOVERNMENT
STREETS/TRANSPORTATION
BEULAH REALIGNMENT/MILLTOWN
LONE TREE CORRIDOR
JOHN WESLEY POWELL**

Council discussed progress on the John Wesley Powell (JWP) project and the possibility of an improvement district. They discussed the existing timeline and the possibility of completing existing projects first before moving on to JWP. They determined that staff should proceed as planned and that they should consider economic impact studies related to the project.

**BBB
WATER SERVICES
DRINKING WATER**

Councilmember Shimoni asked how Water Services was working within the Climate Action and Adaptation Plan. Mr. Roberts explained that Water Services worked very closely with the Sustainability Section. They recently underwent a comprehensive energy audit and identified a number of improvements that could be made and have targeted them for funding. Water Services Director Brad Hill added that in FY 2021, Water Services had \$6 million in projects that directly related to the Climate Action and Adaptation Plan.

**WASTEWATER
ANNUAL SEWERLINE REPLACEMENT
BIO-SOLIDS MASTER PLAN
RECLAIMED WATER
STORMWATER
SOLID WASTE
AIRPORT**

Hyman Resources Director Jeanie Gallagher and EAC Chairperson Jared Wotasik covered the Compensation and Benefits portion of the presentation.

**COMPENSATION AND BENEFITS
EMPLOYEE ADVISORY COMMITTEE
EAC BUDGET RECOMMENDATIONS
COMPENSATION STUDY
BENEFITS
RETENTION TRENDS -- TURNOVER COMPARISON
RETENTION TRENDS -- CY 2019 EXIT INTERVIEW SUMMARY
RETENTION AND ATTRACTION TRENDS
COMPENSATION RECOMMENDATIONS
BENEFIT RECOMMENDATIONS**

A break was held from 2:06 p.m. through 2:15 p.m.

Mr. Clifton opened the conversation to the Council to review the items placed on the parking lot list.

Mayor Evans asked about the allocation for the monitoring of short-term rentals. Mr. Tadder stated that

the amount currently set aside was \$48,000 for software that identified properties available for short-term rental or vacation rental by owner. The intent was to create an inventory that could be monitored.

After discussion, Council gave direction to support United Way, Litigation, and Short-term rentals. They also supported funding to High Country Humane, the Boys and Girls Club, and partial funding to Flagstaff Shelter Services. They also discussed grant opportunities at the airport and the possibility of reallocating general fund dollars to support small businesses.

Mr. Clifton offered closing comments and wrapped up the presentation.

Council expressed gratitude to staff for their work in preparing the recommended budget and for the focus on returning from the pandemic. They thanked each other for the good dialogue and consensus building.

5. Public Participation

Liz Bohlke and Diane Jarvis with High Country Humane addressed Council and commented in support of allocating funding to High Country Humane.

6. Adjournment

Day Two of the Budget Retreat of the Flagstaff City Council held April 24, 2020, adjourned at 4:54 p.m.

MAYOR

ATTEST:

CITY CLERK