

CITY COUNCIL REGULAR MEETING AGENDA

REGULAR COUNCIL MEETING
TUESDAY
MARCH 19, 2024

COUNCIL CHAMBERS
211 WEST ASPEN AVENUE
3:00 P.M.

All City Council Meetings are live streamed on the city's website
(<https://www.flagstaff.az.gov/1461/Streaming-City-Council-Meetings>)

*****PUBLIC COMMENT*****

Verbal public comments not related to items appearing on the posted agenda may be provided during the Open Call to the Public at the beginning and end of the meeting and may only be provided in person.

Verbal public comments related to items appearing on the posted agenda may be given in person or online and will be taken at the time the item is discussed.

To provide online verbal comment on an item that appears on the posted agenda, use the link below.

ONLINE VERBAL PUBLIC COMMENT

Written comments may be submitted to publiccomment@flagstaffaz.gov. All comments submitted via email will be considered written comments and will be documented in the record as such.

1. CALL TO ORDER

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 regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for discussion and consultation with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

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

MAYOR DAGGETT
VICE MAYOR ASLAN
COUNCILMEMBER HARRIS
COUNCILMEMBER HOUSE

COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY
COUNCILMEMBER SWEET

3. PLEDGE OF ALLEGIANCE, MISSION STATEMENT, AND LAND ACKNOWLEDGEMENT

MISSION STATEMENT

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

LAND ACKNOWLEDGEMENT

The Flagstaff City Council humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.

4. **APPROVAL OF MINUTES FROM PREVIOUS MEETINGS**

- A. **Consideration and Approval of Minutes:** City Council Regular Meeting of June 20, 2023, Regular Meeting of July 3, 2023, Regular Meeting of August 28, 2023, Regular Meeting of September 5, 2023, Work Session of September 12, 2023, Regular Meeting of September 19, 2023, Regular Meeting of October 3, 2023, Retreat of October 12, 2023, Regular Meeting of October 17, 2023, Joint Work Session of October 23, 2023, Regular Meeting of November 7, 2023, Regular Meeting of November 21, 2023, Special Meeting (Executive Session) of January 9, 2024, Special Meeting (Executive Session) of January 16, 2024, Special Meeting (Executive Session) of January 23, 2024, Special Meeting (Executive Session) of February 6, 2024, Special Meeting (Executive Session) of February 20, 2024, and Special Meeting (Executive Session) of February 27, 2024.

STAFF RECOMMENDED ACTION:

Approve the minutes of the City Council Regular Meeting of June 20, 2023, Regular Meeting of July 3, 2023, Regular Meeting of August 28, 2023, Regular Meeting of September 5, 2023, Work Session of September 12, 2023, Regular Meeting of September 19, 2023, Regular Meeting of October 3, 2023, Retreat of October 12, 2023, Regular Meeting of October 17, 2023, Joint Work Session of October 23, 2023, Regular Meeting of November 7, 2023, Regular Meeting of November 21, 2023, Special Meeting (Executive Session) of January 9, 2024, Special Meeting (Executive Session) of January 16, 2024, Special Meeting (Executive Session) of January 23, 2024, Special Meeting (Executive Session) of February 6, 2024, Special Meeting (Executive Session) of February 20, 2024, and Special Meeting (Executive Session) of February 27, 2024.

5. **OPEN CALL TO THE PUBLIC**

Open Call to the Public enables the public to address the Council about an item that is not on the prepared agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed. Open Call to the Public appears on the agenda twice, at the beginning and at the end. The total time allotted for the first Open Call to the Public is 30 minutes; any additional comments will be held until the second Open Call to the Public.

If you wish to address the Council in person at today's meeting, please complete a comment card and submit it to the recording clerk as soon as possible. Your name will be called when it is your turn to speak. You may address the Council up to three times throughout the meeting, including comments made during Open Call to the Public and Public Comment. Please limit your remarks to three minutes per item to allow everyone an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

6. **COUNCIL LIAISON REPORTS**

7. **APPOINTMENTS**

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 the City Council may vote to go into executive session, which will not be open to the public, for the purpose of discussing or considering employment, assignment, appointment, promotion, demotion, dismissal, salaries, disciplining or resignation of a public officer, appointee, or employee of any public body...., pursuant to A.R.S. §38-431.03(A)(1).

- A. **Consideration of Appointments:** Planning and Zoning Commission.

STAFF RECOMMENDED ACTION:

Make one appointment to a term expiring December 2025.
Make two appointments to terms expiring December 2026.

8. **LIQUOR LICENSE PUBLIC HEARINGS**

Applications under Liquor License Public Hearings may be considered under one public hearing and may be acted upon by one motion unless otherwise requested by Council.

STAFF RECOMMENDED ACTION:

1. Open the Public Hearing
2. Staff Presentation
3. Council Questions
4. Public Comment
5. Close Public Hearing
6. Council Deliberation and Action

The City Council has the option to:

1. Forward the application to the State with a recommendation for approval;
2. Forward the application to the State with a recommendation for denial based on the testimony received at the public hearing and/or other factors.

- A. **Consideration and Action on Liquor License Application:** Catherine Marie Gomes, "Family Dollar #24029," 3494 E. Route 66, Series 10 (beer and wine store), New License.

STAFF RECOMMENDED ACTION:

1. Forward the application to the State with a recommendation for approval
2. Forward the application to the State with a recommendation for denial based on the testimony received at the public hearing and/or other factors.

9. **CONSENT AGENDA**

All matters under Consent Agenda are considered by the City Council to be routine. Unless a member of City Council expresses a desire at the meeting to remove an item from the Consent Agenda for discussion, the Consent Agenda will be enacted by one motion approving the recommendations listed on the agenda. Unless otherwise indicated, expenditures approved by Council are budgeted items.

STAFF RECOMMENDED ACTION

Approve the Consent Agenda as posted.

- A. **Consideration and Approval of Contract Ratification:** Ratify the Agreement between the Department of the Army and the City of Flagstaff to provide federal funds for Design and Construction Assistance for the Downtown Flood Lateral Tunnel Project.

STAFF RECOMMENDED ACTION:

Ratify the Agreement with the Department of the Army to provide \$1,200,000 in federal funds to the City of Flagstaff for Design and Construction Assistance for the Downtown Flood Lateral Tunnel Project.

- B. **Consideration and Approval of Grant Agreement:** Grant Agreement between the City of Flagstaff and the Arizona Department of Transportation (ADOT) for the construction of a Snow Removal Equipment Building (SREB), Phase 1 Site Preparation.

STAFF RECOMMENDED ACTION:

Approve Grant Agreement with the Arizona Department of Transportation for the Airport Snow Removal Equipment Building, Phase 1 Site Preparation, in an amount not to exceed \$217,304 as a matching grant.

- C. **Consideration and Approval of Cooperative Purchase Contract:** With Continuant, Inc. in an amount not to exceed \$100,000 for Microsoft Teams calling migration, equipment, licensing, and support/maintenance.

STAFF RECOMMENDED ACTION:

1. Approval of a Cooperative Purchase Contract with Continuant, Inc. in an amount not to exceed \$100,000 for Microsoft Teams calling migration, equipment, licensing, and support/maintenance; and
2. Authorize the City Manager to execute the necessary documents.

- D. **Consideration and Approval of Contract Amendment:** Approval of a contract amendment for the City Attorney effective March 5, 2024.

STAFF RECOMMENDED ACTION:

Approve City Attorney Contract Amendment adding one week (5 days) of vacation leave per year for a total of 28 days.

- E. **Consideration and Approval of Contract:** Cedar Avenue Culvert Improvement Project, a grant agreement between the Arizona Department of Emergency and Military Affairs (DEMA) and the City of Flagstaff.

STAFF RECOMMENDED ACTION:

Approve the grant agreement with the Arizona Department of Emergency and Military Affairs (DEMA) for the award of the Cedar Avenue Culvert Improvement Project, a FEMA HMGP grant (HMGP DR-4524-011-07R) for a total project cost of \$1,950,495, with a Federal share of \$990,000 and a City share of \$960,495.

- F. **Consideration and Approval:** Letter of Support for the AZ Healthy Tomorrow Initiative

STAFF RECOMMENDED ACTION:

Approve the Letter of Support

10. **ROUTINE ITEMS**

- A. **Consideration and Approval of Contract Ratification:** Partially Ratify the GMP (Guaranteed Maximum Price) 1 for the Pre-cast box culvert for the Schultz Creek Drainage Improvements at US HWY 180 to J. Banicki Construction valued at \$611,398.90. The remaining total value of Banicki's proposal is \$7,224,422.12, this is the first GMP for the Highway 180 culvert project with a full value at \$7,835,821.02 for Construction Phase Services. In addition to GMP 1, a contract amendment for Design Phase utility locating services in the amount of \$46,847.47 to Banicki Construction is also attached.

STAFF RECOMMENDED ACTION:

1. Approve partial ratification of the GMP 1 for the Pre-cast box culvert procurement for the Schultz Creek Improvements at US HWY 180 to Banicki Construction valued at \$611,398.90;

and

2. Approve the remaining value equaling \$7,224,422.12 of Banicki's proposal Construction Phase GMP 1 full value equaling \$7,835,821.02; and
3. Approve ratification of the Design Phase utility locating contract amendment with Banicki Construction for the project in the amount of \$46,847.47.; and
4. Authorize the City Manager to execute the necessary documents.

- B. Consideration and Adoption of Ordinance No. 2024-08:** An ordinance amending the Flagstaff City Code, Chapter 1-14, Personnel System by amending the Employee Handbook of Regulations, Section 1-70-030 Retiree Insurance; providing for repeal of conflicting ordinances, severability, authority for clerical correction, and establishing an effective date.

STAFF RECOMMENDED ACTION:

1. Read Ordinance No. 2024-08 by title only for the final time
2. City Clerk reads Ordinance No. 2024-08 by title only (if approved above)
3. Adopt Ordinance No. 2024-08

- C. Consideration and Adoption of Ordinance No. 2024-07:** An ordinance of the Council of the City of Flagstaff, Coconino County, Arizona (1) providing for sale and issuance of City of Flagstaff, Arizona General Obligation Bonds and General Obligation Refunding Bonds, in one or more series, and for the annual levy of a tax for the payment of the bonds; (2) approving the form and authorizing the execution and delivery of necessary agreements, instruments and documents related to the sale and issuance of the bonds; (3) delegating authority to the Mayor and Management Services Director of the City to determine certain matters and terms with respect to the foregoing as well as certain matters with respect to the bonds being refunded with the proceeds of the sale of the bonds; and (4) authorizing the taking of all other actions necessary to consummate the transactions contemplated by this ordinance and ratifying all actions taken to further this ordinance.

STAFF RECOMMENDED ACTION:

1. Read Ordinance No. 2024-07 by title only for the final time
2. City Clerk reads Ordinance No. 2024-07 by title only (if approved above)
3. Adopt Ordinance No. 2024-07

- D. Consideration and Approval of Audited Financial Reports:** Year ending June 30, 2023

STAFF RECOMMENDED ACTION:

Approve the FY 2022-2023 Annual Comprehensive Financial Report and the FY 2022-2023 Single Audit Report

- E. Consideration and Adoption of Resolution No. 2024-05 and Ordinance No. 2024-03:** A resolution of the City Council of the City of Flagstaff, Coconino County, Arizona, declaring as a public record that certain document filed with the City Clerk entitled "PZ-23-00136 - Residential Uses in the Public Facility (PF) Zone" and an ordinance of the City Council of the City of Flagstaff, Coconino County, Arizona, amending the Flagstaff City Code, Title 10, Flagstaff Zoning Code, to allow residential uses (single-family, duplex, and multi-family dwellings) as a permitted **or conditional** use in the Public Facility (PF) zone.

STAFF RECOMMENDED ACTION:

1. Adopt Resolution No. 2024-05
2. Read Ordinance No. 2024-03 by title only for the final time
3. City Clerk reads Ordinance No. 2024-03 by title only (if approved above)
4. Adopt Ordinance No. 2024-03

- F. **Consideration and Adoption of Resolution No. 2024-11:** A resolution of the Flagstaff City Council prioritizing the development of affordable housing for Flagstaff residents at a range of income levels as determined by current needs on lands owned by the City of Flagstaff that are made available for development.

STAFF RECOMMENDED ACTION:

1. Read Resolution No. 2024-11 by title only
2. City Clerk reads Resolution No. 2024-11 by title only (if approved above)
3. Adopt Resolution No. 2024-11

11. **PUBLIC HEARING ITEMS**

1. Open the Public Hearing
2. Presentations (Staff and/or Applicant)
3. Council Questions
4. Public Comment
5. Close the Public Hearing
6. Council Deliberation and Action

- A. **Consideration and Adoption of Ordinance No. 2024-10:** An ordinance of the City Council of the City of Flagstaff, amending the Flagstaff Zoning Map to rezone approximately 18.24 acres of real property generally located at 6500 E Route 66, from the Rural Residential (RR) zone with a Resource Protection Overlay (RPO) to the Heavy Industrial (HI) zone with a Resource Protection Overlay (RPO), providing for severability, authority for clerical corrections, and establishing an effective date.

STAFF RECOMMENDED ACTION:

At the March 19, 2024 Council Meeting:

- 1) Hold the public hearing.
- 2) Read Ordinance No. 2024-10 by title only for the first time
- 3) City Clerk reads Ordinance No. 2024-10 by title only (if approved above)

At the April 2, 2024 Council Meeting:

- 4) Read Ordinance No. 2024-10 by title only for the final time
- 5) City Clerk reads Ordinance No. 2024-10 by title only (if approved above)
- 6) Adopt Ordinance No. 2024-10

12. **REGULAR AGENDA**

- A. **Parking District Enforcement Update and Consideration and Adoption of Resolution No. 2024-10 and Ordinance No. 2024-06:** A Resolution of the Flagstaff City Council declaring as a public record that certain document filed with the City Clerk and entitled "*2024 Parking Code Amendments*"; and, an Ordinance of the Flagstaff City Council, amending the Flagstaff City Code, Title 9 Traffic, Chapter 9-01 Traffic Code, by adopting by reference that certain document entitled "*2024 Parking Code Amendments*"; providing for repeal of conflicting ordinances, severability, and establishing an effective date.

STAFF RECOMMENDED ACTION:

At the March 19, 2024 Council Meeting:

1. Read Resolution No. 2024-10 by title only
2. City Clerk reads Resolution No. 2024-10 by title only (if approved above)
3. Read Ordinance No. 2024-06 by title only for the first time
4. City Clerk reads Ordinance No. 2024-06 by title only (if approved above)

At the April 2, 2024 Council Meeting:

5. Adopt Resolution No. 2024-10
6. Read Ordinance No. 2024-06 by title only for the final time
7. City Clerk reads Ordinance No.2024-06 by title only (if approved above)
8. Adopt Ordinance No. 2024-06

B. Consideration and Approval: Rental Incentive Bond Program Awards

STAFF RECOMMENDED ACTION:

Approve two Rental Incentive Bond Program Awards totaling \$3,330,000 resulting in 139 affordable rental units, as recommended by the Ranking Committee.

C. Consideration and Approval of Resolution No. 2024-12: A Resolution of the Flagstaff City Council, authorizing a Ground Lease and Master Development Services Agreement with Genterra Enterprises, LLC for the lease and development of approximately 31.468 acres of land located at 456 W. John Wesley Powell Boulevard near the Flagstaff Pulliam Airport; and establishing an effective date.

STAFF RECOMMENDED ACTION:

1. Read Resolution No. 2024-12 by title only
2. City Clerk reads Resolution No. 2024-12 by title only (if approved above)
3. Adopt Resolution No. 2024-12

13. FUTURE AGENDA ITEM REQUESTS

After discussion and upon agreement by three members of the Council, an item will be moved to a regularly-scheduled Council meeting.

A. Future Agenda Item Request (F.A.I.R.): A Citizens' Petition titled Permanent Cease-fire Resolution

STAFF RECOMMENDED ACTION:

Council Direction

14. OPEN CALL TO THE PUBLIC

15. INFORMATIONAL ITEMS TO/FROM MAYOR, COUNCIL, AND STAFF, AND FUTURE AGENDA ITEM REQUESTS

16. ADJOURNMENT

CERTIFICATE OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted at Flagstaff City Hall on _____, at _____ a.m./p.m. in accordance with the statement filed by the City Council with the City Clerk.

Dated this _____ day of _____, 2024.

Stacy Saltzburg, MMC, City Clerk

THE CITY OF FLAGSTAFF ENDEAVORS TO MAKE ALL PUBLIC MEETINGS ACCESSIBLE TO PERSONS WITH DISABILITIES. With 48-hour advance notice, reasonable accommodations will be made upon request for persons with disabilities or non-English speaking residents. Please call the City Clerk (928) 213-2076 or email at stacy.saltzburg@flagstaffaz.gov to request an accommodation to participate in this public meeting.

NOTICE TO PARENTS AND LEGAL GUARDIANS: Parents and legal guardians have the right to consent before the City of Flagstaff makes a video or voice recording of a minor child, pursuant to A.R.S. § 1-602(A)(9). The Flagstaff City Council meetings are live-streamed and recorded and may be viewed on the City of Flagstaff's website. If you permit your child to attend/participate in a televised Council meeting, a recording will be made. You may exercise your right not to consent by not allowing your child to attend/participate in the meeting.

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Stacy Saltzburg, City Clerk
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE:

Consideration and Approval of Minutes: City Council Regular Meeting of June 20, 2023, Regular Meeting of July 3, 2023, Regular Meeting of August 28, 2023, Regular Meeting of September 5, 2023, Work Session of September 12, 2023, Regular Meeting of September 19, 2023, Regular Meeting of October 3, 2023, Retreat of October 12, 2023, Regular Meeting of October 17, 2023, Joint Work Session of October 23, 2023, Regular Meeting of November 7, 2023, Regular Meeting of November 21, 2023, Special Meeting (Executive Session) of January 9, 2024, Special Meeting (Executive Session) of January 16, 2024, Special Meeting (Executive Session) of January 23, 2024, Special Meeting (Executive Session) of February 6, 2024, Special Meeting (Executive Session) of February 20, 2024, and Special Meeting (Executive Session) of February 27, 2024.

STAFF RECOMMENDED ACTION:

Approve the minutes of the City Council Regular Meeting of June 20, 2023, Regular Meeting of July 3, 2023, Regular Meeting of August 28, 2023, Regular Meeting of September 5, 2023, Work Session of September 12, 2023, Regular Meeting of September 19, 2023, Regular Meeting of October 3, 2023, Retreat of October 12, 2023, Regular Meeting of October 17, 2023, Joint Work Session of October 23, 2023, Regular Meeting of November 7, 2023, Regular Meeting of November 21, 2023, Special Meeting (Executive Session) of January 9, 2024, Special Meeting (Executive Session) of January 16, 2024, Special Meeting (Executive Session) of January 23, 2024, Special Meeting (Executive Session) of February 6, 2024, Special Meeting (Executive Session) of February 20, 2024, and Special Meeting (Executive Session) of February 27, 2024.

Executive Summary:

Minutes of City Council meetings are a requirement of Arizona Revised Statutes and, additionally, provide a method of informing the public of discussions and actions being taken by the City Council.

Financial Impact:

None

Policy Impact:

None

Previous Council Decision or Community Discussion:

None

Options and Alternatives to Recommended Action:

Council could choose to not approve the minutes.

Connection to PBB Priorities and Objectives:

High Performing Governance

Serve the public by providing high quality customer service

MINUTES

1. CALL TO ORDER

Mayor Daggett called the meeting of the Flagstaff City Council held June 20, 2023, to order at 3:02 p.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 regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

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

PRESENT:

ABSENT:

MAYOR DAGGETT
VICE MAYOR ASLAN (virtually)
COUNCILMEMBER HARRIS
COUNCILMEMBER HOUSE (virtually)
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY
COUNCILMEMBER SWEET

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

3. PLEDGE OF ALLEGIANCE, MISSION STATEMENT, AND LAND ACKNOWLEDGEMENT

The Council and audience recited the pledge of allegiance, Councilmember Sweet read the Mission Statement of the City of Flagstaff, and Councilmember Harris read the Land Acknowledgement.

MISSION STATEMENT

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

LAND ACKNOWLEDGEMENT

The Flagstaff City Council humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.

4. APPROVAL OF MINUTES FROM PREVIOUS MEETINGS

- A. **Consideration and Approval of Minutes:** City Council Work Session of April 12, 2022, Regular Meeting of April 19, 2022, Budget Retreat of April 21, 2022, Budget Retreat of April 22, 2022, Special Work Session of April 25, 2022, Special Work Session of April 28, 2022, Regular Meeting of April 4, 2023, CIP Budget Retreat of April 7, 2023, Regular Meeting of April 18, 2023, Special Meeting (Executive Session) of April 28, 2023, Special Meeting (Executive Session) of May 2, 2023, Special Meeting (Executive Session) of May 23, 2023, Special Meeting (Executive Session) of May 30, 2023, and Special Meeting (Executive Session) of June 6, 2023.

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to approve the minutes of the City Council Work Session of April 12, 2022, Regular Meeting of April 19, 2022, Budget Retreat of April 21, 2022, Budget Retreat of April 22, 2022, Special Work Session of April 25, 2022, Special Work Session of April 28, 2022, Regular Meeting of April 4, 2023, CIP Budget Retreat of April 7, 2023, Regular Meeting of April 18, 2023, Special Meeting (Executive Session) of April 28, 2023, Special Meeting (Executive Session) of May 2, 2023, Special Meeting (Executive Session) of May 23, 2023, Special Meeting (Executive Session) of May 30, 2023, and Special Meeting (Executive Session) of June 6, 2023.

Vote: 7 - 0 - Unanimously

5. PUBLIC PARTICIPATION

Public Participation enables the public to address the Council about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed. If you wish to address the Council at tonight's meeting, please complete a comment card and submit it to the recording clerk as soon as possible. Your name will be called when it is your turn to speak. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

Shawn Newell addressed Council about the Spruce Wash Channel Project and her concerns about the design and projected outcomes.

Sharon Tewksbury-Bloom addressed Council about the Spruce Wash Channel Project. She requested a deeper dive and consideration for maintaining the natural channel for flood mitigation.

Nate Spangler addressed Council about the Northern Arizona Healthcare development. He noted concerns about carbon neutrality and the precedent that would be set without requiring LEED standard certification and mitigation of their carbon footprint.

Dawn Tucker addressed Council and noted that City Hall should have a baby changing table. She spoke about the environmental impact of pickleball courts.

Audria Smith addressed Council about the nuisance noise generated by pickleball courts. She spoke in opposition to courts at Bushmaster Park.

Connie Folsom addressed Council in opposition of pickleball, specifically at Bushmaster Park. She noted that courts should be placed a minimum of 600 feet away from residential units.

Jill Stephenson addressed Council about climate action and the need for Flagstaff to set an example for the nation as a governing body concerned about the welfare of its residents.

Janie Helgeson, Membership Director for the YMCA, addressed Council to share information about ongoing camps and activities through July.

Steve Walter addressed Council in opposition to pickleball at Bushmaster Park.

Kathleen Day addressed Council in opposition to pickleball courts at Bushmaster Park.

James Schweikert submitted a written comment in opposition to pickleball courts at Bushmaster Park.

6. PROCLAMATIONS AND RECOGNITIONS

A. June Work Anniversaries

Senior Deputy City Manager Shannon Anderson provided a PowerPoint presentation that covered the following:

JUNE EMPLOYEE WORK ANNIVERSARIES!
FIVE YEAR ANNIVERSARIES
TEN YEAR ANNIVERSARIES
FIFTEEN YEAR ANNIVERSARIES
25 YEARS PLUS!!

7. COUNCIL LIAISON REPORTS

Councilmember Matthews reported that she attended the CJCC meeting where there was good information shared and good collaboration between all the entities represented.

Councilmember Harris reported that she attended the Parks and Recreation Commission meeting where they discussed the Observatory Mesa Trail Plan and the cemetery fee structure.

Vice Mayor Aslan noted that he met with Creative Flagstaff and the Fire Union and that he would be attending the upcoming Sustainability and Tourism commission meetings.

Councilmember Sweet stated that she would be meeting with Mountain Line and NACOG. She would also be touring the Wildcat Hill Water Reclamation Plant with the Water Commission.

Councilmember House noted that the Housing Commission meeting was cancelled for that week.

8. CONSENT ITEMS

All matters under Consent Agenda are considered by the City Council to be routine and will be enacted by one motion approving the recommendations listed on the agenda. Unless otherwise indicated, expenditures approved by Council are budgeted items.

Councilmember Matthews requested Item 8I be pulled for a separate vote because she was part of the evaluation team and was not able to vote on the item.

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to approve the Consent Agenda as presented with the exception of Item 8I.

Vote: 7 - 0 - Unanimously

A. Consideration of Appointments: Presiding Magistrate and On-Call Magistrate for the Flagstaff Municipal Court.

Approve the appointments of Honorable Thomas Chotena as Presiding Magistrate and Honorable Paul Julien as On-Call Magistrate.

B. Consideration and Approval of Contract Addendum: Second Addendum, and Third Addendum to the Lease of the Hopi Building at Heritage Square for Office Space

1. Ratify Second Addendum; and
2. Approve Third Addendum, to provide office space for City staff (ParkFlag and the Beautification, Arts and Sciences Program).

- C. ~~**Consideration and Approval:** Professional Services Agreement with Friedman Recycling Company for equipment, transportation, processing, and the recovery of recyclable materials.~~

~~**STAFF RECOMMENDED ACTION:**~~

- ~~1. Approve the Professional Services Agreement with Friedman Recycling Company for equipment, transportation, processing, and the recovery of recyclable materials; and~~
- ~~2. Authorize the City Manager to execute the necessary documents.~~

MOVED TO ROUTINE ITEMS BELOW

- D. **Consideration and Approval of Contract:** The Cooperative Purchase Contract with Russ Bassett Corp in the amount of \$429,803 to replace and update the Computer Aided Dispatch (CAD) consoles in the Flagstaff Police Department Communications Center.

1. Approve the Cooperative Purchase Contract through the HGAC Cooperative Contract EC07-20 with Russ Bassett Corp. in the amount of \$429,803 to replace and update the CAD consoles in the Flagstaff Police Department Communications Center; and
2. Authorize the City Manager to execute all necessary documents.

- E. **Consideration and Approval of Agreement:** Approve an Agreement with Flagstaff Shelter Services in the amount of \$100,000.00 distributed from the American Rescue Plan Act Coronavirus Local Fiscal Recovery Funds.

1. Approve an Agreement with Flagstaff Shelter Services for the Hotel to Housing Program utilizing \$100,000.00 of the American Rescue Plan Act Coronavirus Local Fiscal Recovery Funds; and
2. Authorize the City Manager to execute the necessary documents.

- F. **Consideration and Approval of Agreement:** Approve an Agreement with Housing Solutions of Northern Arizona in the amount of \$500,000 distributed from the American Rescue Plan Act Coronavirus Local Fiscal Recovery Funds.

1. Approve an Agreement with Housing Solutions of Northern Arizona for the JoJo's Place Transitional Housing Project utilizing \$500,000.00 of the American Rescue Plan Act Coronavirus Local Fiscal Recovery Funds; and
2. Authorize the City Manager to execute the necessary documents.

- G. **Consideration and Approval of Contract:** A Cooperative Purchase Contract with PFVT Motors, LLC DBA Peoria Ford for an F150 Pick Up Truck, in the amount of \$67,562.10, plus additional fees and taxes.

1. Approve the Cooperative Purchase Contract with PFVT Motors, LLC DBA Peoria Ford for an F150 Pick Up Truck, in the amount of \$67,562.10, plus additional fees and taxes; and
2. Authorize the City Manager to execute the necessary documents.

- H. ~~**Consideration and Ratification of Contract Amendment:** Ratification of the First Amendment to the Emergency Contract for the purchase of Materials/Services with Joe Dirt Excavating, Inc. for emergency hauling services of commingled recyclables in an additional amount of \$100,000 (for a total Contract amount not to exceed of \$300,000).~~

~~**STAFF RECOMMENDED ACTION:**~~

- ~~1. Ratify the First Amendment to the Emergency Contract for the Purchase of Materials/Services with Joe Dirt Excavating, Inc. for emergency hauling services of commingled recyclables in an~~

- additional amount of \$100,000 (for a total Contract amount not to exceed of \$300,000); and
2. ~~Authorize the City Manager to execute the necessary documents.~~

MOVED TO ROUTINE ITEMS BELOW

- I. **Consideration and Approval of Contract:** Contract for Professional Audit Services with Heinfeld, Meech & Co., PC in the amount of \$423,100.00

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Deborah Harris to approve a Contract for Professional Audit Services with Heinfeld, Meech & Co., PC to perform annual audits of the City's financial records for four (4) years. June 30, 2023 through June 30, 2026, with option to extend for three (3) one (1) year terms, at the annual fees as follows:

- June 30, 2023: \$100,000
- June 30, 2024: \$103,000
- June 30, 2025: \$110,850
- June 30, 2026: \$109,250

And authorize the City Manager to execute all necessary documents.

Vote: 6 - 0

- J. **Consideration and Approval of Cooperative Purchase Contract:** with Hye Tech Network & Security Solutions LLC in the amount of \$129,217.39, in addition to other fees and taxes, for Cisco network equipment, licensing, and support/maintenance for 3 years.
1. Approval of Cooperative Purchase Contract with Hye Tech Network & Security Solutions, LLC in the amount of \$129,217.39, in addition to other fees and taxes, for Cisco network equipment, licensing, and support/maintenance for 3 years; and
 2. Authorize the City Manager to execute the necessary documents.
- K. **Consideration and Approval of Ratifying the Grant Agreement:** Ratifying the Grant Agreement in the amount of \$679,118 between the City of Flagstaff and the U.S. Department of Agriculture, Natural Resources Conservation Service, Emergency Watershed Protection Program for the Schultz Creek Channel Stabilization Project.
1. Ratify the Grant Agreement with the U.S. Department of Agriculture, Natural Resources Conservation Service (NRCS) in the amount of \$679,118; and
 2. Direct the City Manager to execute the necessary documents.
- L. **Consideration and Approval of Contract:** Award a contract to the Community Assistance Teams of Flagstaff for the Engage, Empower, Elevate Program in an amount of a \$30,000 grant from the State of Arizona with a \$30,000 match from the City of Flagstaff for a total not to exceed \$60,000 in year one.
1. Award a contract to the Community Assistance Teams of Flagstaff (CATS) for the Engage, Empower, Elevate Program (E3) in an amount of a \$30,000 grant from the State of Arizona with a \$30,000 match from the City of Flagstaff for a total not to exceed \$60,000 in year one; and
 2. Authorize the City manager to execute the necessary documents.

9. **ROUTINE ITEMS**

- A. **Consideration and Approval:** Professional Services Agreement with Friedman Recycling Company for equipment, transportation, processing, and the recovery of recyclable materials.

Solid Waste Section Director Evan Tyrrell addressed Council and stated that the Materials Recovery Facility (MRF) was reverted to the city back in April 2023. Since that time the facility had been cleaned, organized, and evaluated for future use. Staff had obtained multiple quotes from hauling and processing companies to provide hauling of materials to Phoenix for processing. Friedman

Recycling would be able to process the recyclable materials and Joe Dirt Excavating would be able to haul those materials from Flagstaff to the Phoenix processing location. The intention was to maintain the operation while seeking more efficient means and methods for Flagstaff's recycling services.

Al White addressed Council in support of the agreement with Friedman. He noted that they had been around for a long time and were a very reputable and reliable firm. He stated that it was important to begin a comprehensive education program to remind the public of what was recyclable to reduce contamination rates.

Ward Davis addressed Council in support of the Friedman contract. He indicated that Friedman charged a financial penalty for contamination so education on proper recycling was paramount. He suggested imposing penalties on people who did not recycle appropriately to encourage better behavior.

Council expressed appreciation to staff for their quick response to the unanticipated events surrounding the recycling program. Mr. Clifton echoed that appreciation and noted that discussions were ongoing regarding reeducation programs and future operations.

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to approve the Professional Services Agreement with Friedman Recycling Company for equipment, transportation, processing, and the recovery of recyclable materials and authorize the City Manager to execute the necessary documents.

Vote: 7 - 0 - Unanimously

- B. Consideration and Ratification of Contract Amendment:** Ratification of the First Amendment to the Emergency Contract for the purchase of Materials/Services with Joe Dirt Excavating, Inc. for emergency hauling services of commingled recyclables in an additional amount of \$100,000 (for a total Contract amount not to exceed of \$300,000).

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to ratify the First Amendment to the Emergency Contract for the Purchase of Materials/Services with Joe Dirt Excavating, Inc. for emergency hauling services of commingled recyclables in an additional amount of \$100,000 (for a total Contract amount not to exceed of \$300,000) and authorize the City Manager to execute the necessary documents.

Vote: 7 - 0 - Unanimously

10. PUBLIC HEARING ITEMS

- A. Public Hearing, Consideration, and Adoption of Ordinance No. 2023-20:** An ordinance of the City Council of the City of Flagstaff, amending the Flagstaff Zoning Map to rezone approximately 1.17 acres of real property located at 1899 S Woodlands Village Boulevard from the Light Industrial Open (LI-O) zone with the Resource Protection Overlay (RPO) to the Highway Commercial (HC) zone with the Resource Protection Overlay (RPO), providing for severability, authority for clerical corrections, and establishing an effective date.

Mayor Daggett opened the public hearing.

Associate Planner Wesley Welch provided a PowerPoint presentation that covered the following:

OCEAN BLUE CARWASH WOODLANDS VILLAGE DIRECT TO ORDINANCE ZONING MAP AMENDMENT
 OCEAN BLUE CARWASH
 SITE HISTORY
 PROPERTY CONTEXT MAP
 TYPES OF ZONING MAP AMENDMENTS
 OCEAN BLUE CARWASH SITE PLAN
 PARKING CALCULATIONS
 PROPOSED BUILDING ELEVATIONS

LANDSCAPING PLAN
FUTURE DEVELOPMENT ON THE SITE
IMPACT ANALYSES
ZONING MAP AMENDMENT FINDINGS
FINDING #1
FINDING #2
FINDING #3
CITIZEN PARTICIPATION PLAN
STAFF RECOMMENDATION

There being no public comment, Mayor Daggett closed the public hearing.

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Lori Matthews to read Ordinance No. 2023-20 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF ZONING MAP TO REZONE APPROXIMATELY 1.17 ACRES OF REAL PROPERTY GENERALLY LOCATED AT 1899 S WOODLANDS VILLAGE BOULEVARD, FROM THE LIGHT INDUSTRIAL OPEN (LI-O) ZONE WITH A RESOURCE PROTECTION OVERLAY (RPO) TO THE HIGHWAY COMMERCIAL (HC) ZONE WITH A RESOURCE PROTECTION OVERLAY (RPO), PROVIDING FOR SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

B. Public Hearing: Fiscal Year 2023-2024 Budget and Property Tax Levy

Mayor Daggett opened the public hearing.

Finance Director Brandi Suda provided a PowerPoint presentation that covered the following:

CITY OF FLAGSTAFF FY 2023-2024 BUDGET AND PROPERTY TAXES
BUDGET TIMELINE
LEGAL SCHEDULE A
PROPOSED PROPERTY TAX
PROPERTY TAX RATE HISTORY
PROPERTY ASSESSED VALUES
CITY PROPERTY TAX IMPACT

Councilmember McCarthy stated that it was significant to note that while many of the taxes were going up, the city property tax was not; the organization had been able to continue getting the work done within the budget that it had available.

There being no public comment, Mayor Daggett closed the public hearing.

The City Council convened into a Special Meeting at 4:18 p.m.

11. SPECIAL MEETING

A. Consideration and Adoption of Resolution No. 2023-37: A resolution of the Council of the City of Flagstaff, Arizona, adopting the Budget for the City of Flagstaff for Fiscal Year 2023-2024.

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Miranda Sweet to read Resolution No. 2023-37 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE COUNCIL OF THE CITY OF FLAGSTAFF, ARIZONA ADOPTING THE BUDGET FOR THE CITY OF FLAGSTAFF FOR FISCAL YEAR 2023-2024.

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Miranda Sweet to adopt Resolution No. 2023-37.

Vote: 7 - 0 - Unanimously

Mayor Daggett adjourned the Special Meeting and the City Council reconvened into the Regular Meeting at 4:19 p.m.

12. REGULAR AGENDA

- A. **Consideration and Adoption of Ordinance No. 2023-15:** An ordinance levying upon the assessed valuation of the property within the City of Flagstaff, Arizona, subject to taxation a certain sum upon each one hundred dollars (\$100.00) of valuation sufficient to raise the amount estimated to be required in the Annual Budget, less the amount estimated to be received from other sources of revenue; providing funds for various bond redemptions, for the purpose of paying interest upon bonded indebtedness and providing funds for general municipal expenses, all for the Fiscal Year ending the 30th day of June 2024. **(Primary and secondary property tax levies for FY 2023-2024)**

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Miranda Sweet to read Ordinance No. 2023-15 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE LEVYING UPON THE ASSESSED VALUATION OF THE PROPERTY WITHIN THE CITY OF FLAGSTAFF, ARIZONA, SUBJECT TO TAXATION A CERTAIN SUM UPON EACH ONE HUNDRED DOLLARS (\$100.00) OF VALUATION SUFFICIENT TO RAISE THE AMOUNT ESTIMATED TO BE REQUIRED IN THE ANNUAL BUDGET, LESS THE AMOUNT ESTIMATED TO BE RECEIVED FROM OTHER SOURCES OF REVENUE; PROVIDING FUNDS FOR VARIOUS BOND REDEMPTIONS, FOR THE PURPOSE OF PAYING INTEREST UPON BONDED INDEBTEDNESS AND PROVIDING FUNDS FOR GENERAL MUNICIPAL EXPENSES, ALL FOR THE FISCAL YEAR ENDING THE 30TH DAY OF JUNE, 2024

- B. **Consideration and Adoption of Resolution No. 2023-36:** A resolution of the Flagstaff City Council adopting the City of Flagstaff Public Safety Personnel Retirement System Pension Funding Policy; delegating authority; and establishing an effective date.

Management Services Director Rick Tadder stated that the resolution was an annual administrative process required by state statute. Flagstaff was still over 100% funded in its public safety plans and there were no recommended adjustments.

Council offered gratitude for finding solutions for the pension challenges. It was a big problem and now was funded at more than 100%.

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to read Resolution No. 2023-36 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL ADOPTING THE CITY OF FLAGSTAFF PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM PENSION FUNDING POLICY; DELEGATING AUTHORITY; AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to adopt Resolution No. 2023-36.

Vote: 7 - 0 - Unanimously

- C. **Consideration and Adoption of Resolution No. 2023-38 and Ordinance No. 2023-16:** A resolution of the Flagstaff City Council declaring as a public record that certain document filed with the City Clerk and entitled "2023 Short-Term Rental Code", and an ordinance of the City Council amending the Flagstaff City Code, Title 3 Business Regulations, by adopting by reference that certain document entitled "2023 Short-Term Rental Code".

Public Affairs Director Sarah Langley, Community Development Director Dan Folke, and Senior Assistant City Attorney Anja Wendel provided a PowerPoint presentation that covered the following:

SHORT TERM RENTAL ORDINANCE
LICENSE PROGRAM HIGHLIGHTS
ORDINANCE UPDATES
PROHIBITED USES
NEIGHBOR NOTIFICATION
POSTING ON THE PROPERTY
VERIFIED VIOLATIONS
PENALTIES FOR VERIFIED VIOLATIONS

Mayor Daggett asked if there was anything in the County's ordinance that staff felt pertinent to add or change within the city ordinance. Ms. Wendel stated that one difference was that the County would charge a \$250 annual fee. Staff did not feel a need to increase the city's fee, but it was something that could be considered in the future should there be a need.

SCHEDULE OF EVENTS

Councilmember House stated that it would be important to make very clear what the ordinance was and was not and what it could and could not do. The city had very little control over short-term rentals outside of a licensing process and the community must be fully aware of the constraints placed upon the city.

Councilmember Harris stated that a Frequently Asked Questions document may be helpful to the process and the public.

Councilmember Sweet asked if the proposed fee would cover enforcement and other operations associated with implementation of the ordinance. Management Services Director Rick Tadder stated that a rate analysis was done that considered the cost and staff time associated with implementation and enforcement of the ordinance. Growth and inflation was not considered as part of the study and he suggested that a \$5 annual increase could be built into the ordinance to cover that.

Councilmembers Sweet and McCarthy voiced their support for a \$5 annual increase to the fee.

BK Tucker addressed Council and thanked them for their thoughtful consideration of the annual fee. She also noted support for tracking owner-occupied short-term rentals; it was an important distinction in management and enforcement.

CJ deVries addressed Council and stated that the proposed ordinance conflicted with SB1168. He stated that neighbor notification could not be included in the application. The application could not require the disclosure of the status of the occupancy of the home. He also stated that it should be noted that the city must respond to an applicant within seven days to issue or deny an application. Finally, he stated that the applicant should not be precluded from correcting/submitting an application after the ten-day period currently proposed in the ordinance.

Connie Taylor submitted a written comment in opposition to the short-term license fee.

Ms. Wendel stated that staff would take the suggestions under advisement and share any changes prior to the final read.

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Lori Matthews to read Resolution No. 2023-38 by title only with the addition of a \$5 yearly increase and a financial review in three years.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL DECLARING AS A PUBLIC RECORD THAT CERTAIN DOCUMENT FILED WITH THE CITY CLERK AND ENTITLED "2023 SHORTTERM RENTAL CODE" AS AMENDED

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Lori Matthews to read Ordinance No. 2023-16 by title only for the first time as amended with the addition of a \$5 yearly increase and a financial review in three years.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, TITLE 3 BUSINESS REGULATIONS, BY ADOPTING BY REFERENCE THAT CERTAIN DOCUMENT ENTITLED "2023 SHORT TERM RENTAL CODE"; PROVIDING FOR PENALTIES, REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE AS AMENDED

D. Consideration and Approval: Stormwater Strategic Plan 2028

Stormwater Manager Ed Schenk provided a PowerPoint presentation that covered the following:

STORMWATER STRATEGIC PLAN 2028
 PURPOSE OF THE STRATEGIC PLAN
 ELEMENTS OF THE STRATEGIC PLAN
 STRATEGIC FOUNDATION
 STORMWATER BASICS
 STRATEGIC OBJECTIVES
 STRATEGIC OBJECTIVE NO. 1 RESPOND TO WILDFIRE FLOODING RISKS AND EVENTS
 STRATEGIC OBJECTIVE NO. 2 CLARIFY CLIMATE CHANGE CHARACTERISTICS AND OVERALL STORMWATER CHALLENGES
 STRATEGIC OBJECTIVE NO. 3 MAXIMIZE/OPTIMIZE STORMWATER SYSTEM MAINTENANCE
 STRATEGIC OBJECTIVE NO. 4 CLARIFY SERVICES LEVELS AND ENHANCE CUSTOMER SERVICE
 STRATEGIC OBJECTIVE NO. 5 INCREASE SUPPORT FOR FLOODPROOFING OF INDIVIDUAL STRUCTURES
 STRATEGIC OBJECTIVE NO. 6 ENHANCE CIP PROCESS AND UPDATE CIP PRIORITIES
 STRATEGIC OBJECTIVE NO. 7 ENHANCE DEVELOPMENT REVIEW PROCESS AND DEVELOPER SUPPORT
 STRATEGIC OBJECTIVE NO. 8 IMPROVE COLLABORATION AND COMMUNICATIONS
 STRATEGIC OBJECTIVE NO. 9 ADDRESS STORMWATER SECTION HUMAN RESOURCE NEEDS

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to approve the draft Stormwater Strategic Plan 2028.

Vote: 7 - 0 - Unanimously

E. Consideration and Adoption of Resolution No. 2023-14: A resolution of the City Council of the City of Flagstaff adopting the revised 2023 Stormwater Credit Manual for the City of Flagstaff

Mr. Schenk provided a PowerPoint presentation that covered the following:

2023 STORMWATER CREDIT MANUAL
 OVERVIEW

REVIEW OF 2022 CREDIT MANUAL
PROPOSED REVISIONS
EXAMPLE

Councilmember Matthews asked about the calculation of fees. Mr. Schenk stated that the fee was based on the Estimate Residential Units (ERU) that included the compacted surface. There were some changes to the calculation with the stormwater rate adjustment; for residential the ERU cap went from five to ten. It was also discovered that there were rural properties that had not been charged correctly or at all which required a review and update of the data.

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Jim McCarthy to read Resolution No. 2023-14 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF ADOPTING THE 2023 REVISED STORMWATER CREDIT MANUAL FOR THE CITY OF FLAGSTAFF

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Deborah Harris to adopt Resolution No. 2023-14.

Vote: 7 - 0 - Unanimously

- F. **Consideration and Adoption of Resolution No. 2023-33:** A resolution of the Flagstaff City Council, approving the Intergovernmental Agreement between Coconino County, the Superior Court of Coconino County, and the City of Flagstaff for Courthouse Court Security Services.

Court Administrator Jessica Cortes addressed Council and stated that the agreement was to provide Court Security Services at the Municipal Court.

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Miranda Sweet to read Resolution No. 2023-33 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, APPROVING AN INTERGOVERNMENTAL AGREEMENT BETWEEN COCONINO COUNTY AND THE CITY OF FLAGSTAFF FOR COURTHOUSE COURT SECURITY SERVICES

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Miranda Sweet to adopt Resolution No. 2023-33.

Vote: 7 - 0 - Unanimously

- G. **Consideration and Adoption of Resolution No. 2023-34:** A resolution approving the second amendment to the Information System Specialist Intergovernmental Agreement between the City of Flagstaff and Coconino County to add Coconino County Superior Court as a party to this Intergovernmental Agreement and to amend the funding schedule.

Ms. Cortes addressed Council and stated that the amendment added Coconino County Superior Court as a party to the Intergovernmental Agreement for information technology services and amended the funding schedule accordingly.

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to read Resolution No. 2023-34 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, APPROVING AN INTERGOVERNMENTAL AGREEMENT BETWEEN COCONINO COUNTY SUPERIOR COURT, COCONINO COUNTY AND THE CITY OF FLAGSTAFF FOR COUNTY WIDE INFORMATION

SYSTEM SPECIALISTS

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to adopt Resolution No. 2023-34.

Vote: 7 - 0 - Unanimously

- H. **Consideration and Adoption of Resolution No. 2023-35:** A resolution approving amendment number two to the Intergovernmental Agreement (IGA) for interpreter and interpreter coordination between the City of Flagstaff and Coconino County to add Coconino County Superior Court as a party to this Intergovernmental Agreement and to amend the funding schedule.

Ms. Cortes addressed Council and stated that the amendment would add Coconino County Superior Court as a party to the Intergovernmental Agreement for interpreter services and amended the funding schedule accordingly.

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Deborah Harris to read Resolution No. 2023-35 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, APPROVING AN INTERGOVERNMENTAL AGREEMENT BETWEEN COCONINO COUNTY SUPERIOR COURT, COCONINO COUNTY AND THE CITY OF FLAGSTAFF FOR INTERPRETER AND INTERPRETER COORDINATION

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Deborah Harris to adopt Resolution No. 2023-35.

Vote: 7 - 0 - Unanimously

- I. **Consideration and Adoption of Ordinance No. 2023-14:** An ordinance of the City Council of the City of Flagstaff authorizing the acquisition of real property for the Lone Tree Overpass Project; providing for delegation of authority, subsequent City Council approvals, severability, and establishing an effective date.

Community Investment Director Dave McIntire addressed Council and stated that that in June 2021 the Council approved an ordinance to acquire property for the Lone Tree Overpass project. As the design progressed, additional parcels had been identified for acquisition or temporary rights. A majority of the properties were owned by BNSF Railway and there was hope that the city might be able to get some of them donated.

Moved by Councilmember Deborah Harris, **seconded by** Councilmember Lori Matthews to read Ordinance No. 2023-14 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AUTHORIZING THE ACQUISITION OF REAL PROPERTY FOR THE LONE TREE OVERPASS PROJECT; PROVIDING FOR DELEGATION OF AUTHORITY, SUBSEQUENT COUNCIL APPROVALS, SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE

- J. **Consideration and Adoption of Ordinance No. 2023-17:** An ordinance of the City Council of the City of Flagstaff, abandoning approximately 5,140 square feet of public right-of-way connecting to the north side of West Route 66, providing for sale of such property, delegation of authority, recording, repeal of conflicting ordinances, severability, authority for clerical corrections, and establishing an effective date

Real Estate Manager Bryce Doty provided a PowerPoint presentation that covered the following:

ABANDONMENT REQUEST 1400 RT. 66

VICINITY MAP
 AERIAL MAP
 PICTURES OF THE AREA
 SITE PLAN

Councilmember Matthews asked what happened if they were outbid. Mr. Doty stated that the city had the ability to reject all bids and the contract would come back to Council for consideration.

Moved by Councilmember Jim McCarthy, seconded by Councilmember Lori Matthews to read Ordinance No. 2023-17 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF ABANDONING AN APPROXIMATELY 5,140 SQUARE FEET OF PUBLIC RIGHT-OF-WAY CONNECTING TO THE NORTH SIDE OF WEST ROUTE 66; PROVIDING FOR SALE OF SUCH PROPERTY, DELEGATION OF AUTHORITY, RECORDING, REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

- K. Consideration and Approval of Preliminary Plat:** PZ-21-00126-09, Northern Arizona Healthcare (NAH) Corporation requests Preliminary Plat approval for the NAH Health Village Phase 1 Block Plat located at 1120 W Purple Sage Trail, a proposed mixed-use development subdivision on 172.62 acres in the Estate Residential, Rural Residential, and Single-family Residential zones.

Zoning Code Manager Tiffany Antol provided a PowerPoint presentation that covered the following:

PRELIMINARY BLOCK PLAT NORTHERN ARIZONA HEALTHCARE HEALTH VILLAGE
 NORTHERN ARIZONA HEALTHCARE HEALTH VILLAGE
 NAH HEALTH VILLAGE PROPERTY CONTEXT MAP
 NAH HEALTH VILLAGE PRELIMINARY BLOCK PLAT
 SUBDIVISION PLAT FINDINGS
 REQUIRED FINDINGS
 REQUIRED FINDING #1: ZONING CODE (TITLE 10)
 EXISTING ZONING
 PROPOSED ZONING
 NAH PHASE 1 CONCEPT PLAN
 RESOURCE PROTECTION
 OPEN SPACE & CIVIC SPACE
 PED & BIKE CIRCULATION SYSTEM
 REQUIRED FINDING #2: ENGINEERING STANDARDS (TITLE 13)
 PHASE 1 TIA
 WATER SEWER IMPACT ANALYSIS (WSIA)
 STORMWATER ANALYSIS
 REQUIRED FINDING #3: SUBDIVISIONS STANDARDS (TITLE 11)
 MEETS SUBDIVISION AND LAND SPLIT REGULATIONS (CHAPTER 11-20)
 RECOMMENDATION

Moved by Councilmember Jim McCarthy, seconded by Councilmember Miranda Sweet to approve the preliminary plat in accordance with the findings presented in this report and the Planning & Zoning Commission recommendation of approval (5-0 on June 14, 2023).

Vote: 7 - 0 - Unanimously

- L. Consideration and Adoption of Ordinance No. 2023-19:** An ordinance of the City Council of the City of Flagstaff, amending the Flagstaff City Code, Chapter 1-18, Administrative Departments, to rename the City Clerk Division to the Communication and Civic Engagement Division

City Clerk Stacy Saltzburg addressed Council and stated that in 2022, the City Manager combined the Public Affairs Section and the City Clerk Section to create the City Clerk Division. There was a

desire to rename the Division to a name that better encompassed the entirety of operations and functions within the Division. The core purpose of the Division was engagement with the community. They communicated heavily through all forms of media and facilitated citizen communication with their elected officials. They built relationships with the city's Indigenous neighbors and students, conducted elections, preserved the city's history, ensured transparency in government operations, and ensured compliance with the community's desired labor standards. In its entirety, they provided communication to the community and encouraged citizens to engage and participate with their government. The proposed name of Communication and Civic Engagement was a good representation of all the functions of the Division.

Moved by Councilmember Deborah Harris, **seconded by** Councilmember Miranda Sweet to read Ordinance No. 2023-19 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, CHAPTER 1-18, ADMINISTRATIVE DEPARTMENTS, TO RENAME THE CITY CLERK DIVISION TO THE COMMUNICATION AND CIVIC ENGAGEMENT DIVISION; PROVIDING REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

- M. Consideration and Adoption of Ordinance No. 2023-18:** An ordinance of the City Council of the City of Flagstaff, amending the Flagstaff City Code, Title 1 Administrative, Chapter 1-16, City Elections, to provide for the manner of conducting elections for initiative and referendum measures, providing for severability, authority for clerical corrections, and establishing an effective date

Ms. Saltzburg addressed Council and stated that the ordinance would amend the city code to clarify that initiative and referendum measures could be held at special elections.

State law allowed for local initiative and referendum measures to be held at special elections so long as the City Council adopted an ordinance granting that authority. Due to the infrequent nature of initiatives and referendums, a special election had not been needed for that purpose because the timing of prior initiatives and referendums had aligned with the regular election cycle.

Staff would like to update the city code to provide Council the ability to call a special election, if desired, for the purpose of an initiative or referendum. The change did not obligate the city to hold an initiative or referendum measure at a special election, it only provided the ability to do so if desired by Council.

Moved by Councilmember Deborah Harris, **seconded by** Councilmember Miranda Sweet to read Ordinance No. 2023-18 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, TITLE 1 ADMINISTRATIVE, CHAPTER 1-16 CITY ELECTIONS, TO PROVIDE FOR THE MANNER OF CONDUCTING ELECTIONS FOR INITIATIVE AND REFERENDUM MEASURES; PROVIDING FOR SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

- N. Consideration and Adoption of Resolution No. 2023-39:** A resolution of the Flagstaff City Council ordering and calling a Special Election of the City for November 7, 2023, to submit questions to the qualified electors of Flagstaff with respect to amendments to the Flagstaff City Charter and a potential question proposed by referendum related to Ordinance No. 2023-11

Ms. Saltzburg addressed Council and stated that the resolution was to call a special election for November 7, 2023 to advance charter amendments for consideration of the voters. In May 2023 Council gave direction to advance 20 City Charter amendments to the voters in November 2023. Since that time, staff have worked to verify and refine the ballot language for each proposed

amendment. During the verification process, one question was eliminated, which left a total of 19 proposed amendments. The eliminated question was related to voter registration and what currently existed within the Charter was correct with no modification needed.

In addition to the Charter amendments, a referendum was being circulated with regards to Ordinance No. 2023-11. The filing period for the referendum ended on July 6, 2023. It was not known if the referendum would qualify for placement on the ballot within the time frame required to advertise for pro/con statements from the public. As such, the referendum was included in the resolution, contingent upon the qualification of signatures. Pro/con statements from the public would be accepted for both the City Charter amendments and the potential referendum, with the understanding that the referendum question may not be placed on the ballot, in which case the arguments related to the referendum would not be included in the publicity pamphlet.

Councilmember McCarthy expressed concern about the amendment that would allow Council to adjust the signature requirement for candidate petitions by ordinance. He felt that the number of signatures should be set within the Charter, not through an ordinance.

Council discussed the proposed amendment and how the change would allow the Council to change the minimum number of signatures required.

Vice Mayor Aslan asked how the potential referendum might impact the success of the charter amendment questions. Ms. Saltzburg stated that elections held in the off years generally had lower voter turnout than regular elections during even-numbered years. That, combined with a ballot-bymail election, could result in a lower turnout. However, the referendum and the public interest in the matter may increase the turnout to more than what was typical. She also noted that the number of questions on the ballot could have an impact on the outcome of the election, but it was speculative at best.

Sabrina addressed Council and asked why there was such a rush to place the questions on the ballot.

Moved by Councilmember Deborah Harris, seconded by Councilmember Miranda Sweet to read Resolution No. 2023-39 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL ORDERING AND CALLING A SPECIAL ELECTION OF THE CITY FOR NOVEMBER 7, 2023, TO SUBMIT QUESTIONS TO THE QUALIFIED ELECTORS OF FLAGSTAFF WITH RESPECT TO AMENDMENTS TO THE FLAGSTAFF CITY CHARTER AND A POTENTIAL QUESTION PROPOSED BY REFERENDUM RELATED TO ORDINANCE NO. 2023-11

Moved by Councilmember Deborah Harris, seconded by Councilmember Miranda Sweet to adopt Resolution No. 2023-39.

Vote: 7 - 0 - Unanimously

Vice Mayor Aslan left the meeting at 6:18 p.m.

A break was held from 6:18 p.m. through 6:39 p.m.

O. Discussion and Possible Action: Use of the Council Initiative Fund

Mayor Daggett stated that there had been discussion about possibly sponsoring a movie for Movies on the Square as well as the Youth Poet Lauriate.

Councilmember McCarthy asked if the funding could be combined with the funding allocated to build pickleball courts at Bushmaster Park to move the courts to the Thorpe Park dog park.

Mr. Clifton stated that the initiative fund was not a rollover fund so the funds must be expended prior

to the end of the fiscal year.

Councilmember House stated that she would like to see some funding provided to the Youth Poet Laureate. Mayor Daggett suggested \$5,000.

Moved by Councilmember Deborah Harris, **seconded by** Councilmember Jim McCarthy to allocate \$5,000 from the Council Initiative Fund to the Book Festival to support the Youth Poet Laureate for Fiscal Year 2022-2023 and \$2,000 to support two Movies on the Square in Fiscal Year 2023-2024.

Vote: 6 - 0 - Unanimously

13. DISCUSSION ITEMS

A. **Downtown Snow Operations Discussion - Part 3 of 3**

Parks, Recreation, Open Space, and Events Director Rebecca Sayers and Public Works Director Scott Overton provided a PowerPoint presentation that covered the following:

DOWNTOWN CITY SNOW OPERATIONS
PART 3 -- DOWNTOWN SNOW OPERATIONS
DISCUSSION INTENT
INFRASTRUCTURE
DOWNTOWN ALLEY NETWORK
SNOW OPERATIONS
POST STORM SNOW OPERATIONS
IMPACTS AND CONCERNS
CODE COMPLIANCE
ACTION PLAN
COMMUNICATION AND COORDINATION

Councilmember Matthews stated that she would like to see more collaboration with the Downtown Business Alliance (DBA) where they could take over some of the responsibility for downtown snow operations.

Ms. Sayers offered that the city worked very closely with the DBA and the Clean Team who were often the first responders to snow operations. Park Flag was also another fantastic partner to help get the gazebos cleared of snow. The smaller operations and hand operations were what they primarily helped with.

Councilmember Sweet stated that there were obstacles in the alleys downtown. During the summer they directed people to the alleys but in the winter, they had to completely switch the messaging. There needed to be a way to get to consistent year-round messaging. It could be helpful to provide reminders and talk with businesses about the importance of clearing the snow. She expressed interest in considering the use of a melting agent in downtown.

Councilmember McCarthy stated that he had concerns about using deicers because they could poison plant life and attack concrete and metal. Short term it may make sense but long term it could damage infrastructure.

B. **Flagstaff Police Department (FPD) Policy on Human Exploitation and Trafficking**

Mr. Clifton offered some opening remarks and stated that last summer, the topic of improving internal policies, particularly regarding human trafficking, was brought up in relation to discussions about massage parlor operations in 2019. Since then, significant efforts had been made to address those concerns. A consultant was hired to review internal policies and make recommendations, which were presented to the Council in the fall. Subsequently, the city had been working on implementing those recommendations, drawing on policies from other municipalities, and engaging with community interest groups. Additionally, efforts had been made to certify Flagstaff as a CEASE (Cities Empowered Against Sexual Exploitation) city. The focus had been on improving law enforcement procedures and overall operations rather than letting the issue fade away.

Senior Deputy City Manager Shannon Anderson provided a PowerPoint presentation that covered the following:

POLICY ON HUMAN EXPLOITATION AND TRAFFICKING
BACKGROUND
POLICY RECOMMENDATION
POLICY CREATION
CEASE DESIGNATION

Councilmember McCarthy asked for the definition of human trafficking. Police Chief Dan Musselman explained that human trafficking was a crime that involved compelling, defrauding, or coercing a person to provide labor or services or engage in commercial sex acts. The coercion could be subtle or overt, physical or psychological. The exploitation of a minor for commercial sex was human trafficking regardless of whether any form of force, fraud, or coercion was used.

Mayor Daggett asked for Chief Musselman to walk the Council through the in-person training for police and fire personnel. Chief Musselman stated that they invited Kate Wyatt with Flagstaff Initiative Against Trafficking (FIAT) to come in and provide a 30-minute in-service training session on some of the factors to look for and indicators of human trafficking. Michelle Rucker with the Arizona Anti-Trafficking Network also came in a few months later to provide a more detailed and in-depth training that covered not only indicators of human trafficking, but also resources for victims, other things to look for, and where to find additional information.

14. **PUBLIC PARTICIPATION**

Steven Gerard Sidlovsky addressed Council and stated that he was visiting Flagstaff and hoped to interview members of the Council, review the City Charter, and meet with religious leaders and citizens.

15. **INFORMATIONAL ITEMS TO/FROM MAYOR, COUNCIL, AND STAFF, AND FUTURE AGENDA ITEM REQUESTS**

Councilmember House stated that the Juneteenth and Pride celebrations the prior weekend were beautiful and she looked forward to the next year's events. She also was honored to read the Two-Spirit proclamation at the Health Choice Tribal Program's second annual Two-Spirit LGBTQ Health Matters conference where the keynote speaker was Randy Burns who was one of the co-founders of the organization Gay American Indians, which was the first organization for 2SLGBTQ Native Americans in the country. Lastly, she attended a fireside chat with Professor Helios Shabazz and Dr. Bernice King, the daughters of Malcolm X and Betty Shabazz and Dr. Martin Luther King Jr. and Coretta Scott King. It was such a wonderful event to participate in. They spend a lot of time speaking about the importance of education and equitable access to education, knowledge of history and general information for young people.

Councilmember Harris thanked staff for all of their assistance with the planning and implementation of Juneteenth.

Mayor Daggett stated that she would like to discuss the Council Initiative Fund earlier in the fiscal year to allow for better discussion and parameters around allocations.

16. **ADJOURNMENT**

The Regular Meeting of the Flagstaff City Council held June 20, 2023, adjourned at 7:57 p.m.

MAYOR

ATTEST:

CITY CLERK

CERTIFICATION

I, STACY SALTZBURG, do hereby certify that I am the City Clerk of the City of Flagstaff, County of Coconino, State of Arizona, and that the above Minutes are a true and correct summary of the Meeting of the Council of the City of Flagstaff held on June 20, 2023. I further certify that the Meeting was duly called and held and that a quorum was present.

DATED this 19th day of March, 2024

CITY CLERK

MINUTES

1. CALL TO ORDER

Mayor Daggett called the meeting of the Flagstaff City Council held July 3, 2023, to order at 3:01 p.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 regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for discussion and consultation with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

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

PRESENT:

ABSENT:

MAYOR DAGGETT
VICE MAYOR ASLAN
COUNCILMEMBER HARRIS
COUNCILMEMBER HOUSE
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY
COUNCILMEMBER SWEET

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

3. PLEDGE OF ALLEGIANCE, MISSION STATEMENT, AND LAND ACKNOWLEDGEMENT

The Council and audience recited the pledge of allegiance, Vice Mayor Aslan read the Mission Statement of the City of Flagstaff, and Councilmember House read the Land Acknowledgement.

MISSION STATEMENT

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

LAND ACKNOWLEDGEMENT

The Flagstaff City Council humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.

4. PUBLIC PARTICIPATION

Public Participation enables the public to address the Council about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed. If you wish to address the Council at tonight's meeting, please complete a comment card and submit it to the recording clerk as soon as possible. Your name will be called when it is your turn to speak. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

None

5. PROCLAMATIONS AND RECOGNITIONS**A. July Work Anniversaries and Retirement**

Senior Deputy City Manager Shannon Anderson provided a PowerPoint presentation that covered the following:

JULY EMPLOYEE WORK ANNIVERSARIES!
FIVE YEAR ANNIVERSARIES
TEN YEAR ANNIVERSARIES
FIFTEEN YEAR ANNIVERSARIES
TWENTY YEAR ANNIVERSARIES
25 YEARS PLUS!!
RETIREMENT

6. COUNCIL LIAISON REPORTS

Vice Mayor Aslan reported that the Coconino Plateau Water Advisory Council (CPWAC) had a great retreat. He thanked Mr. Clifton for attending and Deputy City Manager Joanne Keene for facilitating the retreat.

Councilmember Matthews stated that the CPWAC retreat was very informative and educational. She also reported that she participated in the Rio de Flag clean up and attended Movies on the Square.

Councilmember House reported that the Commission on Diversity Awareness met and discussed their upcoming proclamations, ongoing projects and focus areas, and they shared reports on the successes of Pride in the Pines and the Pride parade. She also reported that she attended the most recent Greater Flagstaff Region Fire Crew Graduate ceremony.

Councilmember Sweet stated that the Federal Transit Administration announced that Mountain Line would receive \$16.3 million through the Bus and Bus Facilities Grant to build a new maintenance facility.

Councilmember McCarthy reported that he attended Movies on the Square along with his fellow Councilmembers.

Mayor Daggett reported that the Commission on Inclusion and Adaptive Living was in need of applicants. Many other commissions were seeking applicants as well. She stated that commissions were a great way to get involved with the city and she encouraged the public to apply.

7. APPOINTMENTS

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 the City Council may vote to go into executive session, which will not be open to the public, for the purpose of discussing or considering employment, assignment, appointment, promotion, demotion, dismissal, salaries, disciplining or resignation of a public officer, appointee, or employee of any public body...., pursuant to A.R.S. §38-431.03(A)(1).

A. Consideration of Appointment: Sustainability Commission.

Moved by Councilmember Khara House, **seconded by** Vice Mayor Austin Aslan to appoint Dorcas Naa Aku Shika Quarshie to a term expiring October 2025.

Vote: 7 - 0 - Unanimously

Moved by Vice Mayor Austin Aslan, **seconded by** Councilmember Khara House to appoint Amy Wolkowinsky to a term expiring October 2025.

Vote: 7 - 0 - Unanimously

Moved by Councilmember Deborah Harris, **seconded by** Councilmember Miranda Sweet to appoint Priscilla Boateng to a term expiring October 2023.

Vote: 7 - 0 - Unanimously

Moved by Councilmember Miranda Sweet, **seconded by** Vice Mayor Austin Aslan to appoint Mary Ellen Metzger to a term expiring October 2023.

Vote: 7 - 0 - Unanimously

B. Consideration of Appointments: Transportation Commission.

Moved by Vice Mayor Austin Aslan, **seconded by** Councilmember Jim McCarthy to appoint Josh Stone as the NAIPTA Representative to a term expiring July 2025.

Vote: 7 - 0 - Unanimously

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Jim McCarthy to appoint Jonathan Hansen to a term expiring July 2026.

Vote: 7 - 0 - Unanimously

Moved by Councilmember Deborah Harris, **seconded by** Councilmember Jim McCarthy to appoint Robert Kuhn to a term expiring July 2026.

Vote: 7 - 0 - Unanimously

8. LIQUOR LICENSE PUBLIC HEARINGS

Mayor Daggett opened the public hearing on both applications.

Police Chief Dan Musselman introduced the applications and noted no items of concern.

There being no public comment, Mayor Daggett closed the public hearing.

Moved by Councilmember Khara House, **seconded by** Councilmember Lori Matthews to forward both applications to the State with a recommendation for approval.

Vote: 7 - 0 - Unanimously

- A. **Consideration and Action on Liquor License Application:** Zachariah Adam Miller, "Americana Motor Hotel," 2650 E. Route 66, Series 11 (Hotel/Motel), New License.
- B. **Consideration and Action on Liquor License Application:** Troy Travis Spray, "Altitudes of Flagstaff," 2 South Beaver Street, Series 12 (restaurant), New License.

9. **CONSENT ITEMS**

All matters under Consent Agenda are considered by the City Council to be routine and will be enacted by one motion approving the recommendations listed on the agenda. Unless otherwise indicated, expenditures approved by Council are budgeted items.

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to approve the Consent Agenda as presented.

Vote: 7 - 0 - Unanimously

- A. **Consideration and Approval of Contract:** Contract for Services to Conservation Legacy in a total amount of \$149,850 including a Grant Award from Arizona State Parks for the Picture Canyon Restoration and Trail Work
1. Approve the Contract for Services to Conservation Legacy in the total amount of \$149,850.00 including a Grant Award from Arizona State Parks for Picture Canyon Restoration and Trail Work; and
 2. Authorize the City Manager to execute the necessary documents.
- B. **Consideration and Approval of Contract:** Approve a Cooperative Purchase Contract with Courtesy Chevrolet in the amount of \$63,300.00, in addition to other fees and taxes, for an Emergency Response Truck.
1. Approve a Cooperative Purchase Contract with Courtesy Chevrolet in the amount of \$63,300, in addition to other fees and taxes, for a Emergency Response Truck; and
 2. Authorize the City Manager to execute the necessary documents.
- C. **Consideration and Approval of Contract:** Construction Manager at Risk Construction Services Agreement with Eagle Mountain Construction, Inc. for the Grandview Utilities and Wedge Clearing portion of the Spruce Wash Flood Mitigation Suite of Projects.
1. Approve the Construction Manager at Risk Construction Services Agreement with Eagle Mountain Construction for a Guaranteed Maximum Price (GMP1) in the amount of \$2,906,383.00 and a contract duration of 845-calendar days;
 2. Approve an Owners Contingency of \$50,000.00, which is 2% of the Guaranteed Maximum Price; and
 3. Authorize the City Manager to execute the necessary documents.
- D. **Consideration and Approval of Contract:** Lumen Utility Relocation for the Rio de Flag Flood Control Project and Addition of City Fiber Conduit
1. Approve the Lumen Utility Relocation and City Fiber Addition Proposal and a Not-to-Exceed (NTE) payment authority of \$250,000; and
 2. Authorize the City Manager to execute the necessary documents.

- E. **Consideration and Approval of Revised Grant Agreement:** Revised Grant agreement between the U.S. Department of Housing and Urban Development and the City of Flagstaff for the Flagstaff Home Energy Retrofit Program for low-income and vulnerable families.

Approve the revised U.S. Department of Housing and Urban Development grant for FY2022 Economic Development Initiative, Community Project Funding Grant (B-22-CP-AZ-0018), in the amount of \$750,000 for the Flagstaff Home Energy Retrofit Program for low-income and vulnerable families.

- F. **Consideration and Approval of Grant Agreement:** Approve Grant Agreement with the U.S. Department of Justice, through the Arizona Criminal Justice Commission, for the Edward Byrne Justice Assistance Grant funds in the amount of \$219,363.82 for the Northern Arizona Street Crimes Task Force (METRO unit).

Approve the acceptance of the grant from the U.S. Department of Justice, through the Arizona Criminal Justice Commission, Edward Byrne Justice Assistance Grant funds in the amount of \$219,363.82 for FY2023-2024.

- G. **Consideration and Approval of Contract:** Approve the Cooperative Purchase Contract with Courtesy Chevrolet in the amount of \$183,380.00, plus additional fees and costs to purchase three 2024 Chevrolet pickup trucks for the Streets Section

1. Approve the Cooperative Purchase Contract with Courtesy Chevrolet in the amount of \$183,380.00, plus additional fees and costs to purchase three 2024 Chevrolet pickup trucks for the Streets Section; and
2. Authorize the City Manager to execute the necessary documents.

- H. **Consideration and Approval of Contract:** Cooperative Purchase Contract with Brightly Software, Inc. in the amount of \$308,022.53, plus additional fees and taxes, for Facilities Maintenance Software

1. Approve the Cooperative Purchase Contract with Brightly Software, Inc. in the amount of \$308,022.53, plus additional fees and taxes, for Facilities Maintenance Software; and
2. Authorize the City Manager to execute the necessary documents.

- I. **Consideration and Approval of Contract Amendment:** Purchase Contract for property acquisition services with TB Real Property Consultants, LLC in the amount of \$100,000.00 for property acquisitions necessary for the Milton Road and University Avenue Right of Way Capital Project.

1. Approve an amendment to the contract for property acquisition services with TB Real Property Consultants, LLC, to increase the scope of work and contract amount to an amount not to exceed \$100,000.00 for property acquisitions necessary for the Milton Road and University Avenue Right of Way Capital Project; and
2. Authorize the City Manager to execute the necessary documents.

- J. **Consideration and Approval of Grant Agreement:** Arizona 911 Grant Agreement between Arizona Department of Administration Office of Grants and Federal Resources and the City of Flagstaff Acting as System Administrator for Coconino County in the amount of \$943,515.00.

Approve the grant agreement from the Arizona Department of Administration Office of Grants and Federal Resources in the amount of \$943,515.00 for the 911 budget for Coconino County.

- K. Consideration and Approval of Contract:** Approve the Cooperative Purchase Contract with AT&T Corp. in the amount of \$2,340,156.05 to transition to the Next Gen 9-1-1 Call System and Equipment.
1. Approve the Cooperative Purchase Contract with AT&T Corp. in the amount of \$2,340,156.05 to transition to the Next Gen 9-1-1 Call System and Equipment; and
 2. Authorize the City Manager to execute the necessary documents.
- L. Consideration and Approval of Lease Renewal Amendments:** Lease No: GS-09P-LAZ94446 for Building 3 and GS-09P-LAZ03408 for Buildings 4 and 5 of the United States Geological Survey (USGS) facility located at 2255 North Gemini Drive.
1. Approve the lease renewal amendments to extend the term of the leases from 12/31/2023 to 12/31/2028 with an option to extend for an additional 5 year term until 12/31/2033.
 2. Authorize the City Manager to execute the necessary documents.
- M. Consideration and Approval of Contract:** Approve a Cooperative Purchase Contract with Goodmans Interior Structures in the amount of \$146,397.72, in addition to taxes and other charges, for the purchase and installation of new cubicles and office furniture for the Community Development and City Engineering Divisions.
1. Approve a Cooperative Purchase Contract with Goodmans Interior Structures in the amount of \$146,397.72, in addition to taxes and other charges, for the purchase and installation of new cubicles and office furniture; and
 2. Authorize the City Manager to execute the necessary documents.

10. ROUTINE ITEMS

- A. Consideration and Adoption of Ordinance No. 2023-15:** An ordinance levying upon the assessed valuation of the property within the City of Flagstaff, Arizona, subject to taxation a certain sum upon each one hundred dollars (\$100.00) of valuation sufficient to raise the amount estimated to be required in the Annual Budget, less the amount estimated to be received from other sources of revenue; providing funds for various bond redemptions, for the purpose of paying interest upon bonded indebtedness and providing funds for general municipal expenses, all for the Fiscal Year ending the 30th day of June 2024. (**Primary and secondary property tax levies for FY 2023-2024**)

Moved by Councilmember Lori Matthews, seconded by Councilmember Miranda Sweet to read Ordinance No. 2023-15 by title only for the final time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE LEVYING UPON THE ASSESSED VALUATION OF THE PROPERTY WITHIN THE CITY OF FLAGSTAFF, ARIZONA, SUBJECT TO TAXATION A CERTAIN SUM UPON EACH ONE HUNDRED DOLLARS (\$100.00) OF VALUATION SUFFICIENT TO RAISE THE AMOUNT ESTIMATED TO BE REQUIRED IN THE ANNUAL BUDGET, LESS THE AMOUNT ESTIMATED TO BE RECEIVED FROM OTHER SOURCES OF REVENUE; PROVIDING FUNDS FOR VARIOUS BOND REDEMPTIONS, FOR THE PURPOSE OF PAYING INTEREST UPON BONDED INDEBTEDNESS AND PROVIDING FUNDS FOR GENERAL MUNICIPAL EXPENSES, ALL FOR THE FISCAL YEAR ENDING THE 30TH DAY OF JUNE, 2024

Moved by Councilmember Lori Matthews, seconded by Councilmember Miranda Sweet to adopt Ordinance No. 2023-15.

Vote: 7 - 0 - Unanimously

- B. Consideration and Adoption of Ordinance No. 2023-20:** An ordinance of the City Council of the City of Flagstaff, amending the Flagstaff Zoning Map to rezone approximately 1.17 acres of real property located at 1899 S Woodlands Village Boulevard from the Light Industrial Open (LI-O) zone with the Resource Protection Overlay (RPO) to the Highway Commercial (HC) zone with the Resource Protection Overlay (RPO), providing for severability, authority for clerical corrections, and establishing an effective date.

Moved by Councilmember Deborah Harris, **seconded by** Councilmember Lori Matthews to read Ordinance No. 2023-20 by title only for the final time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF ZONING MAP TO REZONE APPROXIMATELY 1.17 ACRES OF REAL PROPERTY GENERALLY LOCATED AT 1899 S WOODLANDS VILLAGE BOULEVARD, FROM THE LIGHT INDUSTRIAL OPEN (LI-O) ZONE WITH A RESOURCE PROTECTION OVERLAY (RPO) TO THE HIGHWAY COMMERCIAL (HC) ZONE WITH A RESOURCE PROTECTION OVERLAY (RPO), PROVIDING FOR SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Lori Matthews to adopt Ordinance No. 2023-20.

Vote: 7 - 0 - Unanimously

- C. Consideration and Adoption of Resolution No. 2023-38 and Ordinance No. 2023-16:** A resolution of the Flagstaff City Council declaring as a public record that certain document filed with the City Clerk and entitled "2023 Short-Term Rental Code", and an ordinance of the City Council amending the Flagstaff City Code, Title 3 Business Regulations, by adopting by reference that certain document entitled "2023 Short-Term Rental Code".

Senior Assistant City Attorney Anja Wendel addressed Council and stated that since the first read, a few revisions were made to the ordinance. The first was that the neighborhood notice would not be required at the time the owner applied for a license. The notice would be required before the owner offered the unit up for rent. Next, was that an application would not be denied if the owner did not disclose whether the unit was owner-occupied or not. The information would still be requested. Next, the language was clarified to state that liquor control violations and the production of pornography were prohibited. Finally, the additional \$5 per year annual increase would begin on November 1, 2024.

Mayor Daggett noted that city and county staff did sit down and discuss their respective ordinances to ensure that they were complimentary.

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Jim McCarthy to adopt Resolution No. 2023-38.

Vote: 7 - 0 - Unanimously

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Jim McCarthy Jim McCarthy to read Ordinance No. 2023-16 by title only for the final time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, TITLE 3 BUSINESS REGULATIONS, BY ADOPTING BY REFERENCE THAT CERTAIN DOCUMENT ENTITLED "2023 SHORT TERM RENTAL CODE"; PROVIDING FOR PENALTIES, REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Miranda Sweet, seconded by Councilmember Jim McCarthy to adopt Ordinance No. 2023-16.

Vote: 7 - 0 - Unanimously

- D. Consideration and Adoption of Ordinance No. 2023-14:** An ordinance of the City Council of the City of Flagstaff authorizing the acquisition of real property for the Lone Tree Overpass Project; providing for delegation of authority, subsequent City Council approvals, severability, and establishing an effective date.

Moved by Councilmember Jim McCarthy, seconded by Councilmember Khara House to read Ordinance No. 2023-14 by title only for the final time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AUTHORIZING THE ACQUISITION OF REAL PROPERTY FOR THE LONE TREE OVERPASS PROJECT; PROVIDING FOR DELEGATION OF AUTHORITY, SUBSEQUENT COUNCIL APPROVALS, SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Jim McCarthy, seconded by Councilmember Khara House to adopt Ordinance No. 2023-14.

Vote: 7 - 0 - Unanimously

- E. Consideration and Adoption of Ordinance No. 2023-17:** An ordinance of the City Council of the City of Flagstaff, abandoning approximately 5,140 square feet of public right-of-way connecting to the north side of West Route 66, providing for sale of such property, delegation of authority, recording, repeal of conflicting ordinances, severability, authority for clerical corrections, and establishing an effective date

Moved by Councilmember Lori Matthews, seconded by Councilmember Miranda Sweet to read Ordinance No. 2023-17 by title only for the final time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF ABANDONING AN APPROXIMATELY 5,140 SQUARE FEET OF PUBLIC RIGHT-OF-WAY CONNECTING TO THE NORTH SIDE OF WEST ROUTE 66; PROVIDING FOR SALE OF SUCH PROPERTY, DELEGATION OF AUTHORITY, RECORDING, REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Jim McCarthy, seconded by Councilmember Miranda Sweet to adopt Ordinance No. 2023-17.

Vote: 7 - 0 - Unanimously

- F. Consideration and Adoption of Ordinance No. 2023-19:** An ordinance of the City Council of the City of Flagstaff, amending the Flagstaff City Code, Chapter 1-18, Administrative Departments, to rename the City Clerk Division to the Communication and Civic Engagement Division

Moved by Councilmember Khara House, seconded by Councilmember Miranda Sweet to read Ordinance No. 2023-19 by title only for the final time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, CHAPTER 1-18, ADMINISTRATIVE DEPARTMENTS, TO RENAME THE CITY CLERK DIVISION TO THE COMMUNICATION AND CIVIC ENGAGEMENT DIVISION; PROVIDING REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AUTHORITY FOR

CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Khara House, **seconded by** Councilmember Miranda Sweet to adopt Ordinance No. 2023-19.

Vote: 7 - 0 - Unanimously

- G. **Consideration and Adoption of Ordinance No. 2023-18:** An ordinance of the City Council of the City of Flagstaff, amending the Flagstaff City Code, Title 1 Administrative, Chapter 1-16, City Elections, to provide for the manner of conducting elections for initiative and referendum measures, providing for severability, authority for clerical corrections, and establishing an effective date

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Miranda Sweet to read Ordinance No. 2023-18 by title only for the final time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, TITLE 1 ADMINISTRATIVE, CHAPTER 1-16 CITY ELECTIONS, TO PROVIDE FOR THE MANNER OF CONDUCTING ELECTIONS FOR INITIATIVE AND REFERENDUM MEASURES; PROVIDING FOR SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Deborah Harris, **seconded by** Councilmember Lori Matthews to adopt Ordinance No. 2023-18.

Vote: 7 - 0 - Unanimously

- H. **Consideration and Approval of Contract:** Professional Services Contract with Shephard Wesnitzer, Inc, an Ardurra Company, in the amount of \$499,520.00 for inspection services of the Inner Basin Waterline Restoration Project.

Capital Improvements Project Manager David Pedersen provided a PowerPoint presentation that covered the following:

INNER BASIN WATERLINE RESTORATION PROJECT
PROJECT STAKEHOLDERS
EXCITING NEWS
BRIEF UPDATE
FIELD DAY PHOTOS
INSPECTION SERVICES

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Lori Matthews to approve the Professional Services Contract for inspection services with Shephard Wesnitzer Inc., (SWI) an Ardurra Company, in the amount of \$499,520.00 and a contract duration of 516 calendar days, approve Change Order Authority to the City Manager in the amount of \$49,952.00 which is 10% of the contract amount, and authorize the City Manager to execute the necessary documents.

Vote: 7 - 0 - Unanimously

- I. **Consideration and Approval of Contract:** A Professional Services Contract with DOWL, LLC in an amount not to exceed \$523,993.00 for a Land Availability and Suitability Analysis and a Development Code and Process Analysis

Planning Director Michelle McNulty provided a PowerPoint presentation that covered the following:

LAND AVAILABILITY AND SUITABILITY STUDY AND DEVELOPMENT CODE AND PROCESS ANALYSIS
PROJECT INTRODUCTION
COORDINATION AND PUBLIC OUTREACH
SCOPE OF PROJECT

1. LASS
 2. CODE AND PROCESS ANALYSIS
 DELIVERABLES
 SCHEDULE
 THEN WHAT?

Councilmember Matthews asked how the project would inform or compliment the Regional Plan process. Ms. McNulty stated that Cascadia Partners was leading the Regional Plan outreach and they were a partner of DOWL. The partnership would provide good coordination between the two plans.

Councilmember Matthews stated that the Downtown Business Alliance was undergoing a revisioning of downtown and asked how that was coordinated with the project. Ms. McNulty stated that the downtown visioning was more coordinated with the Regional Plan and through virtue of that, it would inform the project.

Councilmember House believed that the analysis would help determine how the city could responsibly develop and redevelop in the future. Councilmember Harris agreed and asked how the fifty sites were going to be selected. Ms. McNulty explained that staff were still working on the development of the approach, but it would generally include an analysis of all the properties, their existing status and infrastructure, and how that related to the development desired.

Councilmember Harris expressed her desire to ensure that all neighborhoods were considered equally and evaluated for potential impacts on infill and redevelopment. Ms. McNulty added that another thing that the consultant team would consider were the impacts of dislocation and gentrification of neighborhoods. It would be important to avoid adverse impacts on vulnerable populations.

Moved by Councilmember Khara House, **seconded by** Vice Mayor Austin Aslan to award a Professional Services Contract with DOWL, LLC, in an amount not to exceed \$523,993.00 for a Land Availability and Suitability Analysis and a Development Code and Process Analysis and authorize the City Manager to execute the necessary documents.

Vote: 7 - 0 - Unanimously

11. **REGULAR AGENDA**

- A. **Consideration and Adoption of Resolution No. 2023-40:** A resolution of the Flagstaff City Council, designating its Chief Fiscal Officer for officially submitting the fiscal year 2023-2024 expenditure limitation report to the Arizona Auditor General, and establishing an effective date.

Management Services Director Rick Tadder addressed Council and stated that the resolution was related to a state statute that required the city to designate a Chief Fiscal Officer for the city each year.

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Lori Matthews to read Resolution No. 2023-40 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, DESIGNATING THE CHIEF FISCAL OFFICER FOR OFFICIALLY SUBMITTING THE FISCAL YEAR 2023-2024 EXPENDITURE LIMITATION REPORT TO THE ARIZONA AUDITOR GENERAL, AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to adopt Resolution No. 2023-40.

Vote: 7 - 0 - Unanimously

- B. Consideration and Adoption of Resolution No. 2023-27:** A resolution approving the designation of an applicant agent and authorizing the agent to apply for and sign on behalf of the City of Flagstaff for the receipt of funds from the Arizona Department of Emergency Management and Military Affairs Assistance Programs.

Grants, Contracts, and Emergency Management Director Stacey Brechler-Knaggs addressed Council and stated that the resolution was a simple authorization that designated Emergency Program Manager Daniel Kelly as an Alternate Applicant Agent for the city.

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Miranda Sweet to read Resolution No. 2023-27 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, APPROVING THE DESIGNATION OF AN APPLICANT'S AUTHORIZED REPRESENTATIVE AND ALTERNATE AUTHORIZED REPRESENTATIVE FORMS SUBMISSION TO THE ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Miranda Sweet to adopt Resolution No. 2023-27.

Vote: 7 - 0 - Unanimously

- C. Consideration and Adoption of Resolution No. 2023-42:** A resolution of the City Council of the City of Flagstaff, Arizona amending the Procurement Code Manual, Articles 1 through 7, and establishing an effective date.

Mayor Daggett asked when it was expected that the other revisions related to housing and climate goals would be back to Council for consideration. Purchasing Director Patrick Brown stated that there was still some work to do on the revisions but the intent was to bring them back in the first quarter of calendar year 2024.

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Khara House to read Resolution No. 2023-42 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF AMENDING THE PROCUREMENT CODE MANUAL, ARTICLES 1 -- 7, AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Khara House to adopt Resolution No. 2023-42.

Vote: 7 - 0 - Unanimously

- D. Consideration and Adoption of Resolution No. 2023-41:** A resolution of the Flagstaff City Council adopting amendments to the Active Transportation Master Plan

Senior Transportation Planner Martin Ince provided a PowerPoint presentation that covered the following:

ACTIVE TRANSPORTATION MASTER PLAN AMENDMENTS
ACTIVE TRANSPORTATION MASTER PLAN
ATMP AMENDMENTS
SUMMARY OF AMENDMENTS
COMPLETE STREETS CONVERSIONS
SAFE STREETS FOR ALL GRANT
BUTLER AVE COMPLETE STREET CONVERSION

Mayor Daggett asked if the amendments had been presented to the Bicycle and Pedestrian Advisory Committees. Mr. Ince responded yes and indicated that both had voted in support of the amendments and the grant application.

Councilmember Matthews expressed excitement about having the project penciled out and that a grant application was moving forward. She asked if the design work had been started. Mr. Ince stated that there had been some preliminary work done in-house but full design work had not been started.

Councilmember Harris noted concerns with the O'Leary and Butler crossing and difficulty seeing oncoming traffic and pedestrians. She asked if that would be considered in the design work. Mr. Ince stated that part of the preliminary work was evaluating site distance to make sure that there were adequate site lines for proper crossing. There was still more work to do to get into the details.

Moved by Councilmember Lori Matthews, seconded by Councilmember Miranda Sweet to read Resolution No. 2023-41 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, ADOPTING AMENDMENTS TO THE ACTIVE TRANSPORTATION MASTER PLAN

Moved by Councilmember Lori Matthews, seconded by Councilmember Miranda Sweet to adopt Resolution No. 2023-41.

Vote: 7 - 0 - Unanimously

- E. Citizen Petition: Consideration of Prior Council Action: Consideration and Approval of Contract: Approve a Cooperative Purchase Contract with General Acrylics, Inc., in the total amount of \$920,642.42 to design and build eight pickleball courts and overlay existing tennis and basketball courts at Bushmaster Park.**

Mayor took public comment on Items 11E, 11Ei, and 11F all together.

The following individuals addressed Council in opposition to the installation of pickleball courts at Bushmaster Park:

- Connie Folsom
- Steve Walter
- Audria Smith
- Kathleen Day
- Julie Piering
- Paul Malis
- Malia Rodriguez
- Mary Walter
- Annalisa (no last name given)

The following comments were received:

- Neighborhood impact studies and sound studies were necessary before the decision was made on where to put pickleball courts.
- The noise generated by pickleball was terrible and obnoxious.
- Other cities had created ordinances and enacted standards for courts.
- Placing pickleball courts anywhere demands mindful planning.
- The city needed to ensure that the courts would not have an adverse impact on the population.
- Pickleball courts at Bushmaster would overrun the park and people would no longer be able to use the other amenities.
- Thorpe Park was a much better location for dedicated pickleball courts.
- Pickleball noise was the most annoying frequency.
- The best solution was to build courts as far away from residents as possible.
- Flood abatement at Bushmaster needed to be considered.

- The project was already over budget.
- There was inadequate public outreach on the project and no indication of any recourse the residents might have.
- There was no respect given to the residents who lived near the park.
- Many times kids were not able to use the courts and were sent away, this was not fair to the kids who lived near and used the park.
- The area near Bushmaster Park was low-income and pickleball was a rich man's sport.
- Do not dismiss the concerns of the residents near Bushmaster Park.

The following individuals addressed Council in support of the installation of pickleball courts at Bushmaster Park:

- Amanda Allen
- Jennifer Kottra, on behalf of ten or more people
- Dawson Henderson
- Lynn Walsh, on behalf of ten or more people
- Sandra Smith

The following comments were received:

- Pickleball was a community that was welcoming to all.
- There deserved to be a space for pickleball and a space for the community to enjoy the sport.
- The Council should stand by its original decision.
- Direction was given to move the courts as far north as possible and to remove as few trees as possible.
- Thorpe Park was also a good location for the courts, but they were not ready.
- Pickleball was growing and it would continue to grow.
- Bushmaster Park was a good location and would provide a benefit for basketball, tennis, and pickleball.
- The noise of pickleball is greatly exaggerated.
- The proposal brought by staff was something that had been well-vetted and considered.
- Dedicated courts were desperately needed.
- Pickleball brought people into the park, which helped to keep trouble away.

A written comment in support of the pickleball courts at Bushmaster Park was submitted by Steve Pulos.

Mr. Solomon explained that the first action before Council was to consider the prior action of Council to approve the contract. If there was a desire to consider the contract again, a motion and vote were required. Should there be a successful motion to consider the contract, then Council could move forward with a discussion about the contract scope and details.

Moved by Councilmember Jim McCarthy, seconded by Councilmember Deborah Harris to consider the prior action of Council regarding the Cooperative Purchase Contract with General Acrylics, Inc., in the total amount of \$920,642.42 to design and build eight pickleball courts and overlay existing tennis and basketball courts at Bushmaster Park.

Vice Mayor Aslan explained that he would not change his original position on the contract and would vote no. He did not feel that there was any new information presented that was not considered as part of the original action.

Councilmember Matthews stated that she was concerned about the precedent it would set should Council take a different position.

Councilmember McCarthy stated that he hoped to at least have the discussion; the original decision may stand but he felt it important to consider it.

Vote: 2 - 5

**AYE: Councilmember Jim McCarthy
Councilmember Khara House**

i. **Consideration and Approval of Contract (Contingent Upon Approval of Previous Item):**

Approve a Cooperative Purchase Contract with General Acrylics, Inc., in the total amount of \$920,642.42 to design and build eight pickleball courts and overlay existing tennis and basketball courts at Bushmaster Park.

Based on the action of Item 11E, there was no support to consider the prior action of Council regarding the contract to install pickleball courts at Bushmaster Park.

F. **Consideration of Citizen Petition:** A Citizens' Petition titled Reconsideration of Pickleball Courts at Thorpe Park Annex

Based on the action of Item 11E, there was not requisite Council support to move the matter forward to a future agenda.

12. **DISCUSSION ITEMS**

A. **City Council discussion regarding the City of Flagstaff's Tobacco 21 Ordinance.**

Mr. Solomon addressed Council and stated that Council adopted the Tobacco 21 (T21) ordinance that raised the minimum age to 21 for the sale of tobacco products in Flagstaff. The ordinance did not penalize persons under the age of 21 for purchasing products, but rather the retailers who sold tobacco products to those under 21.

Shortly after the T21 ordinance adoption, the federal government enacted a law raising the age to 21 for the purchase of tobacco products. Now that the federal law was in place, it may be a factor for consideration of licensing and enforcement provisions within the city ordinance. Licensing and enforcement provisions existed in the ordinance, but the programs had not yet been created. The plan was to fund the program with the fees from issuing sales licenses within the city. With the federal prohibition in place, there was an opportunity to partner with other government entities for enforcement.

Mr. Solomon introduced Erika Mansour, a Tobacco Enforcement Unit Attorney with the Arizona Attorney General's Office. Ms. Mansour addressed Council and stated that her unit worked in close collaboration with the Arizona Department of Health Services as well as the FDA inspection program that also did federal youth tobacco inspections. They conduct roughly 100 inspections in Coconino County with undercover youth volunteers. The inspections were publicly available, and they could follow up and provide information from the Attorney General's office such as police reports, citations, and other report materials. There were opportunities to partner and similar discussions were ongoing with the City of Tucson.

Mr. Solomon stated that he was seeking direction from Council as to whether there should be amendments to the ordinance to allow for collaboration with the Attorney General's Office for enforcement or to continue with the original ordinance that included in-house enforcement.

Councilmember Matthews asked if the enforcement that the Attorney General's office did covered both state and federal enforcement. Ms. Mansour explained that the State Attorney General's Office partnered with the FDA Inspection Program on federal inspection and enforcement. They had one state and one federal officer in the car together and then the youth volunteers were cross-certified in both programs. It would be entirely possible to include a city officer as well.

The following individuals addressed Council regarding the T21 ordinance:

- Jeremy Gaertz
- Mark Barnes
- Bernice Carver
- Trish Hard

The following comments were received:

- A partnership between the city and state would be welcomed.
- Include retailers in a committee to consider a separate tobacco tax license.
- Preventing Tobacco Addiction Foundation supported the work on the T21 ordinance.
- Please continue the work and move forward with implementing the enforcement program.
- Arizona was second in the country as far as the increase in vaping by young adults ages 18 to 24.
- Merely adopting a law that prohibited the sale of tobacco to youth under 21 was insufficient, it must be partnered with quality enforcement.
- Higher fines were needed to send the message that tobacco sales to youth were not tolerated.
- Take all steps necessary to make sure children and youth do not have access to tobacco products.

Written comments in support of the T21 ordinance were submitted by Tiffany Kerr, Bernice Carver, and Haley Analla.

Vice Mayor Aslan stated that he supported the continued discussion. There were gaps between what the state offered and what was federally available for enforcement. Flagstaff should enforce its local ordinance and what currently existed was an unfunded mandate that needed a solution.

Mr. Clifton added that enforcement should be effective and there were tools available that were not when the ordinance was enacted. He requested that the direction be premised more on the use of current resources rather than the institution of a new licensing regiment that would require more staff and resources than what currently existed.

Councilmember Harris noted her support.

Councilmember House stated that she supports the alignment of the city ordinance with federal rules. She supported the addition of enforcement in conjunction with the state and federal levels. C

ouncilmember Matthews stated that it was more efficient and effective to utilize and collaborate with partners in the Attorney General and FDA's offices to work together and have instantaneous support and enforcement.

Councilmember Sweet also voiced her support for collaboration with the state and federal agencies for enforcement.

Councilmember McCarthy stated that he was open minded about changes to the ordinance if it resulted in effective enforcement.

Mayor Daggett offered support for partnerships for enforcement. She also noted that while Coconino County had a smoking cessation program, they did not have a T21 ordinance. She asked that the city engage with them to help them amplify their messaging about their smoking cessation program and encourage them to adopt their own ordinance.

13. FUTURE AGENDA ITEM REQUESTS

After discussion and upon agreement by three members of the Council, an item will be moved to a regularly-scheduled Council meeting.

- A. **Future Agenda Item Request (F.A.I.R.):** A request by Vice Mayor Aslan to place on a future agenda a discussion about a pond next to Ponderosa Trails neighborhood between Pulliam and I-17.

Vice Mayor Aslan stated that his request was to explore the feasibility of establishing a permanent pond near the Ponderosa Trails neighborhood. There was an existing detention basin that could potentially be improved for a full-time pond. He believed there was community interest in maintaining the pond year-round, especially for recreational activities such as ice skating and fishing. There would be consideration for engineering feasibility, cost, maintenance, and ecological considerations such as local wildlife populations. He noted that there could be opportunities to partner with Coconino County as well.

There was requisite Council support to advance the item to a future agenda for discussion.

- B. Future Agenda Item Request (F.A.I.R.):** A request by Councilmember House to place on a future agenda a discussion about designating Juneteenth as an official holiday for the City of Flagstaff

Councilmember House stated that Juneteenth became a federal holiday a few years ago, and it was an opportunity for the nation to recognize that connection, definition and redefinition, and reconsideration of what freedom truly meant for the country. She would like for the City of Flagstaff to be part of that larger conversation and make Juneteenth an official city holiday.

There was requisite Council support to advance the item to a future agenda for discussion.

14. PUBLIC PARTICIPATION

None

15. INFORMATIONAL ITEMS TO/FROM MAYOR, COUNCIL, AND STAFF, AND FUTURE AGENDA ITEM REQUESTS

Vice Mayor Aslan offered words of apology for some of his heated remarks during the pickleball discussion. He stated that he was looking forward to the summer recess and the opportunity to participate in the Fourth of July parade.

Councilmember Harris requested a cheat sheet on Robert's Rules of Order.

Councilmember Matthews requested a FAIR item to have a discussion regarding an ordinance to protect renters from income source discrimination. She also indicated a desire for both sides of the pickleball issue to come together and find meaningful solutions. There were ways to help lower the noise and modifications that players could consider as well.

Councilmember Sweet also noted that she was looking forward to the summer recess and the upcoming Fourth of July events. She also stated that she did not take her pickleball decision lightly and that she spent time with both staff and the public to understand the situation.

Councilmember McCarthy stated that he was disappointed that there was not an opportunity to discuss pickleball again. He had walked the park and he felt that the sound was outrageous. He shared that he had observed people who were included in a larger group for public comment also give individual comments. He requested a more rigorous system to avoid duplicate comments.

Mayor Daggett indicated that she had also gone to the park and met with people on both sides of the pickleball issue. She was hopeful that there would be continued efforts refine the design to make pickleball more tenable.

Mr. Clifton stated that Council had their fair share of intense topics over the last six months. He stated that the decorum at the dais had always been very good and even though topics were tense and robust there was always decorum. He indicated that leadership would continue to meet during the summer break and take that time to delve into matters that did not directly concern Council. He noted his upcoming vacation and that the League Conference would be at the end of August and was a great opportunity for the Council to network with their colleagues from around the state.

16. **ADJOURNMENT**

The Regular Meeting of the Flagstaff City Council held July 3, 2023, adjourned at 7:15 p.m.

MAYOR

ATTEST:

CITY CLERK

CERTIFICATION

I, STACY SALTZBURG, do hereby certify that I am the City Clerk of the City of Flagstaff, County of Coconino, State of Arizona, and that the above Minutes are a true and correct summary of the Meeting of the Council of the City of Flagstaff held on July 3, 2023. I further certify that the Meeting was duly called and held and that a quorum was present.

DATED this 19th day of March, 2024

CITY CLERK

MINUTES

1. CALL TO ORDER

Mayor Daggett called the meeting of the Flagstaff City Council held August 28, 2023, to order at 3:02 p.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 regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for discussion and consultation with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

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

PRESENT:

MAYOR DAGGETT
VICE MAYOR ASLAN
COUNCILMEMBER HARRIS
COUNCILMEMBER HOUSE
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY
COUNCILMEMBER SWEET

ABSENT:

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

3. PLEDGE OF ALLEGIANCE, MISSION STATEMENT, AND LAND ACKNOWLEDGEMENT

The Council and audience recited the pledge of allegiance, Councilmember House read the Mission Statement of the City of Flagstaff, and Councilmember McCarthy read the Land Acknowledgement.

MISSION STATEMENT

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

LAND ACKNOWLEDGEMENT

The Flagstaff City Council humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.

4. APPROVAL OF MINUTES FROM PREVIOUS MEETINGS

- A. **Consideration and Approval of Minutes:** City Council Regular Meeting of May 3, 2022, Regular Meeting of May 17, 2022, Work Session of May 31, 2022, Budget Retreat of April 27, 2023, Budget Retreat of April 28, 2023, Regular Meeting of May 2, 2023, Special Meeting of May 3, 2023, Work Session of May 9, 2023, Work Session of May 30, 2023, Special Meeting (Executive Session) of June 13, 2023, Special Meeting (Executive Session) of June 20, 2023, Special Meeting (Executive Session) of June 27, 2023, and Special Meeting (Executive Session) of July 3, 2023.

Moved by Councilmember Khara House, **seconded by** Councilmember Deborah Harris to approve the minutes of the City Council Regular Meeting of May 3, 2022, Regular Meeting of May 17, 2022, Work Session of May 31, 2022, Budget Retreat of April 27, 2023, Budget Retreat of April 28, 2023, Regular Meeting of May 2, 2023, Special Meeting of May 3, 2023, Work Session of May 9, 2023, Work Session of May 30, 2023, Special Meeting (Executive Session) of June 13, 2023, Special Meeting (Executive Session) of June 20, 2023, Special Meeting (Executive Session) of June 27, 2023, and Special Meeting (Executive Session) of July 3, 2023.

Vote: 7 - 0 - Unanimously

5. PUBLIC PARTICIPATION

Public Participation enables the public to address the Council about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed. If you wish to address the Council at tonight's meeting, please complete a comment card and submit it to the recording clerk as soon as possible. Your name will be called when it is your turn to speak. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

Al White and Bracken Davis addressed Council about volunteer opportunities at Theatrikos. They recognized Mayor Daggett for her volunteer support and presented her with a volunteer pin.

Reverend Penni Honey addressed Council regarding the International Day of Peace. She invited the Council to participate in the September 23, 2023, events in Heritage Square.

Climate Analyst Denae Pressler addressed Council regarding upcoming lighting and weatherization updates at city facilities. Updates would be shared on social media and more information could be found on the project website www.flagstaff.az.gov/energyconservation.

6. PROCLAMATIONS AND RECOGNITIONS

A. August Work Anniversaries

Senior Deputy City Manager Shannon Anderson provided a PowerPoint presentation that covered the following:

AUGUST EMPLOYEE WORK ANNIVERSARIES!
FIRST YEAR ANNIVERSARIES
FIVE YEAR ANNIVERSARIES
TEN YEAR ANNIVERSARIES
TWENTY YEAR ANNIVERSARIES
TWENTY-FIVE YEAR ANNIVERSARIES

7. COUNCIL LIAISON REPORTS

Councilmember House reported that the Commission on Diversity Awareness met and discussed working group initiatives and the proposed equitable restroom ordinance. They requested an update

on the ordinance and how to continue moving it forward. She highlighted the ongoing efforts of the Housing team to move the 10-Year Housing Plan forward. She also reported that she met with the Flagstaff Sister Cities Board to discuss efforts to engage and reengage Flagstaff's sister cities.

Councilmember Sweet reported that the Beautification and Public Art Commission announced a memorial plaque for Bret Peterson on the Lone Tree Overpass project. She also reported that Mountain Line would be launching their second electric bus and would collect data on the performance of the electric fleet. She noted that NACOG's Head Start Program was struggling to find workers and their programs were at risk of being cut.

Councilmember McCarthy reported that he attended the Transportation Commission meeting and while MetroPlan did not meet over the summer, he met with Executive Director Kate Morely to discuss the goals for the next year.

Vice Mayor Aslan reported that the Tourism Commission met and discussed the Flagstaff Regional Plan. The Sustainability Commission also met and discussed post-wildfire revegetation efforts. The Coconino Plateau Water Advisory Council received a presentation from Carlotta Toulouse about the new Baaj Nwaavjo I'tah Kukveni monument. He also reported that he and Councilmember McCarthy did a tour of flood control efforts with Congressman Eli Crane; it was a great opportunity to connect and show off all the Rio de Flag efforts.

Councilmember Harris reported that she attended the Parks and Recreation Commission meeting where they discussed a new trail project that connects southern Arizona to the Nevada border. She also reported that over the break she was able to take an open space and recreation facilities tour.

Mayor Daggett reported that the Commission on Inclusion and Adaptive Living continued to seek applications to participate in the commission. At their last meeting, they presented on sidewalk accessibility, and she suggested that the presentation be given to City Council at a Council meeting. She also reported that the ECoNA Strategic Plan had been released, and they had been meeting to review key points and details.

8. APPOINTMENTS

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 the City Council may vote to go into executive session, which will not be open to the public, for the purpose of discussing or considering employment, assignment, appointment, promotion, demotion, dismissal, salaries, disciplining or resignation of a public officer, appointee, or employee of any public body..., pursuant to A.R.S. §38-431.03(A)(1).

A. Consideration of Appointments: Housing Commission

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Jim McCarthy to appoint Tyler Denham to a Community Representative seat with a term expiring September 2026.

Vote: 7 - 0 - Unanimously

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Jim McCarthy to appoint Nikki Sharp to a Community Representative seat with a term expiring September 2026.

Vote: 7 - 0 - Unanimously

Moved by Mayor Becky Daggett, **seconded by** Councilmember Miranda Sweet to appoint Sandi Flores to a Community Representative seat with a term expiring September 2026.

Vote: 7 - 0 - Unanimously

Moved by Councilmember Khara House, **seconded by** Councilmember Miranda Sweet to appoint Hayley Zoroya to a Building and Real Estate Professional -- Developer seat to a term expiring September 2026.

Vote: 7 - 0 - Unanimously

Moved by Councilmember Deborah Harris, **seconded by** Councilmember Miranda Sweet to appoint Cory Runge to a Building and Real Estate Professional -- Other seat to a term expiring September 2026.

Vote: 7 - 0 - Unanimously

Moved by Vice Mayor Austin Aslan, **seconded by** Councilmember Jim McCarthy to appoint Eric Brownfield to a Building and Real Estate Professional - Realtor seat with a term expiring September 2025.

Vote: 7 - 0 - Unanimously

B. Consideration of Appointments: Commission on Diversity Awareness.

Moved by Mayor Becky Daggett, **seconded by** Councilmember Jim McCarthy to appoint Angelica Maria Sanchez to a term expiring September 2026.

Vote: 7 - 0 - Unanimously

Moved by Councilmember Khara House, **seconded by** Councilmember Miranda Sweet to appoint Tarang Jain to a term expiring September 2026.

Vote: 7 - 0 - Unanimously

C. Consideration of Appointments: Parks and Recreation Commission.

Moved by Vice Mayor Austin Aslan, **seconded by** Councilmember Miranda Sweet to appoint Austin Kerr to a term expiring August 2026.

Vote: 7 - 0 - Unanimously

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Khara House to appoint Ryan Martin to a term expiring August 2026.

Vote: 7 - 0 - Unanimously

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Khara House to appoint Micah Smith to a term expiring August 2026.

Vote: 7 - 0 - Unanimously

D. Consideration of Appointment: Sustainability Commission.

Moved by Councilmember Deborah Harris, **seconded by** Councilmember Jim McCarthy to extend the term of Priscilla Boateng to October 2026.

Vote: 7 - 0 - Unanimously

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Khara House to extend the term of Mary Ellen Metzger to October 2026.

Vote: 7 - 0 - Unanimously

9. LIQUOR LICENSE PUBLIC HEARINGS

None

10. CONSENT ITEMS

All matters under Consent Agenda are considered by the City Council to be routine and will be enacted by one motion approving the recommendations listed on the agenda. Unless otherwise indicated, expenditures approved by Council are budgeted items.

Moved by Councilmember Jim McCarthy, seconded by Councilmember Miranda Sweet to approve the Consent Agenda as presented.

Vote: 7 - 0 - Unanimously

A. Consideration and Approval of Letter of Support: Ratification of Letter of Support for ADOT Wildlife Crossing Overpass Grant Application

Ratify the letter of support.

B. Consideration and Ratification of Contract: Ratify the Cooperative Purchase Contract with Empire Southwest for four pieces of Caterpillar heavy equipment for emergency response in the amount of \$743,938.43, plus applicable fees and taxes, utilizing Department of Forestry and Fire Management funding.

1. Ratify the Cooperative Purchase Contract with Empire Southwest for the purchase of one Backhoe, one Skid Steer with attachments, one Front-End Loader, and one Skid Steer in the amount of \$743,938.43, plus applicable fees and taxes; and
2. Authorize the City Manager to execute the necessary documents.

C. Consideration and Approval of Contract: Ratification of Resource Use and Sharing Agreement with Northern Arizona Intergovernmental Public Transportation Authority (hereafter "Mountain Line") regarding installation, electrical, foundation and landscaping services for two artworks for the Downtown Connection Center (DCC): Art Glass; and Southside Grove Sculpture.

Ratify Resource Use and Sharing Agreement with Mountain Line, GEN-2014-126-AG4-SA6 in an amount not to exceed \$90,490.17.

D. Consideration and Approval of Final Plat: PZ-20-00216-05, Ben Fimbrez requests Final Plat approval for Fimbrez Estates located at 1300 W Lower Coconino Avenue, a six-lot, single-family subdivision on 10.04 acres in the Estate Residential (ER) Zone within the Resource Protection Overlay (RPO).

Approve the Final Plat and authorize the Mayor to sign the Final Plat and City/Subdivider Agreement when notified by staff that all documents are ready for signature and recordation.

E. Consideration and Approval of Contract: Ratification of the Emergency Construction Contract #2023-153 and subsequent Change Order 1 with Joe Dirt Excavating for the dredging and repair of Frances Short Pond in the amount of \$414,484.44.

1. Ratify and approve the Emergency Construction Contract #2023-153 in the amount of \$397,784.44 and the subsequent Change Order 1 in the amount of \$16,700.00 for a total contract amount of \$414,484.44 with Joe Dirt Excavating for the dredge and repair of Frances Short Pond after the post-wildfire flood events of 2022.
2. Ratify the authorization to the City Manager to execute all necessary documents.

F. Consideration and Approval of Ratifying Grant Agreement: Between FEMA Assistance to Firefighters Grant (AFG) and the City of Flagstaff for the Regional Training Grant.

Approve the ratification of the Grant Agreement to FEMA (Assistance to Firefighters) for grant funds totaling in the amount of \$676,422.40 (Federal share \$615,293.09, City/Fire District Share \$61,529.31) to improve regional operational efficiency and scene safety.

11. ROUTINE ITEMS

- A. **Consideration and Approval of Contract:** Consideration and Approval of Second Amendment - GMP 3 for Final Engineering Design and Construction Phase Repair Services with Hunter Contracting Co. for a Guaranteed Maximum Price (GMP) in the amount of \$2,425,978.03 for the Inner Basin Waterline Restoration Project

Capital Improvements Project Manager David Pedersen provided a PowerPoint presentation that covered the following:

INNER BASIN WATERLINE RESTORATION PROJECT
 PROJECT STAKEHOLDERS
 EXCITING NEWS
 GUARANTEED MAXIMUM PRICE
 CONTRACT & PROJECT TIMELINE
 PROJECT SITE 1 -- THEN & NOW
 PROJECT SITE 7 -- THEN & NOW
 PROJECT SITE 9 -- THEN & NOW

Councilmember McCarthy asked if Site 9 would be more resistant to erosion in the future. Mr. Pedersen explained that they were able to get the road to a condition that was passable to gain access to the larger project site. However, the completed project would include additional gabion baskets and a larger concrete cap that would include a channel.

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to approve the Second Amendment - GMP 3 for Final Design and Construction Phase Repair Services with Hunter Contracting Company for a GMP of \$2,425,978.03 and a contract duration of 160- calendar days for a total Agreement amount of \$5,836,052.90 and authorize the City Manager to execute the necessary documents.

Vote: 7 - 0 - Unanimously

- B. **Consideration and Approval of Contract:** FY23/24 Insurance Program Renewal

Risk Management Director Maria Robinson provided a PowerPoint presentation that covered the following:

INSURANCE POLICY RENEWALS FY 23-24
 ARIZONA MUNICIPAL RISK RETENTION POOL
 MEMBERSHIP BENEFITS
 AMRRP ANNUAL DIVIDEND
 AMRRP MEMBERSHIP FEES
 AVIATION LIABILITY/FOREIGN LIABILITY
 FF CANCER REIMBURSEMENT FUND
 STAFF RECOMMENDATION

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Khara House to accept the renewal premiums for FY 2023-24 submitted by the Arizona Municipal Risk Retention Pool (AMRRP) for General Liability, E&O, SAM, Property, Auto, Marine, Crime, Cyber, Excess, and Worker's Compensation coverage; AON/Chubb/Travelers for Airport Liability and International Travel; and Industrial Commission of Arizona to fund the Firefighters Presumptive Cancer Claims (statutorily required).

Vote: 7 - 0 - Unanimously

12. REGULAR AGENDA

- A. **Consideration and Adoption of Resolution No. 2023-46:** A resolution for the renewal of an Administrative IGA with Summit Fire & Medical District for the term of one-year.

Deputy Fire Chief Chris Fennell addressed Council and stated that the IGA had been in place for

seven years and allowed the agencies to pool their resources during emergency responses. Staff was seeking a one-year extension to complete a feasibility analysis to evaluate the model, best practices, and develop recommendations for the future. Summit Fire and Medical District had also approved the IGA.

Moved by Councilmember Khara House, **seconded by** Councilmember Miranda Sweet to read Resolution No. 2023-46 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, APPROVING AN INTERGOVERNMENTAL AGREEMENT BETWEEN THE CITY OF FLAGSTAFF AND SUMMIT FIRE AND MEDICAL DISTRICT FOR SHARED SERVICES

Moved by Councilmember Khara House, **seconded by** Councilmember Miranda Sweet to adopt Resolution No. 2023-46.

Vote: 7 - 0 - Unanimously

- B. Consideration and Adoption of Resolution No. 2023-43:** A resolution of the Flagstaff City Council, approving an Intergovernmental Agreement between Coconino County and the City of Flagstaff for the Application for the Edward Byrne Memorial Justice Assistance Grant (JAG) Program FY 2023 Local Solicitation/ CFDA #16.738

Police Department Support Services Manager Allison Hughes addressed Council and stated that the Police Department had utilized JAG grant funds to help with community policing activities such as the New Year's Eve festivities, Block Watch meetings, National Night Out, and car seat safety prevention. The JAG program was created in 1984 to provide federal leadership and allow agencies to support a broad range of activities based on their local needs. The requested amount for the current year is \$30,185 to be divided between the City of Flagstaff and the Coconino County Sheriff's Office. The city share was slated to be used for discretionary overtime to carry out community policing programs and COMSTAT initiatives. Ms. Hughes also noted that the JAG Grant had been utilized by the Police Department for over twenty years.

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Khara House to read Resolution No. 2023-43 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, APPROVING AN INTERGOVERNMENTAL AGREEMENT BETWEEN COCONINO COUNTY AND THE CITY OF FLAGSTAFF FOR THE APPLICATION FOR THE EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT (JAG) PROGRAM FY 2023 LOCAL SOLICITATION/ CFDA #16.738

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Khara House to adopt Resolution No. 2023-43.

Vote: 7 - 0 - Unanimously

- C. Consideration and Adoption of Resolution No. 2023-45:** A resolution of the Flagstaff City Council, adopting the Public Safety Personnel Retirement System 457(b) Deferred Compensation Program.

Human Resources Director Randy Tracy addressed Council and stated that the resolution would provide a PSPRS deferred compensation program to Public Safety employees similar to that provided to the typical ASRS employee. There was some confusion when a similar plan was introduced last year; that plan was intended only for ASRS employees and now the public safety employees must be moved to their own plan.

There were questions concerning the funds put into the wrong plan by the employee. Mr. Tracy and

Management Services Director Rick Tadder assured that all funds contributed by the employee would remain and transferred over in their entirety to the correct plan.

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Deborah Harris to read Resolution No. 2023-45 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, ADOPTING THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM SUPPLEMENTAL SALARY DEFERRAL PLAN

Moved by Councilmember Jim McCarthy, **seconded by** Vice Mayor Austin Aslan to adopt Resolution No. 2023-45.

Vote: 7 - 0 - Unanimously

- D. **Consideration and Adoption of Resolution No. 2023-44:** A resolution approving the Intergovernmental Agreement between the City of Flagstaff and Coconino County for election services for the November 7, 2023 Special Election

City Clerk Stacy Saltzburg addressed Council and state that the IGA would authorize Coconino County to administer the ballot-by-mail election of November 7, 2023.

Moved by Councilmember Deborah Harris, **seconded by** Councilmember Khara House to read Resolution No. 2023-44 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION APPROVING THE INTERGOVERNMENTAL AGREEMENT BETWEEN THE CITY OF FLAGSTAFF AND COCONINO COUNTY FOR ELECTION SERVICES FOR THE NOVEMBER 7, 2023 SPECIAL ELECTION

Moved by Councilmember Deborah Harris, **seconded by** Councilmember Khara House to adopt Resolution No. 2023-44.

Vote: 7 - 0 - Unanimously

13. **DISCUSSION ITEMS**

A. **Wildland Fire Management Program - Forest Health and Operations Update**

Wildland Fire Operations Captain Neil Chapman and Wildland Fire Operations Captain Dylan Guffey provided a PowerPoint presentation that covered the following:

2023 FOREST HEALTH AND OPERATIONS UPDATE
WILDLAND FIRE MANAGEMENT STAFF
2023 TREATMENT AREAS
ECOLOGICAL THINNING
RX: OBSERVATORY MESA SECTION 8
RX: THORPE PARK
RX: NOFS
ONGOING: FLAGSTAFF WATERSHED PROTECTION PROJECT
FUTURE WFM DISCUSSIONS

Councilmember Harris asked how it was determined what trees to thin out. Mr. Chapman stated that they keep the big trees as they were generally fire-tolerant. They removed the smaller, less fire-tolerant trees to prevent fire from running up the larger trees.

Mr. Chapman discussed the Wood for Life program that provided wood from thinning projects to the public.

Councilmember McCarthy stated that the city also had a program where the Fire Department would come and do an inspection of a person's property and provide recommendations to make it more fire-safe.

Mayor Daggett asked how partnerships with other agencies assisted with projects and how the funding worked. Mr. Chapman stated that partnerships had existed for many years. The city provided the skill set and capacity to do the projects and contracts were put in place that outlined roles, responsibilities, and shared funding for the project.

14. FUTURE AGENDA ITEM REQUESTS

After discussion and upon agreement by three members of the Council, an item will be moved to a regularly-scheduled Council meeting.

A. Future Agenda Item Request (F.A.I.R.): A Citizens' Petition titled Mitigation of Impact of Pickleball Courts in Bushmaster Park

Audria Smith addressed Council and requested a review and discussion about the noise impacts of pickleball. She requested that the city halt construction until a qualified acoustic firm could be hired and recommendations provided. The sound impact of pickleball negatively impacted the quality of life and people were not able to enjoy their outdoor spaces due to the noise. She spoke about the sound study conducted by Forest Highlands regarding pickleball after threats of litigation. The results were impactful and Forest Highlands was only contemplating six courts whereas the city was considering 16.

Written comments in support of the citizen petition were submitted by Michael Chizhov and Mila Dunbar-Irwin.

Councilmember Matthews stated that pickleball courts had been at Bushmaster Park for a number of years without any issue, she asked Ms. Smith what had changed. Ms. Smith stated that two years ago there were 8.9 million pickleball players, and now there were 48 million players. Even up to last year, the sound was relatively tolerable but it had grown incessant.

Councilmember McCarthy stated that pickleball was a good sport if it could be done in a location that did not destroy a person's quality of life. It made sense to have a study done that considered the noise generated by the courts and the impact it may have on nearby residents. He did not think that Bushmaster Park was the right location for pickleball courts.

Vice Mayor Aslan expressed concern about the topic becoming a circular discussion over and over again, and he did not want to halt the current project at the expense of another discussion.

Councilmember McCarthy stated that the petition should advance to a future meeting for discussion so the details could be fleshed out and Council would have information to make a decision.

There was not requisite Council support to advance the item to a future agenda for discussion.

15. PUBLIC PARTICIPATION

None

16. INFORMATIONAL ITEMS TO/FROM MAYOR, COUNCIL, AND STAFF, AND FUTURE AGENDA ITEM REQUESTS

Councilmember Harris suggested that the City Council take a field trip to Picture Canyon. She shared that she had such a great experience with the Parks, Recreation, Open Space, and Events staff on her tour. They shared with her their plans and vision for the community, and she again recommended that all of Council take the opportunity to schedule a tour.

Vice Mayor Aslan requested the following two FAIR items:

1. Discussion about developing court amenities for city parks, specifically basketball and Bankshot.
2. Discussion about local breweries and increasing the square footage for retail space in light industrial zones.

Councilmember McCarthy stated that he, along with staff and the county met with Congressman Eli Crane; the meeting went well, and he seemed supportive of flood control and fire mitigation efforts.

Councilmember Sweet reminded everyone of the upcoming First Friday Artwalk downtown. She also mentioned that the City Council was co-sponsoring the movie Princess Bride with the county for Movies on the Square.

Councilmember House shared that she sent follow-up comments and questions to staff concerning the T21 ordinance. She would be attending the League of Arizona Cities and Towns Annual Conference that week and was looking forward to the educational sessions. She emphasized the importance of ongoing discussions within the community, particularly surrounding the celebration and visibility of various cultural heritages and traditions. There was a need for representation of communities that were often marginalized, and she was committed to being part of those conversations. She also addressed the recent mass shooting that targeted Black individuals and stressed the importance of confronting and addressing hatred and discrimination. Lastly, she highlighted her participation in welcoming Erika Alexander, a renowned actress and philanthropist, back to her hometown of Flagstaff, and emphasized the impact of the community on her life and career.

Mayor Daggett recognized artist Duane Koyawena for his recent mural on Steves Blvd. next to Chokolita and encouraged everyone to go see it. She also reported that she attended the Police Academy graduation ceremony. She also did a press conference about smart agriculture as part of the Inflation Reduction Act. She, along with Councilmembers House and Matthews attended the Indigenous Code Talkers Celebration. It was a great event, and she learned a lot about the work done by Indigenous soldiers and marines in World War I and World War II. Lastly, she reported that she and Councilmember Matthews attended the Morrison Institute retreat; it was great to meet colleagues from around the state and share collective challenges and approaches.

17. ADJOURNMENT

The Regular Meeting of the Flagstaff City Council held August 28, 2023, adjourned at 5:22 p.m.

MAYOR

ATTEST:

CITY CLERK

CERTIFICATION

I, STACY SALTZBURG, do hereby certify that I am the City Clerk of the City of Flagstaff, County of Coconino, State of Arizona, and that the above Minutes are a true and correct summary of the Meeting of the Council of the City of Flagstaff held on August 28, 2023. I further certify that the Meeting was duly called and held and that a quorum was present.

DATED this 19th day of March, 2024

CITY CLERK

MINUTES

1. CALL TO ORDER

Mayor Daggett called the meeting of the Flagstaff City Council held September 5, 2023, to order at 3:00 p.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 regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for discussion and consultation with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

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

PRESENT:

MAYOR DAGGETT
VICE MAYOR ASLAN
COUNCILMEMBER HARRIS
COUNCILMEMBER HOUSE
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY
COUNCILMEMBER SWEET

ABSENT:

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

3. PLEDGE OF ALLEGIANCE, MISSION STATEMENT, AND LAND ACKNOWLEDGEMENT

The Council and audience recited the pledge of allegiance, Councilmember McCarthy read the Mission Statement of the City of Flagstaff, and Councilmember House read the Land Acknowledgement.

MISSION STATEMENT

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

LAND ACKNOWLEDGEMENT

The Flagstaff City Council humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.

4. PUBLIC PARTICIPATION

Public Participation enables the public to address the Council about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed. If you wish to address the Council at tonight's meeting, please complete a comment card and submit it to the recording clerk as soon as possible. Your name will be called when it is your turn to speak. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

Sustainability Coordinator Tia Hatton addressed Council and provided an update on the Neighborhood Sustainability Grant program and invited the community to apply. The application period would be open until September 30, 2023.

Jill Stephenson addressed Council and stated that every decision that was made should be based on the premise of the climate emergency. She felt that the city was moving too slowly. There should be more encouragement for people to use public transportation and more resources should be dedicated to making walking and biking safer.

Tania Bustamante with Mothers Against Drunk Driving, addressed Council and stated that they were working with the police department, NAU, and local schools on education about underage drinking and distracted driving. They also provided victim services free of charge.

5. COUNCIL LIAISON REPORTS

Councilmember House reported that she attended the Arizona League of Cities and Towns annual conference. She attended sessions on housing and community engagement. Many sessions discussed innovative housing policies, and it was encouraging to see how many of them centered on actions already established in the 10-Year Housing Plan. She also attended sessions that provided good information on cultural engagement and enhancing the cultural economy of communities by partnering with arts and cultural organizations.

Vice Mayor Aslan noted that he also attended the League annual conference.

Councilmember McCarthy reported that the Metro Plan Board would be meeting later in the week. One of the things for discussion was activating more people to use public transit or alternative transportation.

6. APPOINTMENTS

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 the City Council may vote to go into executive session, which will not be open to the public, for the purpose of discussing or considering employment, assignment, appointment, promotion, demotion, dismissal, salaries, disciplining or resignation of a public officer, appointee, or employee of any public body..., pursuant to A.R.S. §38-431.03(A)(1).

A. Consideration of Appointments: Commission on Inclusion and Adaptive Living

Moved by Councilmember Khara House, **seconded by** Councilmember Miranda Sweet to appoint Susan Purrington to a term expiring March 2026.

Vote: 7 - 0 - Unanimously

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Jim McCarthy to appoint Keith Becker to a term expiring March 2026.

Vote: 7 - 0 - Unanimously

Moved by Mayor Becky Daggett, **seconded by** Councilmember Khara House to appoint Michele Eisenberg to a term expiring March 2026.

Vote: 7 - 0 - Unanimously

A brief break was held from 3:13 p.m. through 3:19 p.m.

Moved by Councilmember Deborah Harris, **seconded by** Councilmember Khara House to appoint Russell Randall to a term expiring March 2026.

Vote: 7 - 0 - Unanimously

7. CONSENT ITEMS

All matters under Consent Agenda are considered by the City Council to be routine and will be enacted by one motion approving the recommendations listed on the agenda. Unless otherwise indicated, expenditures approved by Council are budgeted items.

Councilmember House highlighted Item 7F and noted that over \$900,000 in ARPA funding was provided to assist with housing stability and eviction prevention programs.

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to approve the Consent Agenda as presented.

Vote: 7 - 0 - Unanimously

A. **Consideration and Approval of Contract:** Verkada Security Services Through CTS LLC. in the amount of \$184,788.62.

1. Approve the Cooperative Purchase Contract for Verkada Security Services Through CTS LLC in the amount of \$184,788.62 utilizing cooperative contract #2024-12 with funding located in GL # 001-06-152-0512-03-4224 ; and
2. Authorize the City Manager to execute the necessary documents.

B. **Consideration and Approval of Contract:** Cooperative Purchase Contract with Carahsoft Technology Corporation for OpenGov Asset Management/Work Order Software in the amount of \$95,188.01.

1. Approve the Cooperative Purchase Contract with Carahsoft Technology Corporation for OpenGov Asset Management/Work Order Software in the amount of \$95,188.01; and
2. Authorize the City Manager to execute the necessary documents.

C. **Consideration and Approval of Contract:** A Cooperative Purchase Contract with Pueblo Mechanical and Controls, LLC to remove and replace the boilers at the Flagstaff City Hall Building in the amount of \$305,745.58 utilizing the Mohave Educational Services Cooperative Contract #19F-PMAC2-0904.

1. Approve the Cooperative Purchase Contract with Pueblo Mechanical and Controls, LLC to remove and replace the boilers at the Flagstaff City Hall Building in the amount of \$305,745.58 utilizing the Mohave Educational Services Cooperative Contract #19F-PMAC2-0904; and
2. Authorize the City Manager to execute the necessary documents.

- D. **Consideration and Approval of a Contract:** A Construction Manager at Risk (CMAR) Construction Services Contract for the Annual Street Maintenance and Overlay Fall 2023 Program to C and E Paving & Grading, LLC in the amount of \$4,902,067.20.
1. Approve the Annual Street Maintenance Overlay Fall 2023 Program and execute a CMAR Contract with C and E Paving & Grading, LLC for a Guaranteed Maximum Price (GMP) of \$4,902,067.20 (which includes an Owner's Contingency of \$20,000.00); and
 2. Authorize the City Manager to execute the necessary documents.
- E. **Consideration of Ratification of Funding Agreement:** City Council Ratification of Funding Agreement No. 801-23 between the City of Flagstaff and Arizona Department of Housing
- Ratify the Funding Agreement No. 801-23, between the City of Flagstaff and Arizona Department of Housing for the City of Flagstaff Emergency Unsheltered Homeless Services program, utilizing \$840,000.00 in FY23 S.B. 1720 Homeless Shelter and Services Funds
- F. **Consideration and Approval of Grant Agreements:** Approve Grant Agreements between the City of Flagstaff and community partners utilizing \$902,352.00 in funding from the American Rescue Plan Act Coronavirus Local Fiscal Recovery Funds for Housing Assistance Projects
1. Approve Grant Agreements with the following organizations, utilizing a portion of the American Rescue Plan Act Coronavirus Local Fiscal Recovery Funds for Housing Assistance Projects:
 1. **Project No: CL6321S (Affordable Housing):**
 - \$397,398.00 to Habitat for Humanity of Northern Arizona for the Starter Homes at Timber Sky Project
 2. **Project No: CL6321T (Services for the Unhoused):**
 - \$199,006.00 to Catholic Charities Community Services, Inc. for the Homeless Outreach and Housing Connections Project
 - \$46,250.00 to Homeless Youth Connection for the Flagstaff Transitional Living Project
 3. **Project No: CL6321D (Other Housing Assistance):**
 - \$200,000.00 to DNA People's Legal Services for the Housing Stability Legal Services Project
 - \$59,948.00 to the Salvation Army for the Eviction Prevention Project; and
 2. Authorize the City Manager to execute the necessary documents for all agreements.
- G. **Consideration and Approval of Contract:** Supplemental Project Agreement with Coconino National Forest in the amount of \$409,995.63 for fire control feature preparations via tree thinning on the Flagstaff Ranger District of the Coconino National Forest.
- Approve the supplemental project agreement with the Coconino National Forest in the amount of \$409,995.63.
- H. **Consideration and Approval of Contract:** This Supplemental Project Agreement is between the City of Flagstaff and the U.S. Department of Agriculture, Coconino National Forest for the implementation of cultural resource surveys.
- Approve the Supplemental Project Agreement with the Coconino National Forest in the amount of \$1,153,736.50.

8. PUBLIC HEARING ITEMS

- A. Public Hearing, Consideration and Possible Adoption of Ordinance No. 2023-21: A public hearing, consideration and adoption of an Ordinance of the City Council of the City of Flagstaff, extending and increasing the corporate limits of the City pursuant to the provisions of Title 9, Chapter 4, Arizona Revised Statutes, by annexing approximately 1.82 acres of land located at 2445 S. Woody Mountain Road, which certain land is contiguous to the existing corporate limits of the City of Flagstaff, and establishing city zoning for said land as Rural Residential (RR); providing for severability, authority for clerical corrections, and establishing an effective date. ***(Liv Timber Sky Annexation)***

Mayor Daggett opened the public hearing.

Current Planning Manager Alexandra Pucciarelli provided a PowerPoint presentation that covered the following:

LIV TIMBER SKY ANNEXATION & DIRECT TO ORDINANCE ZONING MAP AMENDMENT
 REQUEST OVERVIEW
 VICINITY MAP
 ADJACENT ZONING
 PROPOSAL

Mayor Daggett stated that many parcels within city limits were zoned Rural Residential (RR) and that was not a desirable zoning within the city.

Ms. Pucciarelli offered that RR was a very low-density zone. Previously it was referred to as a holding zone, the idea was that more people would come in from the county with the understanding that it would be later rezoned. RR had only one unit per acre. If the city would be providing infrastructure, it made more sense to have a greater density than RR.

PROPOSED DENSITY
 PROPOSED UNIT MIX
 SITE PLAN REVIEW
 PROPOSED FLOOR PLANS -- BUILDING TYPE 1
 PROPOSED ELEVATION PROPOSED FLOOR PLANS -- BUILDING TYPE 2
 PROPOSED ELEVATION PROPOSED FLOOR PLANS -- BUILDING TYPE 3
 PROPOSED ELEVATION
 ANNEXATION REQUEST
 ANNEXATION APPROVAL CRITERIA
 FINDING 1: CONFORMANCE WITH ARIZONA STATE STATUTE (ARS 9-471)
 FINDING 2: CONFORMANCE WITH FLAGSTAFF REGIONAL PLAN 2030 APPLICABLE GOALS AND POLICIES
 FINDING 3: CONFORMANCE WITH CITY CODE DIVISION 10-20.90: ANNEXATIONS (PUBLIC SYSTEMS ANALYSIS)
 PUBLIC SYSTEMS ANALYSIS
 TRAFFIC/RIGHT OF WAY IMPACT
 TRANSPORTATION IMPROVEMENTS
 WATER AND SEWER IMPACT ANALYSIS
 WATER AND SEWER IMPROVEMENTS
 STORMWATER ANALYSIS
 STORMWATER IMPROVEMENTS
 SCHOOLS
 FIRE PROTECTION
 CITIZEN PARTICIPATION
 RECOMMENDATION

Councilmember Matthews asked why the Water and Sewer Impact Analysis (WSIA) was waived. Ms. Pucciarelli explained that it was a decision made by Water Services. A prior WSIA was done for a very similar development on the site, and staff did not see the need to redo all that work with the

same results.

Councilmember Matthews asked if there was a population number or other trigger that indicated the need to add another fire station. Ms. Pucciarelli stated that she could not speak to the various triggers in place. However, the Fire Department did review the plans and determined a new station was not necessary.

Councilmember Matthews stated that there were a lot of community comments about the need for a light signal. Her understanding was that because it was an ADOT road, ADOT had to authorize any new signals. She asked if staff were concerned given the increased development in the area. Ms. Pucciarelli stated that Engineering staff would work with the applicants to determine the scope of any traffic analysis that was done. Traffic signals were driven by numbers and through a statistical view versus experiential. The developer had expressed a desire to put a traffic signal in but ADOT had not determined it was warranted.

Vice Mayor Aslan asked about the annexation process and if the county had any input. Ms. Pucciarelli stated that the statutes required a process that included notification of the county. The county had been notified and were aware of the request to annex.

Councilmember McCarthy noted that MetroPlan would be discussing a planning activity for the area as the project was high-density and promoted alternative modes of transportation.

There being no further comment, Mayor Daggett closed the public hearing.

9. DISCUSSION ITEMS

A. **Introduction of Rate Study Team for the City of Flagstaff Water, Reclaimed Water, and Wastewater Cost-of-Service, Rates and Fees Study**

Water Resources Manager Erin Young introduced Carol Malesky, Tim Hancock, Andrew Burnham, Zac Koch, Bob McCandless and Audrey Barber from Stantec Consulting Services who provided a PowerPoint presentation that covered the following:

WATER, RECLAIMED WATER, AND WASTEWATER COST-OF-SERVICE, RATES AND FEES STUDY

SCOPE OVERVIEW

THE RATE STUDY PROCESS

POLICY STRATEGIES

LOOKING FORWARD -- KEY MILESTONES

PUBLIC OUTREACH -- COMMUNICATION PLAN ELEMENTS

Councilmember Matthews asked if the Water Services fund would cover all the needs. Management Services Director Rick Tadder stated that the city operated with a balanced budget, including the Water Services enterprise fund. However, there were several things that Water Services still needed that were not funded and there were several things that were funded with one-time monies. They were having revenue strains to the operating expenses they already had.

Councilmember Matthews acknowledged her sensitivity to the difference between what was critical and what was passed on to the rate payer to what was more of a wish list. Mr. Tadder stated that the plan would be to bring ideas to Council on what could or could not be done as well as options for consideration. Council would determine what would be included in the funding.

Councilmember McCarthy stated that there needed to be a discussion about advanced treatment and the chemicals of emerging concern. Ms. Young noted that it was a policy topic to be discussed.

Mayor Daggett asked about the outreach plan in light of the challenges experienced with the stormwater rate. Public Affairs Director Sarah Langley stated that there was a high-level outreach plan in the works along with a communication plan that would include more detail in terms of who to reach out to, how, and when. Mr. Hancock added that they were looking for public intersection points

that made sense to coordinate with. Regardless of the plan developed, it would be important to remain flexible to the needs of the public.

Councilmember Harris stated that not everyone was connected to the internet, she asked how they would get access to the information. Mr. Hancock stated that they would identify underserved areas and begin to target in-person meetings there. They also attempted to focus the in-person meetings along transit lines to make it easy for people to come and go.

Council thanked staff and the consultants for the presentation.

A break was held from 4:16 p.m. through 4:26 p.m.

B. Progress report regarding the 10-Year Housing Plan and bond fund program implementation

Housing Director Sarah Darr provided a PowerPoint presentation that covered the following:

PROGRESS REPORT 10-YEAR HOUSING PLAN AND BOND PROGRAMS
PRESENTATION OVERVIEW
HOUSING PLAN UPDATE
UPDATED PROGRESS CHART
JAN. 2023 -- JUNE 2024 STRATEGIES
STRATEGY 5.1
CREATE 5.3
CONNECT 2.3

Mayor Daggett asked if defining the occupation for each seat provided the same benefit as it did before. Ms. Darr indicated that she would not recommend changing the makeup of the commission or the occupation requirements.

PROTECT 3.2
ONGOING STRATEGIES
CONNECT 1.2
PROTECT 2.4
PRESERVE 2.2
PROTECT 2.1

Mayor Daggett stated that there was an apartment development that was nearing the end of its required LIHTC affordability period, she asked if bond funding was anticipated for that type of scenario. Ms. Darr responded no. The acquire and rehabilitate category focused on adaptive reuse.

Vice Mayor Aslan stated that the two declared crises were in a good place internally about how they were thought and talked about. The public narrative was not as understanding about how the two interrelate. He asked about a strategy to better shape the narrative with the public. Ms. Darr stated that Housing and Sustainability had a good working relationship. They each recognized that there are some places where one was more fitting than the other but the agreed-upon goal was that they supported each other. A great example of that coordination and support was the land availability and suitability and code analysis project.

Councilmember Harris asked about efforts to bring landlords into the discussion. Ms. Darr shared that staff talked nearly daily to landlords about vouchers, the rental market, and the issues people face with housing. The plan had strategies talking about landlord outreach plans, but they were not included in the 18-month plan.

HOUSING BOND UPDATE
ROLE OF THE HOUSING COMMISSION
LONGER TERM
OTHER ASSOCIATED ACTIVITIES

Councilmember Sweet asked the working group and commission. Ms. Darr explained that a smaller working group of the Housing Commission had been meeting to vet different ideas and develop a formal recommendation to the Housing Commission. The Housing Commission would consider the recommendations from the working group and then bring forward a recommendation to the City Council.

Councilmember Matthews noted that she had been hearing that Flagstaff was one of the cities that required site plans before grading which was particularly difficult for tax credit developers because of the short time frame to turn things around. She had also heard that zoning for multi-family was the biggest issue preventing affordable housing. It was important to come at the issue from a lot of different directions. Ms. Darr stated that one of the strengths of the plan was that it acknowledged the need for an analysis of the code. That analysis was beginning and recommendations would be coming to Council soon.

FEDERAL/STATE FUNDING
STAFFING
MORE COMING ATTRACTIONS

Council thanked staff for the presentation and the work of the group.

10. FUTURE AGENDA ITEM REQUESTS

After discussion and upon agreement by three members of the Council, an item will be moved to a regularly-scheduled Council meeting.

A. Future Agenda Item Request (F.A.I.R.): A Citizens' Petition titled Walk by Default setting on pedestrian traffic lights in Flagstaff

Kevin Hayes addressed Council and stated that city streets could be more accommodating for bikes and pedestrians. The walk by default setting on traffic signals meant that it would not require the cross button to be pushed to get a walk notification. Many of the intersections downtown were set with a walk by default. The cost of establishing a walk by default setting would be minimal. Drivers also utilized the crossing countdown to help guide their navigation through an intersection.

Adam Shimoni, Dapper Dre, and David Spence spoke in support of the petition. The following comments were received:

- The road infrastructure should put pedestrians first.
- The Lone Tree Overpass would have leading pedestrian intervals as part of the project.
- It gives pedestrians three to five additional seconds to begin their crossing.
- The change would increase quality of life and improve safety.
- More people need to walk the streets that are most challenging for the disabled community.
- Cars always get the most space, the most funding, and the most right-of-way.
- The priority needs to shift to pedestrians and cyclists.
- It is okay to inconvenience cars.
- Flagstaff is not a bicycle-friendly city.

Written comments in support of advancing the petition were submitted by Patrick Jantz and Joe Kraulik.

Councilmember McCarthy stated that leading pedestrian intervals were being implemented at Butler and Beaver and Lone Tree. He indicated that it would be helpful to have a presentation on was being done and what might be challenging.

There was requisite Council support to advance the item to a future agenda.

- B. Future Agenda Item Request (F.A.I.R.):** A request by Councilmember Matthews to place on a future agenda a discussion about a sound study regarding the pickleball courts at Bushmaster Park

Audria Smith and Kathleen Day addressed Council in support of a sound study regarding pickleball courts at Bushmaster Park. The following comments were received:

- There was still a lot of work to be done.
- Council should review the sound study from Forest Highlands.
- The lived experience of pickleball was unique.
- Take the concerns of the community seriously.
- Include in the conversation the well-being of those most impacted.
- There should be designated signage to encourage the use of the basketball courts.

Councilmember Matthews stated that she had come to realize that there would be no solution that would make everyone happy. There were options to consider such as softer balls and paddles, restricting hours of play and location, and potentially more. A sound study would provide nonemotional facts that would help Council make a better-informed decision.

Councilmember McCarthy noted that he was very supportive of a study to identify the most appropriate path forward.

Councilmember Harris offered her support of having a discussion, but she was concerned that the public would think the discussion would override the decision that had already been made. She did not want the public to walk away thinking that they would not be building the courts by having the discussion.

Vice Mayor Aslan stated that he supported doing everything they could to make the neighborhood as copacetic with pickleball as possible. The question was really how to mitigate the negative impacts of pickleball. He would rather dedicate time and resources on a solution rather than just an analysis.

Council agreed that mitigation and finding solutions were the goal. As such, Council agreed to not advance the FAIR item and asked Mr. Clifton to schedule a discussion on mitigating the sound impacts of pickleball.

- C. Future Agenda Item Request (F.A.I.R.):** A request by Vice Mayor Aslan to place on a future agenda a discussion about developing court amenities for city parks, specifically basketball and Bankshot.

Vice Mayor Aslan stated that he would like to have a discussion about sport amenities in city parks. He felt that the city was behind on getting those up and running, operational, maintained, and resourced in certain neighborhoods. Ponderosa Trails Park was a good example. There had not been an accounting of exactly what the sports amenities were in the various neighborhood parks, and it may be a good time to do so.

Councilmember Harris stated that it was important to consider staff's existing work programs and budgets. She did not think it should be a Council decision to intervene in work already being done, but rather that staff should bring forward their recommendations as part of the budgeting process.

Councilmember McCarthy indicated that the request was too narrow. There was a need for girls' softball fields, and funding for pickleball courts, the conversation would be better in the context of where they wanted amenities to go.

Mayor Daggett suggested a combined discussion with an update from Parks, Recreation, Open Space, and Events on their near-term plans. Mr. Clifton stated that staff could present information within the bigger context of the Parks and Recreation plan.

Vice Mayor Aslan stated that while he appreciated the larger accounting of park amenities, he brought the FAIR forward specifically for basketball and Bankshot.

There was requisite Council support to advance the item to a future agenda for discussion.

- D. Future Agenda Item Request (F.A.I.R.):** A request by Vice Mayor Aslan to place on a future agenda a discussion about local breweries and increasing the square footage for retail space in light industrial zones

Vice Mayor Aslan stated that Flagstaff was a brewery-friendly community, but he had heard about red tape and challenges with breweries being able to realize their potential to increase their retail space. He would like to discuss potential fixes to the code that would address the concern.

Councilmember McCarthy stated that he would support the discussion but it should also include a discussion about compromising light industrial zones.

Councilmember House noted that one of the discussions at the League conference was about cultural engagement and one of the examples was wineries as a source of cultural economy and engagement. She saw parallels between the two and gave her support to move forward.

There was requisite Council support to advance the item to a future agenda for discussion.

11. PUBLIC PARTICIPATION

None

12. INFORMATIONAL ITEMS TO/FROM MAYOR, COUNCIL, AND STAFF, AND FUTURE AGENDA ITEM REQUESTS

Councilmember House requested a FAIR item to discuss the Walk Friendly Community designation, the levels within the designation, and working toward the next level.

Councilmember Matthews stated that the Indigenous Commission was meeting that week. She also reported that she attended part one of three of the ECoNA strategic plan; part one was about housing, which was sobering. She looked forward to elevating the conversation about the housing crisis.

Councilmember McCarthy stated that his wife used a wheelchair and navigating downtown was extremely difficult with the tree wells and seating on the sidewalks. He felt that it was something that needed to be discussed.

Mayor Daggett also commented on the ECoNA strategic plan and requested a presentation to Council on the findings. Mr. Clifton noted that a discussion was already occurring about scheduling the presentation.

Mr. Clifton also noted for the Council that October 12, 2023 had been scheduled for a Council retreat. It would be a facilitated retreat with two items on the agenda; the water rate study and a discussion about the FAIR process.

13. ADJOURNMENT

The Regular Meeting of the Flagstaff City Council held September 5, 2023, adjourned at 6:33 p.m.

MAYOR

ATTEST:

CITY CLERK

CERTIFICATION

I, STACY SALTZBURG, do hereby certify that I am the City Clerk of the City of Flagstaff, County of Coconino, State of Arizona, and that the above Minutes are a true and correct summary of the Meeting of the Council of the City of Flagstaff held on September 5, 2023. I further certify that the Meeting was duly called and held and that a quorum was present.

DATED this 19th day of March, 2024

CITY CLERK

MINUTES

1. Call to Order

Mayor Daggett called the meeting of the Flagstaff City Council held September 12, 2023, to order at 3:04 p.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 discussion and consultation with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

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

PRESENT:

ABSENT:

MAYOR DAGGETT
VICE MAYOR ASLAN (virtually)
COUNCILMEMBER HARRIS
COUNCILMEMBER HOUSE (virtually)
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY
COUNCILMEMBER SWEET

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

3. Pledge of Allegiance, Mission Statement, and Land Acknowledgement

The Council and audience recited the pledge of allegiance, Councilmember Harris read the Mission Statement of the City of Flagstaff, and Councilmember McCarthy read the Land Acknowledgement.

MISSION STATEMENT

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

LAND ACKNOWLEDGEMENT

The Flagstaff City Council humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.

4. Public Participation

Public Participation enables the public to address the council about items that are not on the prepared agenda. Public Participation appears on the agenda twice, at the beginning and at the end of the work session. You may speak at one or the other, but not both. Anyone wishing to comment at the meeting is asked to fill out a speaker card and submit it to the recording clerk. When the item comes up on the agenda, your name will be called. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone to have an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

Chuck Crandall addressed Council with concerns about dog barking in his neighborhood. He expressed frustration that the Police Department enforced continuously barking dog issues but not incident/provoked barking issues.

Dapper Dre addressed Council about behavior and design of streets. He requested a traffic specific town hall where city representatives and the Arizona Department of Transportation would discuss things such as speed limits, traffic signaling, etc.

5. Review of Draft Agenda for the September 19, 2023 City Council Meeting

None

6. City Manager Report

Mr. Clifton briefly reviewed his report.

Planning Director Michelle McNulty briefly reviewed the Community Development Summer Report.

IT Director CJ Perry reviewed the IT Summer Report.

Mayor Daggett expressed concern about the challenges that Dispatch had encountered and she requested continued updates on how those challenges were being resolved.

Parks, Recreation, Open Space, and Events Director Rebecca Sayers reviewed the PROSE August Report.

7. Roundabout Workshop and Discussion

Project Manager Jeremy DeGeyter introduced Mark Johnson with MTJ Engineering who provided a PowerPoint presentation that covered the following:

OVERVIEW OF MODERN ROUNDABOUTS BENEFITS, OPPORTUNITIES, AND CHALLENGES

PRESENTATION OUTLINE

ROUNDABOUT VS SIGNALS?

DEVELOPMENT OF MODERN ROUNDABOUT

WIDE VARIETY OF APPLICATIONS

ROUNDABOUT APPLICATIONS

ANNUAL US INTERSECTION SAFETY STATISTICS

REDUCED CONFLICT POINTS

LOWER SPEEDS = SHORTER BRAKING DISTANCE

ACCIDENT SEVERITY

SEPARATED IN TIME ONLY

PHYSICALLY SEPARATED

SAFETY DESIGN PRINCIPLES FOR SLOWER SAFER ROUNDABOUTS

PEDESTRIAN SAFETY

BIKE DESIGN ISSUES

BICYCLE CIRCULATION

EMERGENCY RESPONSE, FREIGHT, TRUCKS
ROADWAY PLANNING AND ECONOMIC DEVELOPMENT
PUBLIC INVOLVEMENT
CASE STUDY #1
CASE STUDY #2
CASE STUDY #3

Councilmember Sweet asked about separated bike lanes for roundabouts rather than integrating cyclists into the vehicle path. Mr. Johnson stated that it had been found that a bike lane within a roundabout was less safe.

Councilmember McCarthy stated that the roundabout signs were sometimes confusing. Mr. Johnson agreed and stated that it could be easy to over sign and finding the right balance of signage can take time.

Vice Mayor Aslan stated that the safety of pedestrians and cyclists was paramount to the efforts of right sizing roads.

Adam Shimoni addressed Council and stated that cars do not stop for pedestrians. There was value in roundabouts in that they slow traffic down but the more lanes there are the less safe they are.

Council thanked staff and Mr. Johnson for the presentation.

8. City of Flagstaff Advertising Policy

Economic Vitality Director Heidi Hansen provided a PowerPoint presentation that covered the following:

CITY OF FLAGSTAFF ADVERTISING POLICY
RESEARCHED OTHER AIRPORT ADVERTISING POLICIES
PURPOSE
PERMITTED TYPES OF ADVERTISING
ADVERTISING CONTENT RESTRICTIONS
CURRENT ADVERTISING STANDARDS AS STATED IN CONTRACT
CURRENT STANDARD -- CHANGES/EDITS
ADVERTISING LOCATIONS
APPLICATION AND REVIEW PROCESS

The following individuals addressed Council in opposition to changing the advertising policy:

- Barrt Sprofera
- Rob Wilson
- Michael Infanzon
- Chris Michels
- Devin Champagne
- Dennis Champagne
- Tim Timney

The following comments were received:

- Why is the change even needed?
- This has been discussed in other parts of Arizona and thrown out.
- This infringes on people's First Amendment rights.
- People come to Flagstaff to participate in firearm sports, if you stop advertising it would impact business activities and revenue.
- I was told that the advertisement was violent and I disagree.
- Timberline Firearms is the only indoor shooting range in Flagstaff and is one of the country's most highly monitored businesses.
- Some of our customers are single moms who need training to protect themselves and their children.
- Violating rights and state law by targeting specific businesses will generate a lawsuit.

- This is a freedom of speech issue, not about the firearm that was used in advertising.
- Uphold free speech rights and do not move forward with the proposed policy.
- Timberline Firearms is dependent on outside visitors which makes the airport a good place to advertise.
- No legitimate business would promote violence, not allowing firearm advertising will not make anyone safer.
- Where would it stop, no advertising in the city or at all?
- Timberline Firearms offers quality firearm training, and that service needs to be advertised.
- I own two businesses, I advertise within city, I have done over 1,000 background checks, and I host a local gun show. The City of Flagstaff does not want me anymore, they will not let me advertise.
- Remove the word firearm from the policy, the firearm is not the issue it is the limitation on local business.
- The issue is that a safety-concentrated business is being denied advertising rights.
- It is wrong to target any type of sport and firearms are a sport.

Written comments in opposition to changing the advertising policy were submitted by the following:

- Robert Drayton
- Dvae Krisko
- Kevin Spousta
- Majority Leader Leo Biasiucci
- Representative David Marshall
- Representative Quang Nguyen
- Eric Davis
- Caitlin Walker
- Chuck Bain
- Craig Willeto
- Steve Dorsett
- Dave Wolf
- Will Pentecost
- Tom Chesterman
- Ryan Tempel
- Nan Nicoll
- Dave Truslow
- Darrel and Susan Pendergast
- Tim Gales
- Tom Woodrow
- Jason Corbett
- Stephen Rex
- Alan Anderson
- Herb Drake
- Patrick Wilson
- Cornel Choskey
- Anita Valaer
- Michael Thompson
- Linda Reeves
- Lori Welsch
- William Griffin
- Alan and Marsha Anderson
- Mike Pflueger
- Mark Mackowski
- Alan Bovi
- Derek Bernard
- Ken Langford
- Mario Chicas
- Terry Williams
- George Loewen
- Rick Schaefer

- Gregory Jones
- Shelly Kinyon
- Ryan Hartwig
- Curtis Wall
- Nancy Hovren
- Ronald Noble
- Ian Lockwood
- Robert Fitzhugh
- Robert Gumfory
- John Cain
- Sandra Rogers
- Craig Bergman
- Philip Hubacek
- Samantha Paez
- Bill Wilder
- Daryl Lassen
- Paul Stockburger
- Travis Steele
- Jim Manning
- Steve Snider
- Dan Rinker
- Ginger Niesen
- Roger Sargent
- Bill Zmistowski
- Paul Fitch
- B. Aaltonen
- Phillip Witte
- Brett Sutton
- Tom Hamblin
- Raymond Mirabile
- John McInally
- Carney Layne
- Mack Greer
- Mike Morris
- Richard Mock
- David Bradley
- Todd Hulbert
- Alan and Kathy Bond
- Judith Wilson
- Dennis Clark
- Dan Nicholas
- Stephen Wenger
- Anthony Narducci
- Don Heck
- Dennis Pullaro
- David Segall
- Norman Nipperus
- Davene McCoy
- Steven Winiecki
- Alvern Woods
- Paul Nicolls
- Cathy Chouinard
- Darren Butts
- Mike Rodgers
- Charlie Mettille
- Bill Lutz
- Jim Toussaint
- Cynthia Sampson
- Blake West

- Calvin Hayes
- Tom Martin
- Randal Scott
- Robert Navarro
- Ron Stewart
- Lawrence Michael
- Steven Roush
- Mike Bryan
- Dan Myers
- Charles Platt
- Steve Young
- Dave Hanke
- Michael Larsen
- Jeff Thomsen

Councilmember Matthews stated that it was a challenging issue because it was not black and white. There were other attractions and recreations in town that could be deemed violent. There should be a way to allow businesses to advertise and attract visitors to their business within appropriate parameters. Ms. Hansen stated that staff approached Timberline Firearms about the concerns with the advertisement video and suggested that it could be changed slightly. The owner did not want to do that. Council sets policy, and what was presented was a starting place, staff was open to ideas and suggestions to get to a citywide policy.

Vice Mayor Aslan stated that he appreciated the starting point and preferred to take as light of a touch as possible.

Councilmember McCarthy indicated that the draft policy addressed many issues, including drugs, pornography, and firearms. He did not want to single out any specific industry. The policy would not affect the operation of the businesses themselves and would only affect advertising on city property. He noted support for the draft policy.

Councilmember Harris stated that she supported the draft policy that was presented.

Council discussed the language within the policy. Suggestions included:

- Consider adding a reference to CBD products.
- Avoid pro/con situations where one type of activity is not allowed to be advertised but the opposite of that activity is permitted to be advertised. For example, no advertising for gun retailers but allows advertising for anti-gun activities.
- If firearms and ammunition are not permitted, then there should be consideration for other activities that may be considered violent.
- Perhaps include a required safety message.
- Consider still images versus videos.
- Consider combining sections g and h.

Staff thanked Council for their feedback. They will take the feedback and come back to Council for further discussion and direction.

A break was held from 5:38 p.m. through 5:56 p.m.

9. Request for information on the history of the Timber Sky Development Agreement and amendments

Current Planning Manager Alexandra Pucciarelli provided a PowerPoint presentation that covered the following:

TIMBER SKY DEVELOPMENT AGREEMENT HISTORY
TIMBER SKY SUMMARY
TIMBER SKY BLOCK PLAT
TIMBER SKY SUBDIVISIONS

ORIGINAL DEVELOPMENT AGREEMENT
FIRST AMENDMENT
SECOND AMENDMENT
THIRD AMENDMENT
FOURTH AMENDMENT
AFFORDABLE HOUSING STATUS

Councilmember Matthews asked about Area Median Income (AMI) and how it related to affordable housing projects.

Housing Director Sarah Darr explained that affordable housing was defined as spending no more than 30% of income on housing costs. The reason a lot of rental housing was focused on 60% AMI and below was because of the funding sources available for them. Flagstaff had needs above the 60% AMI level. The 60% AMI for a household of three is \$56,760. There were needs in Flagstaff that reached into the 125% AMI. Unfortunately, the rising housing prices often make that unreachable.

Councilmember Matthews asked if 60% AMI was the maximum tax credit developers could offer. Ms. Darr stated that both tax credit programs were capped at serving households at 60% AMI or below.

Lindsay Schube on behalf of Gammage and Burnham provided a PowerPoint presentation that covered the following:

DEVELOPMENT TEAM
AERIAL MAP
TIMBER SKY DEVELOPMENT AGREEMENT
SITE PLAN
AFFORDABLE HOUSING
VINTAGE PARTNERS

Walter Crutchfield with Vintage Partners addressed Council and shared that rentals were a good way to accomplish what they set out to do. The partnerships with Habitat for Humanity and with Roers would allow them to deliver affordable units to the community. He stated that Roers was shovel ready in October and Habitat was not far behind.

Kevin Sturgeon with Roers provided a PowerPoint presentation that covered the following:

ROERS COMPANIES
SIERRA ON 66 ROERS AFFORDABLE HOUSING PROJECT
COMMITTED FUNDING SOURCES
TIMELINE OF COMMUNICATIONS WITH CITY

Vice Mayor Aslan expressed appreciation for the authenticity and approach. He was hopeful that there would be a shared victory with affordable units brought to Flagstaff.

Ms. Schube continued the presentation.

GENERAL OBLIGATION BOND (PROPOSITION 442)

INCENTIVE POLICY FOR AFFORDABLE HOUSING (IPAH)
IPAH ELIGIBILITY
WAIVER ELIGIBILITY

Ms. Schube stated that in order to deliver 221 units, money that was available within the Incentive Policy for Affordable Housing (IPAH) was always part of the proforma.

Councilmember Matthews stated that while the incentive policy was not included in the original development agreement, one of the amendments included language that there would be access to any new code amendments or provisions. Senior Assistant City Attorney Christina Rubalcava stated that there was a provision in the fourth amendment to the Timber Sky development agreement that said that the developers of the workforce housing may elect to use current zoning code provisions where

advantageous to the development of those affordable units.

Ms. Darr stated that there was a provision within the bond for funds to be used to incentivize rental units for affordable housing. The bond included the provision to encourage market-rate developments to incorporate affordable housing units. Despite inquiries from stakeholders, the current balance in the incentive policy fund was deemed insufficient to meaningfully support large projects. Discussions were ongoing about potentially using bond money to fund the existing incentive policy as part of the described process.

Mr. Clifton stated there had been dialogue between Roers and staff about the possible use of incentive funds, either deriving from a bond yet to be approved or otherwise. Council would soon be seeing recommendations from the Housing Commission on how to distribute that \$5 million of the bond. That recommendation would not include utilizing it as part of the existing incentive policy. There would be an ask coming from the developers to utilize other revenues to assist with funding the project. While that negotiation discussion could occur in executive session, his recommendation would be to have an open dialogue at some point to allow the developer's team to present their case and receive an outcome.

Councilmember Sweet stated that the city had declared a housing emergency and that the Roers project was a way to tackle that emergency head on. She indicated that she would like to have an open public discussion as soon as possible to determine other revenue options.

Councilmember House stated that she was hopeful that in the coming conversation, they would be able to find ways to keep the project moving forward and bring housing units to the community.

10. Public Participation

None

11. Informational Items To/From Mayor, Council, and City Manager; future agenda item requests

Councilmember Sweet stated that she would be attending Pickin in the Pines that weekend.

Councilmember McCarthy stated that he appreciated getting the Council agenda packet on Thursdays rather than Fridays and hoped that would continue.

Councilmember Harris reported that she attended NAU's community luncheon. One of the things that she heard was that there were over 10,000 beds on the mountain campus, and sometimes they were not all full, which meant that many students chose to live off-campus even though there was adequate room on campus.

Councilmember Matthews reported that the Indigenous Commission met and were working on the Indigenous Peoples' Day events. She also reported that she met with the Tempe Housing Director and they discussed innovative ideas on how to address low-income and workforce housing.

12. Adjournment

The Work Session of the Flagstaff City Council held September 12, 2023, adjourned at 7:28 p.m.

MAYOR

ATTEST:

CITY CLERK

MINUTES

1. CALL TO ORDER

Mayor Daggett called the meeting of the Flagstaff City Council held September 19, 2023, to order at 3:03 p.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 regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for discussion and consultation with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

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

PRESENT:

ABSENT:

MAYOR DAGGETT
VICE MAYOR ASLAN
COUNCILMEMBER HARRIS
COUNCILMEMBER HOUSE
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY
COUNCILMEMBER SWEET

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

3. PLEDGE OF ALLEGIANCE, MISSION STATEMENT, AND LAND ACKNOWLEDGEMENT

The Council and audience recited the pledge of allegiance, Councilmember Matthews read the Mission Statement of the City of Flagstaff, and Councilmember Sweet read the Land Acknowledgement.

MISSION STATEMENT

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

LAND ACKNOWLEDGEMENT

The Flagstaff City Council humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.

4. PUBLIC PARTICIPATION

Public Participation enables the public to address the Council about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed. If you wish to address the Council at tonight's meeting, please complete a comment card and submit it to the recording clerk as soon as possible. Your name will be called when it is your turn to speak. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

Steve Carter addressed Council and spoke in opposition to the proposed revisions to the Advertising Policy.

Regina Salas, Vice President of Flagstaff Sister Cities Board of Directors, addressed Council about the Sister Cities Program. She requested that the Council contribute funds to support the Arizona Sister Cities Annual Conference.

Tom Pearson of Flagstaff First, addressed Council about the Climate Action and Adaptation Plan and submitted a citizen petition requesting that wildfire flooding and drought be added as a priority to the Climate Action and Adaptation Plan.

Gwen Waring addressed Council about the need for a noise ordinance and to address the acceleration noise from vehicles.

Merle Henderson addressed Council in support of the statements made by Tom Pearson.

Margaret Gunderson addressed Council and expressed concern about the quarry operations on Sheep Hill. She stated that the dust generated from the quarry negatively impacted the air quality and health of nearby residents.

Michelle Linqvist addressed Council about the quarry operations on Sheep Hill. She also noted concern about the health impacts and noise associated with their operations.

Rachel Castro addressed Council about the quarry operations. She noted concerns about the traffic through the neighborhood by the big trucks. She was concerned about the safety of residents. She also spoke about the air quality and the health impacts associated with poor air quality.

Steven Anthony Young addressed Council about his police interactions and his property being taken.

A written comment in opposition to the proposed revisions to the Advertising Policy was submitted by Ken Langford.

Written comments in support of adding wildfire flooding and drought to the Climate Action and Adaptation Plan were submitted by Joan Harry and Steven Harris.

5. PROCLAMATIONS AND RECOGNITIONS

A. Proclamation: Adult Education and Family Literacy Week

Mayor Daggett read and presented the proclamation.

B. Proclamation: Hispanic Heritage Month

Councilmember House read and presented the proclamation.

C. September Work Anniversaries

Senior Deputy City Manager Shannon Anderson provided a PowerPoint presentation that covered the following:

SEPTEMBER EMPLOYEE WORK ANNIVERSARIES
FIRST YEAR ANNIVERSARIES
FIVE YEAR ANNIVERSARIES
TEN YEAR ANNIVERSARIES
FIFTEEN YEAR ANNIVERSARIES
TWENTY YEAR ANNIVERSARIES

6. COUNCIL LIAISON REPORTS

Councilmember House stated that she supported the request made by Ms. Salas for a financial contribution to the Sister Cities annual conference.

Councilmember Sweet reported that the Beautification and Public Art Commission met and discussed the Wedge property at Cedar and West and opportunities for an art element in the area.

Councilmember Harris reported that the Airport Commission met and discussed the Thunder over Flagstaff event along with increased activity through August. She also attended the Special Care Nursery Graduation Party for all the babies who had graduated out of the NICU. She thanked the Fire Department for their participation in the event.

Councilmember Matthews reported that she attended the CJCC retreat. Focuses included behavioral health, juveniles, and key performance indicators in the Indigenous community. A common theme that came from the strategic planning was the establishment of a Tribal Healing Court. There were breakout sessions to discuss the vision for the future.

7. LIQUOR LICENSE PUBLIC HEARINGS

Mayor Daggett opened the public hearing on the three applications.

Police Sergeant Kevin Sapp introduced the applications and noted no concerns.

There being no public comment, Mayor Daggett closed the public hearing.

- A. **Consideration and Action on Liquor License Application:** Larami Jean Sandlin, "Dark Sky Brewing Company," 103 W. Birch Avenue, Series 03, New License.

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Khara House to forward the application to the State with a recommendation of approval.

Vote: 7 - 0 - Unanimously

- B. **Consideration and Action on Liquor License Application:** Michael Walter Marquess, "Mother Road Brewing Company," 7 South Mikes Pike, Series 12 (restaurant), New License.

Moved by Vice Mayor Austin Aslan, **seconded by** Councilmember Deborah Harris to forward the application to the State with a recommendation of approval.

Vote: 7 - 0 - Unanimously

- C. **Consideration and Action on Liquor License Application:** Jeffrey Michael Chastain, "Twin Pines Gasser," 2318 N. 4th Street, Series 10 (beer and wine store), New License.

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Khara House to forward the application to the State with a recommendation of approval.

Vote: 7 - 0 - Unanimously

8. CONSENT ITEMS

All matters under Consent Agenda are considered by the City Council to be routine and will be enacted by one motion approving the recommendations listed on the agenda. Unless otherwise indicated, expenditures approved by Council are budgeted items.

Vice Mayor Aslan requested Item 8A be pulled for discussion.

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to approve Consent Items 8B through 8G as presented.

Vote: 7 - 0 - Unanimously

- A. **Consideration and Approval of Contract:** Ratify the Cooperative Purchase Contract for Nine (9) 2023 Chevrolet Tahoes for the Flagstaff Police Department from Courtesy Chevrolet in the amount of \$435,708.77, plus applicable fees and taxes.

Vice Mayor Aslan asked Police Chief Musselman about the efforts to purchase electric vehicles. Chief Musselman stated that the Police Department had historically had good luck in purchasing hybrid vehicles. However, in 2021 and 2022 they started to see supply chain issues. In June 2023, they were approved for the purchase of ten hybrid or electric vehicles, but those vehicles were not available at the time. The vehicles were needed immediately so they began to reach out to other vendors in hope of securing hybrid or electric vehicles. They were unsuccessful and, in a situation, where they did not have enough vehicles in the police fleet. They requested an emergency procurement to obtain traditional gas-powered vehicles. The long-term goal continued to be the procurement of hybrid and electric options.

Councilmember Harris inquired about the Sustainability Division having approval authority for the purchase of vehicles. Mr. Clifton stated that the Sustainability Division did not exercise approval authority but that they were at the table to assist with fleet vehicle policies. The City Manager's Office worked with procurement to ensure that all options had been exhausted in finding replacement vehicles. The final decision was rendered by the City Manager Office to purchase the vehicles.

Councilmember Matthews asked if staff was seeing an increase in vehicle maintenance needs from the hybrid and electric vehicles. Chief Musselman stated that 14 patrol vehicles were hybrid and one fully electric and they were seeing increased mileage. The normal lifespan of a patrol vehicle was six years and 125,000 miles. 53% of the fleet was six year or older, 36% have over 100,000 miles, and 12% are over 125,000. They are trying to stretch their life and Fleet was doing a great job at keeping them up and running.

Vice Mayor Aslan stated that it was important to understand that flexibility was key and sometimes there had to be a pivot to ensure that operations were maintained. Mr. Clifton added that the decisions were made as a team with all the divisions at the table for input.

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Khara House to ratify the contract to purchase of Nine (9) 2023 Chevrolet Tahoes 5W4 SSV for the Flagstaff Police Department vehicles from Courtesy Chevrolet in the amount of \$435,708.77, plus applicable fees and taxes and authorize the City Manager to execute the necessary documents.

Vote: 7 - 0 - Unanimously

- B. **Consideration and Approval of Contract:** Cooperative Purchase Contract with FX Tactical, LLC for Police Uniforms and Equipment, to include ballistic safety vests in an amount not to exceed \$75,000.00 utilizing Arizona State Procurement Office contract #CTR049178.
1. Approve the Cooperative Purchase Contract with FX Tactical, LLC for Police Uniforms and Equipment, to include ballistic safety vests in an amount not to exceed \$75,000.00 utilizing cooperative contract #CTR049178; and
 2. Authorize the City Manager to execute the necessary documents.

- C. **Consideration and Approval of Contract:** Cooperative Purchase Contract with Empire Southwest, LLC for a CAT 2023 4x4 Backhoe in the amount of \$188,387.92 utilizing the City of Tucson Cooperative Contract #212816-01.
1. Approve the Cooperative Purchase Contract with Empire Southwest, LLC for a CAT 2023 4x4 Backhoe in the amount of \$188,387.92 utilizing the City of Tucson Cooperative Contract #212816-01; and
 2. Authorize the City Manager to execute the necessary documents.
- D. **Consideration and Approval of Contract:** A Cooperative Purchase Contract with Pueblo Mechanical and Controls, LLC to remove and replace the boilers at the downtown Flagstaff City-County Public Library in the amount of \$349,885.23 utilizing the Mohave Educational Services Cooperative Contract #19F-PMAC2-0904.
1. Approve the Cooperative Purchase Contract with Pueblo Mechanical and Controls, LLC to remove and replace the boilers at the downtown Flagstaff City-County Public Library in the amount of \$349,885.23 utilizing the Mohave Educational Services Cooperative Contract #19F-PMAC2-0904; and
 2. Authorize the City Manager to execute the necessary documents.
- E. **Consideration and Approval of Contract:** Approve contract with Keen Independent Research LLC in an amount not to exceed \$125,000 for the outreach, development, and delivery of a comprehensive Workforce Development Analysis.
1. Approve this contract as written to initiate the efforts required for the workforce analysis.
 2. Authorize the City Manager to execute the necessary documents.
- F. **Consideration and Approval of Contract:** Stiletto Consulting Ltd in an amount not to exceed \$95,000.00 for the community outreach, development, and creation of a City of Flagstaff - Economic Development Strategic Plan.
1. Approve this contract as written to begin economic development strategic planning services.
 2. Authorize the City Manager to execute the necessary documents.
- G. **Consideration and Approval of Settlement:** The matter of *Kathrin Fox v. City of Flagstaff*, case No. S0300 CV2022-00196, currently pending in Coconino County Superior Court.
1. Approve settlement of the matter of *Kathrin Fox v. City of Flagstaff*, pursuant to the terms of the Stipulation Regarding Settlement discussed in executive session, and
 2. Authorize and direct the City Attorney to execute all documents and take such other actions as are necessary to finalize the settlement.

9. **ROUTINE ITEMS**

- A. **Consideration and Approval of Preliminary Plat:** Capstone Homes for Timber Sky - Block 5 located at 3345 W McAllister Ranch Rd, a 101-lot single-family subdivision on 17.84 acres in the MR (Medium-Density Residential) Zone.

Planner Ben Mejia provided a PowerPoint presentation that covered the following:

TIMBER SKY -- BLOCK 5 PRELIMINARY PLAT APPROVAL REQUEST
REQUEST OVERVIEW
VICINITY MAP
TIMBER SKY -- BACKGROUND
ADORA PHASE II AT TIMBER SKY -- PRELIMINARY PLAT
RESOURCE PROTECTION PLAN
REQUIRED FINDING #1: ZONING CODE (TITLE 10)

REQUIRED FINDING #2: ENGINEERING STANDARDS (TITLE 13)
 REQUIRED FINDING #3: SUBDIVISION STANDARDS (TITLE 11)
 FINDINGS AND RECOMMENDATION

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Lori Matthews to approve the Preliminary Plat, in accordance with the findings presented in this report and the Planning and Zoning Commission recommendation.

Vote: 7 - 0 - Unanimously

- B. Consideration and Approval of Preliminary Plat:** Capstone Homes for Timber Sky - Block 6 located at 3501 W McAllister Ranch Rd, a 51-lot single-family subdivision on 12.3 acres in the Single-Family Residential (R1) Zone.

Mr. Mejia provided a PowerPoint presentation that covered the following:

TIMBER SKY -- BLOCK 6 PRELIMINARY PLAT APPROVAL
 REQUEST REQUEST OVERVIEW
 VICINITY MAP
 TIMBER SKY -- BACKGROUND
 ADORA PHASE II AT TIMBER SKY -- PRELIMINARY PLAT
 RESOURCE PROTECTION PLAN
 REQUIRED FINDING #1: ZONING CODE (TITLE 10)
 REQUIRED FINDING #2: ENGINEERING STANDARDS (TITLE 13)
 REQUIRED FINDING #3: SUBDIVISION STANDARDS (TITLE 11)
 FINDINGS AND RECOMMENDATION

Councilmember Matthews asked why the Traffic Impact Analysis was determined unnecessary. Mr. Mejia stated that the impact of the development had already been reviewed as part of the whole project and was not needed again.

Councilmember McCarthy asked about the need for four entrances. Mr. Mejia explained that there was a connection between the two blocks so they both had access through all points and provided connectivity between the two blocks.

Moved by Councilmember Khara House, **seconded by** Councilmember Miranda Sweet to approve the Preliminary Plat, in accordance with the findings presented in this report and the Planning and Zoning Commission recommendation.

Vote: 7 - 0 - Unanimously

10. REGULAR AGENDA

- A. Consideration and Adoption of Resolution No. 2023-47:** A resolution of the Flagstaff City Council in support of Mountain Line's Flagstaff in Motion Community Transit Plan.

Planning Director Michelle McNulty provided a PowerPoint presentation that covered the following:
 RESOLUTION NO. 2023-47
 FLAGSTAFF IN MOTION
 5 YEAR PLANNING
 RECOMMENDATIONS OF FLAGSTAFF IN MOTION
 IMPROVE ACCESS TO THE EXISTING BUS SYSTEM
 COLLABORATION AND IMPLEMENTATION
 PROPOSED PLAN INTERPRETATION

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Lori Matthews to read Resolution No. 2023-47 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, IN SUPPORT OF MOUNTAIN LINE'S

FLAGSTAFF IN MOTION COMMUNITY TRANSIT PLAN

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to adopt Resolution No. 2023-47.

Vote: 7 - 0 - Unanimously

- B. Consideration and Adoption of Resolution No. 2023-49:** A resolution approving Binding Waivers of Enforcement for 16 parcels of land located in the City of Flagstaff.

City Attorney Sterling Solomon provided a PowerPoint presentation that covered the following:

PROP 207 CLAIMS BINDING WAIVERS OF ENFORCEMENT
BACKGROUND
ORDINANCE 2020-28
PROP 207 CLAIMS
OVERVIEW OF PROP 207
BINDING WAIVERS OF ENFORCEMENT

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to read Resolution No. 2023-49 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL APPROVING BINDING WAIVERS OF ENFORCEMENT FOR SIXTEEN PARCELS OF LAND WITHIN THE CORPORATE LIMITS OF THE CITY OF FLAGSTAFF

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to adopt Resolution No. 2023-49.

Vote: 7 - 0 - Unanimously

- C. Consideration and Possible Adoption of Ordinance No. 2023-21:** An Ordinance of the City Council of the City of Flagstaff, extending and increasing the corporate limits of the City pursuant to the provisions of Title 9, Chapter 4, Arizona Revised Statutes, by annexing approximately 1.82 acres of land located at 2445 S. Woody Mountain Road, which certain land is contiguous to the existing corporate limits of the City of Flagstaff, and establishing city zoning for said land as Rural Residential (RR); providing for severability, authority for clerical corrections, and establishing an effective date. (*Liv Timber Sky Annexation*)

Current Planning Manager Alax Pucciarelli provided a PowerPoint presentation that covered the following:

LIV TIMBER SKY ANNEXATION & DIRECT TO ORDINANCE ZONING MAP AMENDMENT
REQUEST OVERVIEW
VICINITY MAP
ADJACENT ZONING
PROPOSAL
PROPOSED DENSITY
PROPOSED UNIT MIX
SITE PLAN REVIEW
PROPOSED FLOOR PLANS -- BUILDING TYPE 1
PROPOSED ELEVATION PROPOSED FLOOR PLANS -- BUILDING TYPE 2
PROPOSED ELEVATION PROPOSED FLOOR PLANS -- BUILDING TYPE 3
PROPOSED ELEVATION
RESOURCE PROTECTION
ANNEXATION REQUEST
ANNEXATION APPROVAL CRITERIA
FINDING 1: CONFORMANCE WITH ARIZONA STATE STATUTE (ARS 9-471)
FINDING 2: CONFORMANCE WITH FLAGSTAFF REGIONAL PLAN 2030 APPLICABLE GOALS AND POLICIES

FINDING 3: CONFORMANCE WITH CITY CODE DIVISION 10-20.90: ANNEXATIONS (PUBLIC SYSTEMS ANALYSIS)
 PUBLIC SYSTEMS ANALYSIS
 TRAFFIC/RIGHT OF WAY IMPACT
 TRANSPORTATION IMPROVEMENTS
 WATER AND SEWER IMPACT ANALYSIS
 WATER AND SEWER IMPROVEMENTS
 STORMWATER ANALYSIS
 STORMWATER IMPROVEMENTS
 SCHOOLS
 FIRE PROTECTION
 ANNEX RECOMMENDATION

Councilmember McCarthy asked if residents would be able to access their apartment from their garage. Ms. Pucciarelli responded no, that there were separate entries from the garage.

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Khara House to read Ordinance No. 2023-21 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, ARIZONA EXTENDING AND INCREASING THE CORPORATE LIMITS OF THE CITY OF FLAGSTAFF, COCONINO COUNTY, STATE OF ARIZONA, PURSUANT TO THE PROVISIONS OF TITLE 9, CHAPTER 4, ARIZONA REVISED STATUTES, BY ANNEXING CERTAIN LAND TOTALING APPROXIMATELY 1.82 ACRES LOCATED AT 2445 SOUTH WOODY MOUNTAIN ROAD, WHICH LAND IS CONTIGUOUS TO THE EXISTING CORPORATE LIMITS OF THE CITY OF FLAGSTAFF, AND ESTABLISHING CITY ZONING FOR SAID LAND AS RURAL RESIDENTIAL, RR, WITH A RESOURCE PROTECTION OVERLAY, RPO

11. PUBLIC HEARING ITEMS

- A. Public Hearing and Consideration and Adoption of Ordinance No. 2023-22: An ordinance of the City Council of the City of Flagstaff, amending the Flagstaff Zoning Map to rezone approximately 13.01 acres of real property generally located at 2445 S Woody Mountain Road from the Rural Residential (RR) zone within the Resource Protection Overlay (RPO) zone to the High Density Residential (HR) zone within the RPO zone, providing for severability, authority for clerical corrections, and establishing an effective date.

Mayor Daggett opened the public hearing.

Current Planning Manager Alax Pucciarelli provided a PowerPoint presentation that covered the following:

ZMA APPROVAL CRITERIA
 FINDINGS
 FINDING #1: CONFORMANCE WITH THE GENERAL PLAN
 FINDING #2: COMMUNITY BENEFITS AND PUBLIC GOOD
 FINDING #3: SITE IS PHYSICALLY SUITABLE
 DEVELOPMENT AGREEMENT
 CITIZEN PARTICIPATION
 ZMA RECOMMENDATION

Lindsay Schube, on behalf of Vintage Partners, provided a PowerPoint presentation that covered the following:

DEVELOPMENT TEAM
 AERIAL MAP
 REQUESTS
 REGIONAL PLAN CONFORMANCE

SITE PLAN
PHOTOS
RESIDENT AMENITIES
PEDESTRIAN CONNECTIVITY EXHIBIT
CARBON NEUTRALITY PLAN
TRAFFIC CONTROL
RESPONSE TO CITY HOUSING CRISIS
REZONE REQUEST

Councilmember Matthews stated that the Planning and Zoning Commission did not support the recommendations from staff, she asked why it was not included with the presentation. Ms. Pucciarelli explained that staff wanted to show the strike out so Council could still see what the staff had originally recommended.

Councilmember McCarthy asked if the garages would be wired for EV charging, to which Ms. Schube responded yes.

Councilmember McCarthy stated that he was concerned about the gates and that Flagstaff had generally been opposed to gated communities. He supported the prioritization of the bike and pedestrian components but not going against the long-standing policy on gated entrances.

Councilmember Harris asked if no gated communities were a policy, requirement, mandate, or that they just were not liked. Ms. Pucciarelli explained that it had been a preference of Council but not a formal rule or policy.

There were questions from Council about mail and other deliveries. Ms. Schube explained that the intent was to direct them to the clubhouse for pickup.

Councilmember Matthews offered that while Flagstaff was not used to gated communities, many people are used to them from other places. She noted that she liked the development and the amenities that would be provided. Ms. Schube stated that the intent was not to appear as a gated community. The gates were strictly there to keep vehicles out to better promote the biking and pedestrian amenities within the communities.

Vice Mayor Aslan stated that he would support the removal of the gates. He had not heard anything that would indicate that they were a necessary feature and including them would send the wrong message.

Walter Crutchfield with Vintage Partners stated that they were fine removing the gates.

Councilmember McCarthy expressed concern about snow removal. Beth Heath with LIV Communities stated that they started in western Michigan and are very experienced in snow operations. They had addressed snow storage accommodations within the site plan to better accommodate those operations.

Mayor Daggett asked about affordable housing. Mr. Crutchfield explained that they had always been at the forefront of delivering affordable units. They desired to deliver all kinds of units for all kinds of demographics. The idea with the development was for market-rate units; it was too difficult to pencil out affordable units. Sky Cottages included affordable units and Habitat for Humanity was bringing in affordable units through low-income tax credits. The Timber Sky development as a whole contained a significant amount of affordable housing.

Councilmember House stated that it was important to look at things holistically in terms of community needs. The 10-year Housing Plan called for over 7,000 market-rate units in addition to just under 800 affordable being 10% of that need. The housing need was great across the continuum. If mixed market development was not approved, it would drive people who could afford market-rate units to other units that would better fit with other income demographics.

A written comment card in support of Ordinance 2023-22 was submitted by Eric Wolverton.

There being no public comment, Mayor Daggett closed the public hearing.

Moved by Councilmember Jim McCarthy, **seconded by** Vice Mayor Austin Aslan to read Ordinance No. 2023-22 by title only for the first time with the conditions that are presented by staff and with the clarification that there will be no vehicle gates except at the north end entrance at Route 66.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF ZONING MAP TO REZONE APPROXIMATELY 13.01 ACRES OF REAL PROPERTY GENERALLY LOCATED AT 2445 SOUTH WOODY MOUNTAIN ROAD, APN 112-01- 712, FROM THE RURAL RESIDENTIAL (RR) ZONE WITH A RESOURCE PROTECTION OVERLAY (RPO) TO THE HIGH DENSITY RESIDENTIAL (HR) ZONE WITH A RESOURCE PROTECTION OVERLAY (RPO); PROVIDING FOR SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

12. **PUBLIC PARTICIPATION**

None

13. **INFORMATIONAL ITEMS TO/FROM MAYOR, COUNCIL, AND STAFF, AND FUTURE AGENDA ITEM REQUESTS**

Councilmember Matthews requested information about whether a traffic impact analysis was a condition for a permit or if it was just a recommendation. Transportation Engineer Reid Miller stated that the developer was required to perform a traffic impact analysis and staff reviewed them. The purpose of the analysis was to determine if the impact of the development traffic would render a given intersection deficient. Different mitigation methods would be required depending on the impact identified.

Councilmember Matthews asked how the mitigation was determined. Mr. Miller stated that staff used software at intersections to determine the level of service before and after the development. If the level of service of the intersection was declined with the addition of the developments traffic then improvements were required as part of the development.

Councilmember House stated that September was suicide prevention month and that Flagstaff's Out of the Darkness Walk was scheduled for October 7, 2023.

Mayor Daggett reminded everyone that the Flagstaff Festival of Science kicked off on Friday, September 22, 2023, and she encouraged everyone to participate. She noted that she would be reading children's science books at Wheeler Park on both Saturdays.

14. **ADJOURNMENT**

The Regular Meeting of the Flagstaff City Council held September 19, 2023, adjourned at 5:58 p.m.

MAYOR

ATTEST:

CITY CLERK

CERTIFICATION

I, STACY SALTZBURG, do hereby certify that I am the City Clerk of the City of Flagstaff, County of Coconino, State of Arizona, and that the above Minutes are a true and correct summary of the Meeting of the Council of the City of Flagstaff held on September 19, 2023. I further certify that the Meeting was duly called and held and that a quorum was present.

DATED this 19th day of March, 2024

CITY CLERK

MINUTES

1. CALL TO ORDER

Mayor Daggett called the meeting of the Flagstaff City Council held October 3, 2023, to order at 3:01 p.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 regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for discussion and consultation with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

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

PRESENT:

ABSENT:

MAYOR DAGGETT (virtually)
VICE MAYOR ASLAN (virtually)
COUNCILMEMBER HARRIS
COUNCILMEMBER HOUSE
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY
COUNCILMEMBER SWEET (virtually)

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

3. PLEDGE OF ALLEGIANCE, MISSION STATEMENT, AND LAND ACKNOWLEDGEMENT

The Council and audience recited the pledge of allegiance, Councilmember House read the Mission Statement of the City of Flagstaff, and Councilmember McCarthy read the Land Acknowledgement.

MISSION STATEMENT

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

LAND ACKNOWLEDGEMENT

The Flagstaff City Council humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.

4. PUBLIC PARTICIPATION

Public Participation enables the public to address the Council about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed. If you wish to address the Council at tonight's meeting, please complete a comment card and submit it to the recording clerk as soon as possible. Your name will be called when it is your turn to speak. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

Jonathon Diouisio addressed Council with concerns about discrimination in Flagstaff and at NAU.

Stephen Puhr addressed Council and spoke about Northern Arizona Healthcare's prediction for long term growth in the Flagstaff region. Based on his research there would be zero population growth by 2050. He encouraged the Council to seek out more information from the Brookings Institute.

Community Development Director Dan Folke addressed Council and shared some recognitions of the Community Development Team. The Housing Section was recognized by the Arizona Chapter of the American Planning Institute for the 10-Year Housing Plan. The second recognition was for a Distinguished Citizen Planner which was awarded to Devonna McLaughlin of Housing Solutions for her leadership in the declaration of the Housing Emergency as well as her participation in the development of the Housing Bond measure.

Andy Fernandez addressed Council and expressed a number of concerns.

Jonathon Diouisio submitted written comments regarding discrimination in Flagstaff.

5. PROCLAMATIONS AND RECOGNITIONS

A. Proclamation: Indigenous Peoples' Day

Councilmember Matthews read and presented the proclamation to members of the Indigenous Commission. Coordinator for Indigenous Initiatives Rose Toehe offered comments about Indigenous Peoples' Day celebration events later in the month.

6. COUNCIL LIAISON REPORTS

Vice Mayor Aslan reported that the Tourism Commission did not meet due to a lack of quorum. The Coconino Plateau Water Advisory Council (CPWAC) had its annual field trip. They went to the Page area and met with Tribal Water Directors and Page Mayor Bill Diak. He noted that Ron Doba, the coordinator of CPWAC, was named an Arizona Leader of the Year by the Arizona Capital Times. He also reported that he attended the International Downtown Association annual conference, where he was able to learn about best practices for downtowns and coordination between the Flagstaff Downtown Business Alliance and city staff.

Councilmember Matthews stated that she attended the Mountain Line Board Meeting where they developed a scorecard to capture key performance indicators to measure six areas of their Strategic Plan. She also reported that ridership was 20% higher than last fiscal year and they were projected to reach 2019 ridership levels in 2026. She noted that Mountain Line continued to receive Transit Intensive Cities federal funding which was an extra \$3 million to offset local revenues.

Councilmember McCarty reported that he, Councilmember Sweet, and Mayor Daggett, met with Amtrak and discussed several things, including ridership through Flagstaff. They also discussed that the Senate was on board for full Amtrak funding, but there were concerns that the House of Representatives may want to make significant cuts to the Amtrak budget.

Councilmember Sweet reported that she also attended the International Downtown Association annual

conference and was looking forward to further discussion and collaboration with the downtown. She reported that Mountain Line deployed their two electric buses and she encouraged everyone to take a ride on one of them. She would also be attending the upcoming MetroPlan meeting.

Councilmember House reported that the Housing Commission met and welcomed their new members and selected a new Chair and Vice-Chair. The commission received presentations on the Community Homebuyer Assistance Program and the Employer Assistance Housing Program along with continued movement on the draft Incentive Bond Program.

Mayor Daggett reported that the Commission on Inclusion and Adaptive Living would be presenting to the Council at the next Council Meeting, and she looked forward to that discussion.

7. CONSENT AGENDA

All matters under Consent Agenda are considered by the City Council to be routine. Unless a member of City Council expresses a desire at the meeting to remove an item from the Consent Agenda for discussion, the Consent Agenda will be enacted by one motion approving the recommendations listed on the agenda. Unless otherwise indicated, expenditures approved by Council are budgeted items.

Moved by Councilmember Jim McCarthy, seconded by Councilmember Lori Matthews to approve the Consent Agenda as posted.

Vote: 7 - 0 - Unanimously

- A. **Consideration and Approval of Cooperative Purchase Contract:** Purchase of All-Risk Velocity Fire Engine from Hughes Fire Equipment, Inc. in the amount of \$1,017,125.67.
1. Approve the Cooperative Purchase Contract of a new Pierce Manufacturing, Inc. All-Risk Velocity Fire Engine in the amount of \$1,017,125.67 from Hughes Fire Equipment, Inc. through Sourcewell utilizing cooperative purchase Contract No. 113021-OKC-1; and
 2. Authorize the City Manager to execute the necessary documents.
- B. **Consideration and Approval of Contract:** A Cooperative Purchase Contract with Hughes Fire Equipment, Inc. in the amount of \$1,132,683.10 for two new Pierce Wildfire Type 3 Fire Engines.
1. Approve the Cooperative Purchase Contract with Hughes Fire Equipment, Inc. for two new Pierce Wildfire Type 3 Fire Engines in the amount of \$1,132,683.10 utilizing a cooperative agreement with Sourcewell (Contract No. 113021-OKC-1); and
 2. Authorize the City Manager to execute the necessary documents.
- C. **Consideration and Approval of Contract:** This agreement is between the City of Flagstaff and the Flagstaff Youth Hockey Association (FYHA). The Agreement outlines the responsibilities for both parties including the rental of ice time at the City of Flagstaff Jay Lively Activity Center.
1. Approve the license agreement between the City of Flagstaff and the Flagstaff Youth Hockey Association with anticipated revenue of approximately \$60,000.
 2. Authorize the City Manager to execute the necessary documents.
- D. **Consideration and Approval of Contract:** First Amendment to the Employee Staffing Agreement with Educational Services, LLC for a phased retirement program through a Mohave Cooperative Purchase Contract 21N-ESI3-0318 in an amount not to exceed \$400,000 annually, plus applicable taxes.
1. Approve the First Amendment to the Employee Staffing Agreement with Educational Services, LLC and grant the City Manager authority to renew the agreement on annual basis for up to five years in an annual amount not to exceed \$400,000, plus applicable taxes; and
 2. Authorize the City Manager to execute all necessary documents.

8. REGULAR AGENDA

- A. Consideration and Approval of Budget Adjustment: Fiscal Year 2023-24 Budget Adjustment for Housing Incentive Program Funds with possible allocation of incentive funds for affordable housing within Block 1 of the Timber Sky Final Block Plat.

Mr. Clifton offered comments as to why the request was before Council. There was a letter that suggested that the city's involvement in the matter was a result of some effective lobbying efforts by a private developer, and he wanted to clarify. The City Manager's office had first-hand engagement in many projects and programs over the years. He referenced the following projects:

- Refinancing of the unfunded pension liability
- Implementation of the Recession Plan
- Improvement of Airport parking
- Institution of term contracts for the use of city buildings for community services
- Response to serious post-wildfire flooding including access easements for residents who lost access to their homes
- Enhancement of downtown with flower boxes
- The repurposing of a vacant fire station in the Sunnyside neighborhood
- Implementation of a policy regarding sex trafficking in vice operations at the Police Department
- Funding and prioritization of new digesters at the Rio de Flag Wastewater Treatment Plant
- Secured funding and solidified partnerships for the Rio de Flag Flood Control Project
- Oversaw the Citizen Bond Committee
- The formation of an incentive policy for reduced parking infrastructure and other zoning requirements for projects that provided 100% affordable housing

The City Manager's Office got involved in projects throughout the organization when necessary and when time was of the essence; not to intrude on other areas of discipline or expertise, but to collaborate in the interest of moving things to completion.

Before the Council there were two things. First, the approval of the transfer of a budget appropriation from the General Fund contingency in the amount of \$1.1 million dollars. The second was to authorize staff to approve the allocation of incentive funds out of the Affordable Housing Incentive Program for the waiver and reimbursement of fees for affordable housing to be constructed in Block One of the Timber Sky Final Block Plat. He noted that the allocation was entirely separate from the bond fund. The Incentive Policy had been in place for a while but had not been budgeted regularly which was why the reallocation was being requested for approval by Council.

Lastly, Mr. Clifton emphasized that the request to Council was not at all a product of lobbying by any developer. The request came to Council because staff felt that it was the right thing to do, and they felt that the project was a good candidate for the assistance the policy offered.

Mr. Clifton turned the discussion over to Finance Director Brandi Suda who stated that the request was to approve a Fiscal Year 2023-24 budget adjustment to reallocate \$1.1 million of the city's General Fund contingency funds to enhance funding available for the Affordable Housing Incentive Program.

Ms. Suda noted that per state statute, the city was unable to increase the total budget once it had been adopted. However, cities were able to reallocate budget appropriations between departments so long as money was available and if it was in the public interest. The money was available and as part of the Fiscal Year 2023-24 adopted budget, Council approved a contingency set aside within the General Fund. A portion of the contingency fund related to the Public Safety Personnel Retirement System was set aside in accordance with the Contingency Reserve Policy. The Police and Fire plans were both at about 105% funding and were not anticipated to need to utilize the \$1.1 million. In past years when funding had not been needed, it had been repurposed for other one-time needs in a future fiscal year.

In regard to the public interest and need requirement, Ms. Suda stated that the declared Housing

Emergency demonstrated the need. The Affordable Housing Incentive Program was provided \$130,000 of new money in the current fiscal year however, staff had received several requests to utilize the funding. Staff continued to discuss the ability to increase the funding for future years but instead of waiting for the next fiscal year staff desired to seek Council approval for a mid-year reallocation.

Councilmember Matthews stated that she would support the reallocation. The policy was in place to incentivize builders to bring affordable housing projects and market-rate units. There had been a declared Housing Crisis and the project would bring 224 affordable rental units to the market. The incentive fund needed to be better funded in future years.

Councilmember House voiced her support for the reallocation. She asked what the process would be to better fund the incentive fund more permanently. Mr. Clifton stated that the matter had already been discussed with the Budget Team, and the intent was to see it be funded on a regular basis. The amount was unknown but that would be determined through the annual budget process.

Lindsay Schube, on behalf of the developer, offered words of gratitude for the funding of the incentive fund. She indicated that the fund, coupled with code modifications were a great tool for Council to incentivize affordable housing. She clarified that the project would bring 221 affordable units and that they were nearing shovel-ready status.

Mayor Daggett asked what the Area Median Income (AMI) percentage the project would serve along with the length of affordability. Ms. Schube stated that the project would serve 60% AMI or less, and the state funding was tied to a 15-year term. However, the city had requested a 30-year affordability term which they agreed to.

Councilmember Harris stated that the housing crisis was a problem for the entire city. She was grateful for a project that would ensure 221 affordable units for thirty years.

Andy Fernandez addressed Council and spoke in opposition to the item.

Councilmember Sweet offered appreciation to the City Manager and staff for advancing the matter to Council. The community continued to struggle with housing and businesses were having difficulty recruiting employees due to the cost of housing.

Councilmember House also expressed her appreciation. She appreciated the creative approach to find a solution. 221 units were not insignificant, and they were seeing possibilities for the future.

Councilmember McCarthy indicated that he was very supportive.

Vice Mayor Aslan stated that he was also supportive. It was something to be celebrated, and he was proud to be part of the team that brought the project to fruition.

Mayor Daggett echoed the sentiments of appreciation and the creative approach to find a solution.

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Khara House to approve the transfer of budget appropriations from the General Fund Contingency account to the Housing and Community Services Fund's Affordable Housing Incentives program in the amount of \$1,100,000.

Vote: 7 - 0 - Unanimously

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to direct City Manager and staff to approve the allocation of incentive funds (waiver and/or reimbursement of applicable fees as set forth in the Incentive Policy for Affordable Housing) for affordable housing to be constructed in Block 1 of the Timber Sky Final Block Plat.

Vote: 7 - 0 - Unanimously

- B. Consideration and Adoption of Ordinance No. 2023-21:** An Ordinance of the City Council of the City of Flagstaff, extending and increasing the corporate limits of the City pursuant to the provisions of Title 9, Chapter 4, Arizona Revised Statutes, by annexing approximately 1.82 acres of land located at 2445 S. Woody Mountain Road, which certain land is contiguous to the existing corporate limits of the City of Flagstaff, and establishing city zoning for said land as Rural Residential (RR); providing for severability, authority for clerical corrections, and establishing an effective date.

Councilmember McCarthy stated that during the first read of the ordinance it was agreed that there would be no gates to the development with the exception of one for the fire access. He asked if that was incorporated into the final ordinance. Current Planning Manager Alax Pucciarelli explained that the gate modification was incorporated as part of the rezone and that second read and adoption was slated later in the agenda.

Councilmember McCarthy also noted that there was discussion regarding the installation of EV chargers in the garages. Ms. Pucciarelli stated that there was a request to have EV chargers in the garages and the developer was in agreement. That provision would be included as part of the development agreement.

Andy Fernandez addressed Council and spoke in opposition of the ordinance.

Moved by Councilmember Khara House, **seconded by** Councilmember Jim McCarthy to read Ordinance No. 2023-21 by title only for the final time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, ARIZONA EXTENDING AND INCREASING THE CORPORATE LIMITS OF THE CITY OF FLAGSTAFF, COCONINO COUNTY, STATE OF ARIZONA, PURSUANT TO THE PROVISIONS OF TITLE 9, CHAPTER 4, ARIZONA REVISED STATUTES, BY ANNEXING CERTAIN LAND TOTALING APPROXIMATELY 1.82 ACRES LOCATED AT 2445 SOUTH WOODY MOUNTAIN ROAD, WHICH LAND IS CONTIGUOUS TO THE EXISTING CORPORATE LIMITS OF THE CITY OF FLAGSTAFF, AND ESTABLISHING CITY ZONING FOR SAID LAND AS RURAL RESIDENTIAL, RR, WITH A RESOURCE PROTECTION OVERLAY, RPO

Moved by Councilmember Khara House, **seconded by** Councilmember Lori Matthews to adopt Ordinance No. 2023-21.

Vote: 7 - 0 - Unanimously

- C. Consideration and Adoption of Ordinance No. 2023-22:** An ordinance of the City Council of the City of Flagstaff, amending the Flagstaff Zoning Map to rezone approximately 13.01 acres of real property generally located at 2445 S Woody Mountain Road from the Rural Residential (RR) zone within the Resource Protection Overlay (RPO) zone to the High Density Residential (HR) zone within the RPO zone, providing for severability, authority for clerical corrections, and establishing an effective date.

Moved by Councilmember Khara House, **seconded by** Councilmember Jim McCarthy to read Ordinance No. 2023-22 by title only for the final time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF ZONING MAP TO REZONE APPROXIMATELY 13.01 ACRES OF REAL PROPERTY GENERALLY LOCATED AT 2445 SOUTH WOODY MOUNTAIN ROAD, APN 112-01- 712, FROM THE RURAL RESIDENTIAL (RR) ZONE WITH A RESOURCE PROTECTION OVERLAY (RPO) TO THE HIGH DENSITY RESIDENTIAL (HR) ZONE WITH A RESOURCE PROTECTION OVERLAY (RPO); PROVIDING FOR SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Khara House, seconded by Councilmember Miranda Sweet to adopt Ordinance No. 2023-22.

Vote: 7 - 0 - Unanimously

- D. Consideration and Adoption of Resolution No. 2023-50:** A resolution authorizing the execution of the Development Agreement between City of Flagstaff and VP 66 & Woody Mountain, LLC for Liv Timber Sky, related to the development of approximately 13.01 acres of real property generally located at 2445 S Woody Mountain Road.

Ms. Pucciarelli provided a PowerPoint presentation that covered the following:
LIV TIMBER SKY RESOLUTION FOR A DEVELOPMENT AGREEMENT
DEVELOPMENT AGREEMENT
PURPOSE OF AGREEMENT
COUNCIL OPTIONS

Councilmember McCarthy asked for clarification on the EV chargers in the garage and it being included in the development agreement. Ms. Schube explained that the chargers were required as part of the city code, but they would add a provision in the development agreement that noted the requirement.

Moved by Councilmember Jim McCarthy, seconded by Councilmember Miranda Sweet to read Resolution No. 2023-50 by title only with the addition that the garages will be wired for EV charging.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, AUTHORIZING A DEVELOPMENT AGREEMENT BETWEEN THE CITY OF FLAGSTAFF AND VP 66 & WOODY MOUNTAIN, LLC FOR THE LIV TIMBER SKY, RELATED TO THE DEVELOPMENT OF APPROXIMATELY 13.01 ACRES OF REAL PROPERTY GENERALLY LOCATED AT 2445 SOUTH WOODY MOUNTAIN ROAD AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Jim McCarthy, seconded by Councilmember Khara House to adopt Resolution No. 2023-50 as amended.

Vote: 7 - 0 - Unanimously

9. DISCUSSION ITEMS

- A. Discussion of the Wildland Fire Mitigation and Management Commission Report**

ITEM POSTPONED TO OCTOBER 17, 2023 COUNCIL MEETING

- B. Discussion and Direction regarding possible Joint Council/Water Commission Meeting**

Water Resources Manager Erin Young addressed Council and asked if they would like to schedule a Joint City Council / Water Commission meeting on Monday, October 23, 2023. She noted that it would be a two-hour meeting.

Council was supportive of the meeting request.

10. FUTURE AGENDA ITEM REQUESTS

After discussion and upon agreement by three members of the Council, an item will be moved to a regularly-scheduled Council meeting.

- A. Future Agenda Item Request (F.A.I.R.):** A request by Councilmember House to place on a future agenda a discussion about the Walk Friendly Community Designation, the levels within the designation, and working toward the next level.

Councilmember House stated that she would like support to have further conversation about the Walk Friendly Community Designation. There was discussion about the walkability and biking infrastructure, particularly in the downtown area. Flagstaff prided itself on being a walkable community, but there was infrastructure that did not support that. She found that Flagstaff was ranked at a silver level, and she believed that it went up to platinum. She would like to understand what it would take for Flagstaff to achieve the next level or higher.

Dapper Dre addressed Council and spoke in support of advancing the item forward to a future discussion. He indicated that anything that helped walkability was a benefit for everyone. He commented on the challenges associated with snow and cinders on sidewalks and in bike lanes.

There was requisite Council support to advance the item to a future agenda for discussion.

11. **PUBLIC PARTICIPATION**

None

12. **INFORMATIONAL ITEMS TO/FROM MAYOR, COUNCIL, AND STAFF, AND FUTURE AGENDA ITEM REQUESTS**

Councilmember Matthews requested a FAIR item to consider adding the 10-Year Housing Plan to the weekly agenda policy impact section.

Councilmember House shared that the Out of the Darkness community walk was coming up on Saturday, October 7, 2023 at Buffalo Park.

13. **ADJOURNMENT**

The Regular Meeting of the Flagstaff City Council held October 3, 2023, adjourned at 4:39 p.m.

MAYOR

ATTEST:

CITY CLERK

CERTIFICATION

I, STACY SALTZBURG, do hereby certify that I am the City Clerk of the City of Flagstaff, County of Coconino, State of Arizona, and that the above Minutes are a true and correct summary of the Meeting of the Council of the City of Flagstaff held on October 3, 2023. I further certify that the Meeting was duly called and held and that a quorum was present.

DATED this 19th day of March, 2024

CITY CLERK

MINUTES

1. Call to Order

Mayor Daggett called the meeting of the Flagstaff City Council held October 12, 2023, to order at 8:33 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 discussion and consultation with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

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

PRESENT:

ABSENT:

MAYOR DAGGETT
VICE MAYOR ASLAN
COUNCILMEMBER HARRIS
COUNCILMEMBER HOUSE (virtually)
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY
COUNCILMEMBER SWEET

Others present: City Manager Greg Clifton; Deputy City Attorney Kevin Fincel.

3. Pledge of Allegiance, Mission Statement, and Land Acknowledgement

The Council and audience recited the pledge of allegiance, Councilmember McCarthy read the Mission Statement of the City of Flagstaff, and Councilmember Sweet read the Land Acknowledgement.

MISSION STATEMENT

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

LAND ACKNOWLEDGEMENT

The Flagstaff City Council humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.

4. City Council Retreat

Mr. Clifton offered opening remarks and turned things over to the facilitator, Judy Tincher, who reviewed the objectives for the day.

Ms. Tincher led the Council through an engagement exercise.

OUR JANUARY RETREAT CLEAR EXPECTATIONS

Water Services Manager Erin Young introduced Andy Burnham and Tim Hancock with Stantec, who provided a PowerPoint presentation that covered the following:

WATER, RECLAIMED WATER, & WASTEWATER COST-OF-SERVICE, RATES & FEES STUDY SCOPE OVERVIEW POLICY STRATEGIES FINANCIAL PLANNING SCENARIOS DEFINED KEY FINANCIAL ASSUMPTIONS & ADJUSTMENTS

Councilmember Matthews asked how much of the CIP had been funded by grants in the past. Ms. Young stated that there had not been a high percentage of grant funding over the last ten years. Much of that was due to there not being many grant opportunities for the types of projects the city had. Projects had typically been funded through rates, capacity fees, and debt financing.

CAPITAL IMPROVEMENT PROGRAM LEVELS (\$M) OPERATIONAL COST INFLATION: 2020-2024 CONSTRUCTION COST INFLATION: 2020-2024 WATER FUND CURRENT 5-YEAR FINANCIAL OUTLOOK -- WATER WATER FUND SCENARIO RESULTS SUMMARY ¾" TYPICAL WATER BILL IMPACT (4KGAL), FY24-33 COMPARISON OF SCENARIO FUNDING VS 10-YEAR CIP WATER FUND CIP EXPENDITURES FY24-33 RESIDENTIAL, ¾" TYPICAL WATER BILL (4KGAL), FY24-33 COMMERCIAL, 2" TYPICAL WATER BILL (30KGAL), FY24-33 RESIDENTIAL RATE COMPARISONS -- WATER COMMERCIAL RATE COMPARISONS -- WATER DISCUSSION

Mayor Daggett shared concerns about lower-income citizens in Flagstaff and how a rate increase could impact their ability to pay their utility bills. She would prefer a greater burden be placed on the higher water users. She also supported a step-up approach to the rate increase. Mr. Burnham explained that those elements were part of what would be looked at in the rate design phase. There would be opportunities to adjust the tiers and look at ways to benefit lower water users.

Councilmember Matthews stated that they were playing another catch-up game with rates and the burden was falling to the ratepayers. She expressed concern that the increased rates could price businesses out of the area. She asked if the rate projections were based on 100% rates or if there were assumptions for grant funding. Mr. Burnham stated that \$30 million had been figured in for grant funding. They were also trying to leverage debt financing to optimize the funding so the rates do not have to bear it all.

Councilmember McCarthy stated that the part based on usage was to encourage people to conserve. He would support putting more of the charge on usage because it would encourage people to save water and thus money. He acknowledged the tradeoff between steady revenue and the encouragement of saving water. Mr. Burnham offered that it was a balance; 25% of the revenue collection was in the base fees to ensure there was some fiscal stability. There would be opportunities to review the tier structures that could get at some of the outcomes related to water conservation and saving money.

Their job was to make sure that the rates were data-driven and defensible.

Councilmember Harris pointed out that lower-income citizens may not use less water, especially if they had more than one generation of family living in a single household. It was those types of things that needed to be factored into consideration. She also noted that some locations no longer needed a watering system, and they may choose to turn the water off. However, they were still charged for the meter. She would like to have those types of situations considered as well.

WASTEWATER FUND

CURRENT 5-YEAR FINANCIAL OUTLOOK -- WASTEWATER WASTEWATER FUND SCENARIO RESULTS SUMMARY

Mr. Clifton noted that wastewater was at capacity for not just treatment but also to the collection system. The concern was that the system would no longer have capacity, and they would be unable to approve any additional growth. That was the extreme measure they wanted to avoid. Deferred replacement took them closer to catastrophic failure.

3/4" TYPICAL WASTEWATER BILL IMPACT (4KGAL), FY24-33
COMPARISON OF SCENARIO FUNDING VS 10-YEAR CIP
WASTEWATER FUND CIP EXPENDITURES FY24-33
RESIDENTIAL, 3/4" TYPICAL WASTEWATER BILL (4KGAL), FY24-33
WASTEWATER CHARTS -- COMMERCIAL, 2" TYPICAL BILL (30KGAL), FY24-33
RESIDENTIAL RATE COMPARISONS -- WASTEWATER
COMMERCIAL RATE COMPARISONS -- WASTEWATER
DISCUSSION
RECLAIMED WATER FUND
CURRENT 5-YEAR FINANCIAL OUTLOOK -- RECLAIMED WATER
RECLAIMED WATER FUND SCENARIO RESULTS SUMMARY
2" TYPICAL COMMERCIAL BILL IMPACT (73KGAL), FY24-33
COMPARISON OF SCENARIO FUNDING VS 10-YEAR CIP
RECLAIMED WATER CIP EXPENDITURES FY24-33
RECLAIMED CHARTS -- GOLD COURSE, 2" TYPICAL BILL (28KGAL), FY24-33
RECLAIMED CHARTS -- 4" TYPICAL BILL (500KGAL), FY24-33
RECLAIMED CHARTS -- COMMERCIAL, 2" TYPICAL BILL (73KGAL), FY24-33
DISCUSSION

Mayor Daggett asked if any of the projects would be candidates for General Obligation bonds or other types of funding. Management Services Director Rick Tadder stated that bonding was always a possibility and staff could provide more information in advance of the next election cycle.

LOOKING FORWARD -- KEY MILESTONES
COMMUNICATIONS AND OUTREACH
GOALS
MEETING PLATFORMS
PROJECT WEBSITE
ADDITIONAL MATERIALS
UPCOMING EVENTS
ADDITIONAL OPPORTUNITIES

Mayor Daggett stated that anywhere projects could be delayed to allow for a more graduated rate the better. She would like to discuss the implications of the full funding model; she believed it was the way to go, but the sticker shock was significant. She would like more discussion about scenarios and when to advance those numbers. Mr. Hancock stated that it was premature to put that information out into the public space. They were looking for some preliminary direction to start the rate development.

A break was held from 10:45 a.m. through 11:00 a.m.

Mr. Tadder, Management Analyst Chris Rhode, and Business Attraction Manager Jack Fitchett continued the presentation.

PRIORITY BASED BUDGETING OBJECTIVES UPDATE
SUMMARY OF SUMMER OUTREACH
COMMUNITY OUTREACH -- SUMMARY
COMMUNITY OUTREACH -- ONLINE SURVEY
COMMUNITY OUTREACH -- DEDICATED EVENTS
COMMUNITY OUTREACH -- IN THE COMMUNITY
COMMUNITY OUTREACH -- OUTREACH TO YOUTH
NOTABLE PUBLIC INPUT
SUGGESTED CHANGES
SUMMARY OF CHANGES
HIGH PERFORMING GOVERNANCE
SAFE AND HEALTHY COMMUNITY
INCLUSIVE AND ENGAGED COMMUNITY
SUSTAINABLE, INNOVATIVE INFRASTRUCTURE
ROBUST AND RESILIENT ECONOMY
LIVABLE COMMUNITY
ENVIRONMENTAL STEWARDSHIP
DEFINITIONS (1 OF 2)
DEFINITIONS (2 OF 2)
COMMUNITY OUTREACH PLAN

Mayor Daggett asked if staff had any concerns with the proposed changes. Mr. Rhode explained that the objectives were vetted through staff and leadership and their feedback had been incorporated. They were comfortable with all of the changes.

Council discussed the priorities and objectives. The conversation focused on the following:

- Trauma-informed community.
- Removal of the reference to anti-racist.
- Access to education.

Council agreed to the following changes:

- Minor edits to grammar and sentence structure.
- Livable Community -- add "work with regional partners to" at the beginning of the third bullet. New sentence to read "Work with regional partners to provide equitable and inclusive educational and cultural opportunities for Flagstaff residents of all ages."
- Environmental Stewardship -- add back in "with awareness of social inequities" to the fifth bullet.

Council offered words of appreciation to the PBB Team and their efforts with community outreach.

A break was held from 12:01 p.m. through 12:35 p.m.

Ms. Tinchler led the Council through an engagement exercise that covered the following:

HIGH PERFORMING GOVERNANCE
OUR CURRENT SUCCESSES & CHALLENGES
3 MOTIVATORS OF HIGHLY EFFECTIVE TEAMS
HIGH PERFORMING GOVERNANCE: PETITIONS & FAIR
INQUIRY AND ADVOCACY
HOW DO WE STICK WITH THIS/HOLD EACH OTHER ACCOUNTABLE
THE ADVANTAGE: WHY ORGANIZATIONAL HEALTH TRUMPS EVERYTHING ELSE IN BUSINESS

Mr. Clifton and City Clerk Stacy Saltzburg continued the presentation.

CITIZEN PETITIONS & FAIRS
CITIZEN PETITIONS
RECENT PETITION TOPICS
SOME PRINCIPLES TO CONSIDER
FUTURE AGENDA ITEM REQUESTS (FAIR)

CURRENT FAIRS
CONSIDERATIONS
CITIZEN PETITION
FAIR CITY
COUNCIL INITIATIVE FUND

Discussion by the Council included the following key points:

Concerns about there not being any mechanism for the minority of Council to advance ideas.

- Having an opportunity to hear and consider other ideas was important.
- The FAIR process should consider municipal issues, not those outside of the city jurisdiction.
- The process should not be overly prescriptive.
- Not advancing citizen petitions sends the message that the Council was not listening or does not care about the issue presented.
- The Council needs to trust each other and set a high bar for the advancement of petitions and FAIRs.
- More latitude was needed in how a FAIR is agendized or framed for discussion. Try not to limit the discussion too much.

Council's direction was to make no changes and keep things the way they were with the process.

Council offered closing comments about what they took away from the conversations at the retreat.

5. Adjournment

The Council Retreat of the Flagstaff City Council held October 12, 2023, adjourned at 3:09 p.m.

MAYOR

ATTEST:

CITY CLERK

MINUTES

1. CALL TO ORDER

Vice Mayor Aslan called the meeting of the Flagstaff City Council held October 17, 2023, to order at 3:06 p.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 regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for discussion and consultation with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

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

PRESENT:

ABSENT:

MAYOR DAGGETT (arrived at 3:48 p.m.)
VICE MAYOR ASLAN (virtually)
COUNCILMEMBER HARRIS (arrived at 3:35 p.m.)
COUNCILMEMBER HOUSE
COUNCILMEMBER MATTHEWS (virtually)
COUNCILMEMBER MCCARTHY (virtually)
COUNCILMEMBER SWEET

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

3. PLEDGE OF ALLEGIANCE, MISSION STATEMENT, AND LAND ACKNOWLEDGEMENT

The Council and audience recited the pledge of allegiance, Councilmember House read the Mission Statement of the City of Flagstaff, and Councilmember Matthews read the Land Acknowledgement.

MISSION STATEMENT

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

LAND ACKNOWLEDGEMENT

The Flagstaff City Council humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.

4. PUBLIC PARTICIPATION

Public Participation enables the public to address the Council about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed. If you wish to address the Council at tonight's meeting, please complete a comment card and submit it to the recording clerk as soon as possible. Your name will be called when it is your turn to speak. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

Regina Salas, Vice President of Flagstaff Sister Cities, addressed Council and invited them to attend the Sister Cities Annual Conference. She also requested that the Council underwrite the event to cover overhead costs.

Jonathan Diouisio addressed Council about non-profit organizations and their lack of planning to solve problems.

5. COUNCIL LIAISON REPORTS

Councilmember House thanked Mayor Daggett for the recent signing of the recommitment to the city's sister city, Navajoa. She expressed support for contributing to the Sister Cities Annual Conference. She also noted that she, along with Mayor Daggett, would be attending the conference.

6. APPOINTMENTS

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 the City Council may vote to go into executive session, which will not be open to the public, for the purpose of discussing or considering employment, assignment, appointment, promotion, demotion, dismissal, salaries, disciplining or resignation of a public officer, appointee, or employee of any public body....., pursuant to A.R.S. §38-431.03(A)(1).

A. Consideration of Appointments: Library Board

One appointment was postponed to the November 7, 2023 Council meeting.

Moved by Councilmember Khara House, **seconded by** Councilmember Jim McCarthy to appoint Lisa Ganey to a term expiring November 2026.

Vote: 5 - 0 - Unanimously

B. Consideration of Appointments: Parks and Recreation Commission.

Moved by Councilmember Khara House, **seconded by** Councilmember Lori Matthews to appoint Sandy Heath to a term expiring August 2024.

Vote: 5 - 0 - Unanimously

C. Consideration of Appointments: Housing Commission

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Jim McCarthy to appoint Kevin Dobbe to a term expiring September 2026.

Vote: 5 - 0 - Unanimously

7. LIQUOR LICENSE PUBLIC HEARINGS

Applications under Liquor License Public Hearings may be considered under one public hearing and may be acted upon by one motion unless otherwise requested by Council.

Vice Mayor Aslan opened the public hearing on both items.

Lieutenant Kevin Sapp introduced the two applications and noted no concerns.

Applicant Steven Dunsire addressed Council and explained that there was a private transfer of ownership which facilitated the need for the new liquor license.

There being no public comment, Vice Mayor Aslan closed the public hearing.

Moved by Councilmember Khara House, **seconded by** Councilmember Miranda Sweet to forward the applications to the State with a recommendation for approval.

Vote: 5 - 0 - Unanimously

- A. **Consideration and Action on Liquor License Application:** Steven David Dunsire, "Oregano's Pizza Bistro," 980 Country Club Drive, Series 12 (restaurant), New License.
- B. **Consideration and Action on Liquor License Application:** Steven David Dunsire, "Oregano's Pizza Bistro," 1061 S. Plaza Way, Suite C, Series 12 (restaurant), New License.

8. CONSENT AGENDA

All matters under Consent Agenda are considered by the City Council to be routine. Unless a member of City Council expresses a desire at the meeting to remove an item from the Consent Agenda for discussion, the Consent Agenda will be enacted by one motion approving the recommendations listed on the agenda. Unless otherwise indicated, expenditures approved by Council are budgeted items.

Vice Mayor Aslan requested Item 8G be pulled for discussion.

Councilmember Matthews requested Items 8C and 8F be pulled for discussion.

Moved by Councilmember Khara House, **seconded by** Councilmember Miranda Sweet to approve the Consent Agenda as posted with the exception of 8C, 8F, and 8G.

Vote: 5 - 0 - Unanimously

- A. **Consideration and Ratification of Grant Agreement:** Ratify Grant Agreement between the City of Flagstaff and the U.S. Department of Transportation, Federal Aviation Administration (FAA) for the construction of a Snow Removal Equipment Building (SREB).

Ratify the Grant Agreement with the Federal Aviation Administration for the Airport Snow Removal Equipment Building for grant funds in the amount of \$4,426,783.

- B. **Consideration and Ratification of Contract:** Approve and Ratify the Design Phase Services Contract with PCL Construction, Inc. in the amount of \$499,522, for the design of the Rio De Flag Water Reclamation Facility Solids Improvements Project.

1. Approve and ratify the Design Phase Services Contract with PCL Construction, Inc. in the amount of \$499,522, for the design of the Rio De Flag Water Reclamation Facility Solids Improvements Project; and
2. Approve a contract allowance of \$74,933, which is 15% of the contract amount; and
3. Authorize the City Manager to execute the necessary documents.

- C. **Consideration and Approval of Contract:** Cooperative Purchase Contract with Courtesy Chevrolet for the purchase of five (5) fully electric 2024 Chevrolet 1500 Silverado Crew Cab pickup trucks in the amount of \$428,098.17.

Councilmember Matthews stated that the plan was for the city to replace its fleet with electric vehicles as they age out. She noted the significant price difference between the electric Chevrolet vehicles and the gas-powered Chevrolet vehicles. She noted concern with the price difference and the significant lag time associated with electric vehicles and the inability to replace necessary vehicles.

Mr. Clifton stated that the city had a Fleet Policy that set forth procedures to follow in the case of unavailability or high cost. The policy moved through the priority list from electric vehicles to hybrid, to regular gas vehicles until they could arrive at a solution.

Solid Waste Director Evan Tyrell stated that they evaluated the overall cost savings associated with the use of electric vehicles even at the higher price point. An average electric vehicle would realize approximately \$5,000 in fuel savings each year. There was not a lot of long-term maintenance information available yet but preliminary data showed that the maintenance costs were typically about half.

Councilmember Matthews asked about the payload capacity of the trucks. Fleet Manager Nate Naliborski stated that the vehicles were not intended for heavier payload capacities. The trucks were expected to be in-town vehicles with a need for moderate payloads. They were not intended for heavy use.

Moved by Councilmember Lori Matthews, **seconded by** Vice Mayor Austin Aslan to approve the Cooperative Purchase Contract with Courtesy Chevrolet for the purchase of five (5) fully electric 2024 Chevrolet 1500 Silverado Crew Cab pickup trucks in the amount of \$428,098.17 and authorize the City Manager to execute the necessary documents.

Vote: 5 - 0 - Unanimously

- D. **Consideration and Approval of Contract:** Non-Federal Preliminary Design Reimbursable Agreement Between the US Department of Transportation Federal Aviation Administration and City of Flagstaff, Flagstaff Pulliam Airport

1. Approve the Reimbursable Agreement with the Federal Aviation Administration for the evaluation of possible impacts to FAA equipment (Automated Surface Observation Station and Surface Weather System) by the construction of the Airport Snow Removal Equipment Building in the amount of \$67,152.45; and
2. Authorize the City Manager to execute the necessary documents.

- E. ~~**Consideration and Approval of Contract:** Cooperative Purchase Contract with PFVT Motors, Inc. (DBA Peoria Ford) for the purchase of two Ford Mustang Mach-E Electric Vehicles in the amount of \$106,412.58.~~

1. ~~Approve the Cooperative Purchase Contract with PFVT Motors, Inc. (DBA Peoria Ford) for two Ford Mustang Mach-E Electric Vehicles in the amount of \$106,192.58; and~~
2. ~~Authorize the City Manager to execute the necessary documents.~~

ITEM PULLED FROM AGENDA

- F. **Consideration and Ratification of Contract:** Cooperative Purchase Contract with Don Sanderson Ford, Inc. in the amount of \$80,137.68 for a Ford F-150 Lightning EV Truck.

Councilmember Matthews asked about the payload capacity and if the vehicle was anticipated to do significant hauling or towing. Assistant Parks, Recreation, Open Space, and Events Director Amy Hagin explained that the vehicle was intended for use by the Park Ranger position who would not be towing. There would be times that they may have to haul materials like trash cans or green waste but

nothing significant. The vehicles was ideal for their use because they typically drive 70- 80 miles per day.

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Miranda Sweet to approve and ratify the Cooperative Purchase Contract with Don Sanderson Ford, Inc. in the amount of \$80,137.68 for a Ford F-150 Lightning EV Truck; and authorize the City Manager to execute the necessary documents.

Vote: 5 - 0 - Unanimously

- G. Consideration and Approval of Contract:** Cooperative Purchase Contract with Pride Outfitters, LLC to upfit/outfit emergency equipment on four patrol vehicles in an amount not to exceed \$88,000.

Kelly Cullen, with Niles Radio, addressed Council and spoke in opposition of the contract. He expressed concern regarding discrepancies in the bidding process. He noted that although they were listed as the highest bidder, he believed it was because they were not bidding on the same line items as the other contractor. He felt that comparison between bids was not fair due to the differing line items. He noted the additional costs that would be associated with transporting the vehicles to and from the valley for installation as well as it not subscribing to the city's climate action plan goals. He also stated that there should be considerations locally due to Flagstaff's higher minimum wage and sales tax rates. He requested that the decision be postponed until revised equipment lists and specifications were provided to all bidders, the cost of shuffling vehicles was factored into the purchase, and the higher local wages and sales tax rates were considered in the evaluation process.

Purchasing Manager Patrick Brown addressed Council and stated that Niles Radio did not submit detailed line items as part of their proposal; the other submitters did submit those details. The difference in pricing was about \$13,000. The bid request represented the elements that the Police Department was seeking and when the quotes were received, they determined that the selected vendor met all the criteria they were seeking.

Council raised concern about the challenges local vendors faced with a higher minimum wage in Flagstaff.

Vice Mayor Aslan asked what the impact of postponing the action would be. Police Special Services Supervisor Kristen Decker offered that they hoped to get approval to move forward because the current fleet was down by nine vehicles. They were able to procure those vehicles recently and now they needed to be up-fitted with lights, sirens, and other necessary emergency equipment. They were already in a critical position with not having enough patrol vehicles on the road, so they needed to get the new ones up and running as quickly as possible. It took about ten weeks to equip the vehicles depending on the availability of the vendor's schedule.

Councilmember Harris asked what the options would be if the action was put on hold. Ms. Decker stated that there were no other options to put more vehicles on the road, and they did not have adequate reserves should a vehicle go down.

Councilmember Matthews stated that she understood the urgency but she felt strongly that the decision should be based on equity of the bidding process and she did not know if minimum wage came into play with the pricing from the local bidder.

Moved by Councilmember Lori Matthews to postpone the item until the next meeting to obtain information on the impact of minimum wage.

Motion failed for lack of a second.

Moved by Councilmember Khara House, **seconded by** Councilmember Miranda Sweet to approve the Cooperative Purchase Contract with Pride Outfitters, LLC for the upfit/outfit emergency equipment on four patrol vehicles in an amount not to exceed \$88,000; and authorize the City Manager to execute the necessary documents.

Councilmember House noted that she understood and appreciated the comments and challenges

associated with the contract. She wanted to move forward with the contract with the understanding that a future discussion would follow at a later time.

Vote: 6 - 0 - Unanimously

9. ROUTINE ITEMS

A. Consideration and Approval of Municipal Services Accounts, Miscellaneous Account Receivable, Transaction Privilege Tax, Insufficient Funds and Library Write-offs: Delinquency and Uncollectible Accounts for Fiscal Year 2022-23.

Management Services Director Rick Tadder addressed Council and stated that the matter before them was part of the annual process to write off uncollectible accounts. New that year was the inclusion of several library accounts that had been deemed uncollectible. For municipal accounts receivable, old sales tax accounts, and insufficient fund checks, the total request to writeoff was \$76,462.86 which was a reduction of about \$25,000 from the prior year.

Mr. Tadder expressed gratitude to his team for their hard work to collect what they were able to and working with customers to find creative solutions to continue service.

Mr. Tadder explained that the request included write-offs for library accounts for about \$1.1 million. It was the first time library accounts had been included in the write-off requests, which was why the amount was so high. The date range covered 1987 through 2016. The accounts had been nonactive for seven years and there was no direct fiscal impact due to the age of the accounts. In the future, library accounts would be included in the annual write-off process.

Moved by Vice Mayor Austin Aslan, **seconded by** Councilmember Miranda Sweet to approve the write-off of delinquent and uncollectible Municipal Services accounts, Miscellaneous Account Receivables, Transaction Privilege Tax accounts and Insufficient Funds in the combined amount of \$76,462.86 and Library account balances in the amount of \$1,158,567.03.

Vote: 7 - 0 - Unanimously

10. REGULAR AGENDA

A. Consideration and Approval of Amendment to Contract No. 2019-03: Amend Contract 2019-03 between the City of Flagstaff and Housing Solutions of Northern Arizona for the City of Flagstaff Community and Employer Assisted Housing Programs to accommodate recommended changes to the program guidelines and provide an additional one-year term.

Housing and Grants Administrator Kristine Pavlik provided a PowerPoint presentation that covered the following:

COMMUNITY HOMEBUYER ASSISTANCE AND EMPLOYER ASSISTED HOUSING PROGRAMS TODAY
HOUSING SOLUTIONS OF NORTHERN ARIZONA
EMPLOYER ASSISTED HOUSING (EAH)
HISTORY OF EAH
CURRENT PROGRAM GUIDELINES
COMMUNITY HOMEBUYER ASSISTANCE (CHAP)
HISTORY OF CHAP
CURRENT PROGRAM GUIDELINES
CHANGING MARKET
HOME AVAILABILITY AND PRICING
PROPOSED CHANGES TO EAH
PROPOSED CHANGES TO CHAP

Devonna McLaughlin, CEO of Housing Solutions of Northern Arizona, stated that the program was designed to help first-time home buyers in the community get access to homeownership. Many took advantage of the program, and many have expressed that if it was not for the program, they would have left Flagstaff. It had been a tremendous program with a proven record of success, and they

were excited that an enhancement was being considered.

Councilmember House thanked the team for their work. She indicated that the program was an important investment in the community. The need in the community had changed, and the program needed to meet that need.

Moved by Councilmember Khara House, **seconded by** Councilmember Miranda Sweet to approve the recommended Amendment 2 for the City of Flagstaff Employer Assisted Housing (EAH) and Community Homebuyer Assistance Program (CHAP).

Vote: 7 - 0 - Unanimously

B. Consideration and Adoption of Ordinance No. 2023-24: An ordinance amending hours of use for City Parks and the hours for lighting of sport courts within City Parks.

Ms. Hagin addressed Council and stated that the ordinance stemmed from the conversation with Council in September 2023. At that time, the Council decided that the sport court lighting at Bushmaster Park and Thorpe Park would end at 9:00 p.m. and that all other parks would close at 10:00 p.m. every day of the week. The ordinance was written to reflect the hours of sunrise to 9:00 p.m. for the lighted sports courts, and sunrise to 10:00 p.m. for general park hours.

Audria Smith addressed Council with concerns about the continued noise of pickleball. She believed that an extra hour was not sufficient. She was concerned about increased noise when the new 16 courts were in use. She also indicated that there was confusion about the meaning of sunrise when the noise rules indicated no loud play until 8:00 a.m.

Mayor Daggett indicated that the current lighting was from the late 90's. She asked if the lighting was dark sky compliant. Ms. Hagin stated that the lights had shields and that they were pointed downward to meet dark sky compliance. The new courts would be more dark sky compliant with the upgraded lighting system.

Mayor Daggett asked if there were concerns about enforcement challenges with different hours at different parks. Ms. Hagin indicated no, there were only two parks that were lit and those would be the only two with different hours; the other 24 parts would close at 10:00 p.m.

Councilmember McCarthy stated that people who lived in the area would continue to be unable to use their backyards because of the noise. He felt that it was disrespectful and suggested that no pickleball courts be lit.

Councilmember Sweet asked if there was a plan to replace trees at Bushmaster Park. Ms. Hagin stated that staff were in contract negotiations that would include a one-for-one exchange in trees.

Councilmember Matthews asked about plans to do any sound abatement. Ms. Hagin stated that it would be included in a future discussion about the design of the courts.

Moved by Councilmember Khara House, **seconded by** Vice Mayor Austin Aslan to read Ordinance No. 2023-24 by title only for the first time.

Moved by Councilmember Jim McCarthy, **seconded by** Vice Mayor Austin Aslan to amend the motion to add that pickleball courts do not have lighting but the lighting remains as proposed for all other courts.

Deputy City Attorney Kevin Fincel explained that the ordinance was about lighting in general and discussions or direction regarding the design and lighting of pickleball courts specifically should occur separately. The ordinance pertained specifically to sport court lighting and the hours of operation for that lighting.

Motion to amend withdrawn by Councilmember McCarthy and supported by Vice Mayor Aslan.

Moved by Councilmember Jim McCarthy to amend the motion to add that parks would open at sunrise or 8:00 a.m. whichever was later.

Motion failed for lack of a second.

ORIGINAL MOTION:

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING CITY CODE TITLE 8, PUBLIC WAYS AND PROPERTY, CHAPTER 11, POLICIES REGARDING USE OF MUNICIPAL PARKS, SECTION 8-11-001-0005, USE BY THE GENERAL PUBLIC/HOURS OF USE; PROVIDING FOR REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

- C. Consideration and Adoption of Ordinance No. 2023-23:** An ordinance of the Flagstaff City Council authorizing the acquisition of real property interests for a fiber network as a betterment to the Rio de Flag Flood Control Project; providing for delegation of authority, repeal of conflicting ordinances, severability, clerical corrections, and establishing an effective date.

Real Estate Manager Bryce Doty provided a PowerPoint presentation that covered the following:

RIO DE FLAG FIBER EASEMENT AUTHORITY TO ACQUIRE
VICINITY MAP
UPPER REACH -- COMPOSITE CHANNEL
CLAY AVENUE WASH PLAN MAPS

Vice Mayor Aslan asked if the action was consistent with the desire for a dig-once policy. Mr. Doty replied that it was included as part of the overall construction project.

Moved by Councilmember Khara House, **seconded by** Councilmember Jim McCarthy to read Ordinance No. 2023-23 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AUTHORIZING THE ACQUISITION OF REAL PROPERTY INTERESTS FOR A FIBER NETWORK AS A BETTERMENT TO THE RIO DE FLAG FLOOD CONTROL PROJECT; PROVIDING FOR DELEGATION OF AUTHORITY, REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

A break was held from 4:56 p.m. through 5:14 p.m.

11. DISCUSSION ITEMS

- A. Update on the Downtown Vision and Action Plan:** The Vision & Action Plan will identify priorities and initiatives to guide improvements in Downtown Flagstaff over the next five to ten years.

Planning Director Michelle McNulty introduced the consultant team Bret Seigel and Jamie Bostik with PUMA, along with Terry Madeksza, Executive Director for the Flagstaff Downtown Business Alliance (DBA), who provided a PowerPoint presentation that covered the following:

FLAGSTAFF DOWNTOWN VISION AND ACTION PLAN
WHERE WE ARE
KEY POLICY RECOMMENDATIONS
COMMUNITY OUTREACH
MARKET OPPORTUNITIES
VISION
ACTION PLAN

CATALYTIC REDEVELOPMENT AND PARKING PROJECTS

A -- OLD CITY COURTHOUSE
 B -- COCONINO COUNTY PROPERTIES
 C -- BIRCH AVENUE INFILL
 D -- EASTSIDE GATEWAY
 E -- COTTAGE AVENUE INFILL

CATALYTIC PLACEMAKING PROJECTS

A -- DOWNTOWN CONNECTION CENTER
 E -- STREETSCAPES, GATEWAYS, CONNECTIVITY, & WAYFINDING
 B -- LEROUX FESTIVAL STREET
 C -- HERITAGE SQUARE ACTIVATION
 D -- ALLEY ACTIVATION

MAJOR EDITS TO PLAN FROM 2021

MAJOR EDITS TO PLAN FROM 2023

NEXT STEPS

Councilmember House asked how they would move from the vision to the action. Mr. Seigel explained that there were three different bundles of strategic actions, and it was envisioned that the city and the DBA would shepherd those bundles. Implementation would depend on the relationship with the downtown and public/private partnerships. The intent was for the DBA to be a more active partner with the city in the development of public/private partnerships.

Ms. Madeksza stated that PUMA came in and created the plan and implementation strategy. The plan was vetted by city staff and there had been active participation from many divisions within the city to review, weigh in, and provide feedback. They had also sought feedback from city commissions and community partners such as Creative Flagstaff and Friends of Flagstaff's Future.

Jonathan Stone, Executive Director of Creative Flagstaff, addressed Council in support of the plan and process. He noted that there were a number of opportunities to highlight the arts and he looked forward to being an active participant in the implementation.

Council expressed support and excitement about the plan. They noted that the plan included tangible things that could be implemented and that highlighted the importance of a livable, walkable, and mixed-use downtown.

B. Discussion of the Wildland Fire Mitigation and Management Commission Report

Forest Health Supervisor Neil Chapman provided a PowerPoint presentation that covered the following:

WILDLAND FIRE MANAGEMENT
 WILDLAND FIRE MITIGATION AND MANAGEMENT COMMISSION
 DEFINING THE CRISIS
 THE CHANGING FACE OF WILDFIRE
 DEFINING THE CRISIS
 COMMISSION BACKGROUND
 THE COMMISSION (IN BRIEF)
 THE COMMISSION
 WORKGROUP TOPICS
 COMMISSION PROCESS
 REPORT ORGANIZATION
 SUMMARY
 THEMES AND RECOMMENDATIONS
 COMMISSION THEMES
 SELECTED RECOMMENDATIONS
 THEME: SUPPORTING COLLABORATION
 THEME: REACTIVE TO PROACTIVE
 THEME: INVESTING IN RESILIENCE
 THEME: ENABLING BENEFICIAL FIRE SELECTED RECOMMENDATIONS
 THEME: WORKFORCE

SELECTED RECOMMENDATIONS
KEY TAKEAWAYS
NEXT STEPS
AUDIENCE: COMMITTEES OF CONGRESS

Vice Mayor Aslan asked about the relationship between beneficial and catastrophic as it related to carbon output. Mr. Chapman stated that fire was central to the crisis and central to the solution, and it was something that the community needed to determine. Fire was local and everyone had a different impact. Mitigating carbon losses and keeping the carbon stored in big fire-resistant trees was the best thing that could be done for the forest. Even though fire was introduced into the landscape, it was necessary to maintain a healthy, fire-adapted ponderosa pine forest that kept carbon in the trees.

Councilmember Matthews expressed gratitude for the inclusion of tribal cultural burning. She noted that it was critical to focus on fire management and mitigation. California had put so much effort into reducing its carbon emissions, but they were set back years when their forests burned. Flagstaff was at the forefront of how to manage forests and keep carbon emissions at bay.

Fire Chief Mark Gaillard expressed gratitude to Mr. Chapman for his participation on such a historic committee. Mr. Chapman had represented Flagstaff exceptionally well and it was exciting to be a part of history in the making.

Mayor Daggett asked how many Flagstaff Firefighters were trained for wildland fire. Mr. Chapman stated that every single firefighter in the Greater Flagstaff Region went through a Type 2 Wildland Firefighter course.

Laura Kessler addressed Council and stated that fire management was very important to the community. She expressed a need to accelerate forest thinning and make the recommendations of the report a priority for the city.

Mayor Daggett noted that the city had prioritized forest health and asked what additional support would look like. Chief Gaillard stated that it was a very federal process, so the continuation of lobbying efforts and support of the recommendations from the report were critical. There continued to be funding dedicated to Flagstaff and its efforts. The biggest challenge was how to get the private sector to implement thinning projects more effectively.

12. FUTURE AGENDA ITEM REQUESTS

After discussion and upon agreement by three members of the Council, an item will be moved to a regularly-scheduled Council meeting.

A. Future Agenda Item Request (F.A.I.R.): A Citizens' Petition titled Add New Priorities to the Carbon Neutrality Plan

Tom Pearson with Flagstaff First introduced the petition. He stated that over the last decade, Flagstaff had experienced five destructive fires and subsequent flooding. It was essential for safety and security that solutions be identified and prioritized. The addition of wildfire, flooding, and drought to the Carbon Neutrality Plan would make them a top priority.

Councilmember House asked in what ways wildfire, flooding, and drought were addressed in the Carbon Neutrality Plan.

Climate Section Director Jenny Niemann stated that healthy forests and open spaces were target areas within the Carbon Neutrality Plan. Forests and open spaces were a specific focus within the 2018 Climate Action and Adaptation Plan and in 2022, they were combined to focus on a comprehensive approach to address carbon neutrality and resilience. Healthy forests and open spaces became one of the 15 target areas within the revised Carbon Neutrality Plan, alongside considerations such as economic vitality, recreation, water security, and community resilience.

Councilmember Matthews stated that the petition requested the elevated focus of those areas to be a top priority. She asked what that would change in terms of focus and effort toward the city's goals. Ms. Niemann stated that the Carbon Neutrality Plan was large and covered a lot of things. It had three main goals: reducing emissions, community resilience, and building community equity. Within the goals, there were four main organizing actions: neighborhoods, energy sources, consumption, and commitment to the community.

Councilmember Harris asked if there had been conversations with staff on the request. Mr. Pearson stated that they had met with staff, and it was his impression that they were supportive of the points they made and did not object to the addition of wildfire, flooding, and drought to the priorities for budgeting purposes and raising awareness.

Vice Mayor Aslan stated that he was not supportive of advancing the petition to a future meeting. Flagstaff had led nationally in forest health and management for many years. He did not believe that the elements of wildfire, flooding, or drought were missing from the priorities of the city. He felt that the addition of the requested elements to the Carbon Neutrality Plan was redundant because Flagstaff was already prioritizing those efforts.

Councilmember McCarthy stated that Flagstaff was already doing what was requested. He would support moving the matter forward for a discussion about how they might be able to integrate the specific elements into the Carbon Neutrality Plan.

Councilmember House expressed concern about the representation of how the priorities were currently focused in the plan. She felt that the requested additions were already present in the plan.

Mayor Daggett asked about the timeline to keep the Carbon Neutrality Plan fresh and addressing current realities. Ms. Niemann explained that the Carbon Neutrality Plan was envisioned as an evolving plan. The plan was not designed to lay out yearly plans. It was designed to identify broad plans that included flexibility to adapt to changes in the field.

Mayor Daggett asked the process to change the language to more explicitly state wildfire, flooding, and drought as priorities. Ms. Niemann explained that there were three goals within the plan but there were no priority ranking within them. They would have to revise the plan to create priorities.

Laura Kessler addressed Council in support of the petition. She stated that to dismiss something so important was an insult to flood-impacted victims. She requested that the priorities be considered as part of the goals that received so much funding and suggested that they could be added as a fourth goal. She felt that it was short-sighted to not prioritize immediate safety.

Councilmember Harris stated that Sustainability was agreeable to some extent with what was being requested. She asked Ms. Niemann to clarify that. Ms. Niemann stated that it was a policy decision of the Council. The staff were not weighing in on whether it should be added or not. It would be up to Council to decide on whether to include the elements in the plan.

Councilmember Matthews left the meeting at 7:15 p.m.

Councilmember Harris indicated that there were still conversations to be had because Flagstaff First did not see their needs being met with the current plan. She supported a broader conversation and requested that the Wildland Fire group be involved.

Councilmember Sweet stated that she supported further conversation on the matter.

There was requisite Council support to advance the item to a future agenda for discussion.

13. **PUBLIC PARTICIPATION**

None

14. INFORMATIONAL ITEMS TO/FROM MAYOR, COUNCIL, AND STAFF, AND FUTURE AGENDA ITEM REQUESTS

Councilmember Sweet reported that she would be traveling to Tempe to do her first Ironman. She thanked everyone who had supported her during her training.

Mayor Daggett stated that she and Councilmember Harris attended a great Arizona town hall on equity. She also visited the Police Department Dispatch Center for a tour and to discuss their operations. She also noted that Vice President Harris had come into Flagstaff that morning, and she expressed thanks to those who took part in the project to extend the runway at the airport because it allowed Airforce 2 to land in Flagstaff.

15. ADJOURNMENT

The Regular Meeting of the Flagstaff City Council held October 17, 2023, adjourned at 7:30 p.m.

MAYOR

ATTEST:

CITY CLERK

CERTIFICATION

I, STACY SALTZBURG, do hereby certify that I am the City Clerk of the City of Flagstaff, County of Coconino, State of Arizona, and that the above Minutes are a true and correct summary of the Meeting of the Council of the City of Flagstaff held on October 17, 2023. I further certify that the Meeting was duly called and held and that a quorum was present.

DATED this 19th day of March, 2024

CITY CLERK

MINUTES

1. Call to Order

Mayor Daggett called the joint meeting of the Flagstaff City Council and Water Commission held October 23, 2023, to order at 2:30 p.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 discussion and consultation with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

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

PRESENT:

MAYOR DAGGETT
VICE MAYOR ASLAN
COUNCILMEMBER HARRIS
COUNCILMEMBER HOUSE
COUNCILMEMBER MATTHEWS
COUNCILMEMBER SWEET

CHAIR RIEGELMAN
VICE CHAIR LOVERICH
COMMISSIONER ALTER
COMMISSIONER BILLS
COMMISSIONER DILDAY
COMMISSIONER NAUMAN
COMMISSIONER RUDELLE

ABSENT:

COUNCILMEMBER MCCARTHY

Others present: City Manager Greg Clifton; City Attorney Sterling Solomon; Water Services Director Shannon Jones; Water Services Manager Erin Young

3. Pledge of Allegiance, Mission Statement, and Land Acknowledgement

The Council, Commission, and audience recited the pledge of allegiance, Councilmember Matthews read the Mission Statement of the City of Flagstaff, and Councilmember Harris read the Land Acknowledgement.

MISSION STATEMENT

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

LAND ACKNOWLEDGEMENT

The Flagstaff City Council humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.

4. Discussion and Direction on the Rate Study Financial Plans

Water Services Manager Erin Young led the Water Commission through introductions with the City Council. Mayor and Council thanked the commission for making time to meet together.

Ms. Young introduced the Team from Stantec Tim Hancock, Andrew Burnham, and Carol Malesky who provided a PowerPoint presentation.

WATER, RECLAIMED WATER, & WASTEWATER COST-OF-SERVICE, RATES & FEES STUDY
COMMUNICATIONS AND OUTREACH
MEETING PLATFORMS
PROJECT WEBSITE
ADDITIONAL MATERIALS
UPCOMING EVENTS
ADDITIONAL OPPORTUNITIES
AGENDA
SCOPE OVERVIEW
POLICY STRATEGIES
FINANCIAL PLANNING SCENARIOS DEFINED
KEY FINANCIAL ASSUMPTIONS & ADJUSTMENTS
CAPITAL IMPROVEMENT PROGRAM LEVELS (\$M)

Councilmember Matthews asked if Red Gap Ranch was funded by a bond in 2005. Ms. Young explained that the bond in 2005 was to purchase the Red Gap Ranch land. Once the land was purchased, the build-out of the project was built into the Capital Improvement Plan (CIP). There was some funding left over from the land purchase that they were able to allocate to project development.

Councilmember Matthews stated that a Master Plan was done in 2014 and that determined the needed funding that was being discussed. Ms. Young stated that the yellow projects within the spreadsheet were identified in 2014. Several projects had been deferred to fund the projects identified in green, such as projects triggered by development or other initiatives.

Councilmember Harris asked how emergencies impacted the projects within the CIP. Water Services Director Shannon Jones explained that as non-anticipated issues came up, it was possible that the CIP had to be readjusted.

Commissioner Bills asked if the numbers were adjusted for current conditions given that many were identified in 2014 as well as 2004. Ms. Malesky stated that there was a cost escalation to update the numbers for current costs.

Councilmember Matthews asked if the "approved budget" indicator meant that funds had been allocated for that project. Management Services Director Rick Tadder explained that the funding had been included within the five-year plan under the existing rates.

Commissioner Naumann asked if the biosolids treatment project would be covered by the recent bond that was passed. Mr. Jones explained that it would be covered by capacity fees rather than the bond. Mr. Tadder added that the General Obligation bonds were not included in the rate structure because they were paid through secondary property tax.

FINANCIAL CONSIDERATIONS

Councilmember Matthews asked how many of the projects were considered critical and how many were more of a wish list. Ms. Young indicated that all the projects were critical, there were no luxury or wish list projects. Mr. Jones added that staff did their best to list the projects in priority order.

Commissioner Ruddell asked about the realized costs incurred due to project deferral. Mr. Jones stated that deferral could double the cost of the project. There were critical points within the lifecycle and if the maintenance was deferred, it pushed things beyond rehabilitation. Things could be rehabilitated to the boundary of failure, but there ultimately came a time when it must be fully replaced. Major failures escalated costs even further.

Commissioner Alter asked how much new development impacts the budget and if there was a way to avoid that in the future. Mr. Jones stated that there were services that the city was required to provide that could not be pushed to developers. He noted that there may be opportunities to take advantage of developers who were already doing improvement work and partner with them to upsize the development based on future needs through a reimbursement agreement.

OPERATIONAL COST INFLATION: 2020-2024
WATER FUND
CURRENT 5-YEAR FINANCIAL OUTLOOK -- WATER
WATER FUND SCENARIO RESULTS SUMMARY
¾" TYPICAL WATER BILL IMPACT (4K GAL), FY24-33
COMPARISON OF SCENARIO FUNDING VS 10-YEAR CIP
WATER FUND CIP EXPENDITURES FY24-33
WATER FUND -- ALTERNATIVE OPTION
TYPICAL RESIDENTIAL WATER BILL

Councilmember Matthews noted that her water bill would double by 2033 if no change in water use was made. She stated that the rate would increase regardless of what was charged for capacity fees. Ms. Malesky stated that if the capacity fees were increased, it would not reduce the amount of revenue the city had to recover, but it could reduce the amount of revenue that needed to be recovered from the rates.

Commissioner Ruddell asked if the Wildcat expansion was included in the study. Ms. Malesky responded no and that it needed further investigation for funding sources. Commissioner Ruddell noted concern that the numbers were underestimated because they did not include that very large project or other unplanned things.

Commissioner Vane asked if the estimates were adjusted for future inflation. Ms. Malesky indicated yes and noted that inflation was accounted for through 2033.

EXAMPLE COMMERCIAL WATER BILL
RESIDENTIAL BILL COMPARISONS -- WATER
COMMERCIAL BILL COMPARISONS -- WATER
WASTEWATER FUND
CURRENT 5-YEAR FINANCIAL OUTLOOK -- WASTEWATER
WASTEWATER FUND SCENARIO RESULTS SUMMARY
¾" TYPICAL WASTEWATER BILL IMPACT (4K GAL), FY24-33
COMPARISON OF SCENARIO FUNDING VS 10-YEAR CIP
WASTEWATER FUND CIP EXPENDITURES FY24-33
TYPICAL RESIDENTIAL WASTEWATER BILL
EXAMPLE COMMERCIAL BILL
RESIDENTIAL BILL COMPARISONS -- WASTEWATER
COMMERCIAL BILL COMPARISONS -- WASTEWATER
RECLAIMED WATER FUND
CURRENT 5-YEAR FINANCIAL OUTLOOK -- RECLAIMED WATER
RECLAIMED WATER FUND SCENARIO RESULTS SUMMARY

Commissioner Ruddell offered that the plan was quite complicated and included several uncertainties, especially with inflation. He noted that when it was difficult to predict uncertainties, the plan should

prioritize flexibility and resilience to address those unknowns when they arise. He asked what the two or three biggest things were that they should focus on.

Mr. Jones stated that two major areas of focus were solids handling and the collection system. Two significant projects were underway -- real solids handling and the Wildcat interceptor. The projects were deemed critical and were expected to amount to around \$15 million in design and construction costs. Additionally, there were bond projects, totaling \$60 million between stormwater and wastewater, which were not yet listed. In the five-year timeframe, a total of \$110 million worth of projects needed to be completed. However, the dynamic nature of project costs necessitated a proactive approach to mitigate inflation. Grant funding was seen as a vital tool to supplement finances, with efforts already underway to secure grants, though there was a need for smarter prioritization to ensure critical projects were not delayed due to lengthy grant acquisition processes. Larger projects may not be included in the rate study due to optimism regarding grant success and the necessity of securing additional funding. There was a commitment to advancing projects that were funded and moving forward with those that were prioritized for immediate action.

Mr. Clifton noted that the Wildcat expansion was unfunded. He indicated that it should be embedded into the CIP and given more prominence. It was a critical project that could not be deferred.

Councilmember Mathews asked about a three-year check-in on the rates. Ms. Young indicated that by policy, the rates should be reevaluated every three years, so it had already been built into the process.

Commissioner Dilday stated that the comparison cities were not in line with Flagstaff and other Arizona cities could be better to compare. He indicated that the lack of revenue was further delaying important projects and improvements. He suggested that residential may need to see an increase.

Mayor Daggett asked if there was a tiered system for reclaimed water. Mr. Tadder stated that residential had a tiered system but not commercial. He noted that a tiered rate for commercial was something they were looking at in the rate structure. He noted that it was difficult to build an equitable tier structure for commercial because the uses were so varied.

Commissioner Davis offered that the reclaimed water rate could increase, and it was unlikely that there would be a reduction in reclaimed water users. Water was becoming water and it should be charged as such.

Vice Chair Loverich stated that the city was behind the curve of where it should be. Getting bogged down in the details and not keeping the bigger picture in mind was a hindrance to the process. It was not whether the rate needed changing, it was how much of a change was necessary to accomplish what needed to be accomplished and how much of the list they were willing to cut and take the risk on.

Commissioner Alter stated that he did not feel that it was the role of the commission to adjust the CIP, that was a Council decision. The public would be asking questions as to why the projects were important.

Councilmember Harris left the meeting at 4:41 p.m.

Vice Mayor Aslan offered that there was plenty of room left for discussion. It was not helpful to debate about what projects were needed or not because he trusted staff to vet them appropriately. He wanted to focus on the big picture through the perspective of the citizens. He indicated that he found himself supportive of going all in and funding fully with a promise to revisit in the future. He was concerned if they started small, people would be upset when they had to go big later. It was important to tell the public what was at stake and the crisis that was before them and, while they were troubled with the decisions that needed to be made, they had to find a way to move forward.

Councilmember Matthews asked about how second homes were charged within a tiered structure based on usage. They were only in Flagstaff for part of the year, which significantly reduced their overall usage, but they still had an impact on the system. She also asked if there had been a consideration for a base charge versus a usage charge to make it more equitable for those who live full-time in Flagstaff. Mayor Daggett added a question as to whether they were able to charge a different base rate for a

second home or short-term rental.

Mr. Tadder stated that he was not sure that it could be justified but that it was something that they would look at as part of the study. Ms. Malesky added that they would be considering a variety of options. There were different reasons for each rate structure that would be based on the cost of service. She noted that some communities were considering standby service and different charges for short-term rentals.

Mr. Clifton indicated that second homeownership was the bigger challenge as only a small percentage of residences were short-term rentals. Consideration of a vacancy rate for customers who turn the water off for periods of time would be worthwhile.

Vice Chair Loverich and Commissioner Ruddell left the meeting at 4:51 p.m.

Commissioner Davis offered that the last study was a 3% to 7% increase. The 7% was advocated for, but they ended up with a 4.3% increase. The 7% would have funded everything, and they were now back where they started with similar considerations.

Al White addressed the Council and Commission and noted his support for full cost recovery and encouraged the consideration of long-term leases on the property the city owned, particularly Red Gap Ranch.

Mayor Daggett stated that she wanted to stop falling further behind on capital projects. The increase would be difficult, but it was what needed to be done.

Councilmember Sweet agreed and indicated that it was time to move things forward.

Councilmember House also agreed. She requested consideration toward equity and equitability. In addition to part-time residency and multiple homes, another equity concern would be the impact on some of the older neighborhoods in Flagstaff and the older infrastructure in those areas that lend themselves to more leaky pipes that would increase usage at no fault of the resident. She acknowledged that it would be difficult to factor in those considerations, but it would behoove them to at least acknowledge them and consider them to let people know those things were not overlooked.

Mayor Daggett stated that she preferred more burden on usage rather than base.

Councilmember Matthews voiced her support for the consideration of second homes and how a base rate could be adjusted to accommodate for that. She expressed frustration that they were again faced with making up for deferred projects. She was worried about the economy, businesses, and citizens, and the long-term effect of rate increases.

5. Adjournment

The Joint Meeting of the Flagstaff City Council and Water Commission held October 23, 2023, adjourned at 5:02 p.m.

MAYOR

ATTEST:

CITY CLERK

MINUTES

1. CALL TO ORDER

Mayor Daggett called the meeting of the Flagstaff City Council held November 7, 2023, to order at 3:06 p.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 regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for discussion and consultation with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

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

PRESENT:

MAYOR DAGGETT
VICE MAYOR ASLAN
COUNCILMEMBER HOUSE
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY (virtually)
COUNCILMEMBER SWEET

ABSENT:

COUNCILMEMBER HARRIS

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

3. PLEDGE OF ALLEGIANCE, MISSION STATEMENT, AND LAND ACKNOWLEDGEMENT

The Council and audience recited the pledge of allegiance, Councilmember Matthews read the Mission Statement of the City of Flagstaff, and Councilmember House read the Land Acknowledgement.

MISSION STATEMENT

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

LAND ACKNOWLEDGEMENT

The Flagstaff City Council humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.

4. PUBLIC PARTICIPATION

Public Participation enables the public to address the Council about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed. If you wish to address the Council at tonight's meeting, please complete a comment card and submit it to the recording clerk as soon as possible. Your name will be called when it is your turn to speak. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

J.S. Kelley addressed Council about sexual assault and the challenges she faced when reporting to the police. Sharon Bodine addressed Council and expressed outrage for the harm corporations caused on the nation.

Jill Stephenson addressed Council about sustainability and climate change efforts.

Sustainability Climate Analyst Denae Presler addressed Council and provided an update on the Northern Arizona Solar Co-Op and their partnership with the city to provide solar access across Northern Arizona. She stated that information could be found online at www.solarunitedneighbors.org/northernaz.

Malene Combs addressed Council and expressed concern about the treatment of unsheltered neighbors. She stated that homeless people were made to feel expendable. She stated her opposition of the anti-camping ordinance. She asked for a coalition of unhoused people be established to support the unsheltered community.

Joan Dewey submitted a written comment requesting the establishment of an intergroup team to identify ways to support unsheltered community members.

5. PROCLAMATIONS AND RECOGNITIONS

A. Proclamation: Native American Heritage Month

Mayor Daggett read and presented the proclamation to Coordinator for Indigenous Initiatives and Indigenous Commission staff liaison Rose Toehe.

6. COUNCIL LIAISON REPORTS

Councilmember House reported that the Housing Commission met and discussed the proposed bond program and expenditure of some of the homeless services funding. She also reported that the Commission on Diversity Awareness met and discussed future proclamations which included Black History Month and Native American Heritage Month.

Councilmember McCarthy reported that the MetroPlan Board met and worked on the development of value and purpose statements.

Mayor Daggett reported that the ECoNA Strategy Retreat would be held in Sedona later that week.

7. APPOINTMENTS

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 the City Council may vote to go into executive session, which will not be open to the public, for the purpose of discussing or considering employment, assignment, appointment, promotion, demotion, dismissal, salaries, disciplining or resignation of a public officer, appointee, or employee of

any public body...., pursuant to A.R.S. §38-431.03(A)(1).

A. Consideration of Appointments: Library Board

Moved by Mayor Becky Daggett, **seconded by** Councilmember Khara House to appoint Caitie Quick to a term expiring November 2026.

Vote: 6 - 0 - Unanimously

8. LIQUOR LICENSE PUBLIC HEARINGS

Applications under Liquor License Public Hearings may be considered under one public hearing and may be acted upon by one motion unless otherwise requested by Council.

A. Consideration and Action on Liquor License Application: Craig Allen Bouchard, "The Corner Tavern," 102 E. Route 66, Series 06, New Application.

Mayor Daggett opened the public hearing.

Lieutenant Kevin Sapp introduced the application and noted no concerns.

There being no public comment, Mayor Daggett closed the public hearing.

Moved by Councilmember Jim McCarthy, **seconded by** Vice Mayor Austin Aslan to forward the application to the State with a recommendation for approval.

Vote: 6 - 0 - Unanimously

9. CONSENT AGENDA

All matters under Consent Agenda are considered by the City Council to be routine. Unless a member of City Council expresses a desire at the meeting to remove an item from the Consent Agenda for discussion, the Consent Agenda will be enacted by one motion approving the recommendations listed on the agenda. Unless otherwise indicated, expenditures approved by Council are budgeted items.

Councilmember House requested that Item 8D be pulled for discussion.

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Miranda Sweet to approve Consent Items A, B, E, and F as posted.

Vote: 6 - 0 - Unanimously

A. Consideration and Approval of Contract: Cooperative Purchase contract with Insight Public Sector, Inc., in the amount of \$50,959.45 for SPIDR Tech victim notification software.

1. Approve the Cooperative Purchase Contract with Insight Public Sector, Inc., in the amount of \$50,959.45 for the SPIDR Tech victim notification software; and
2. Authorize the City Manager to execute all necessary documents.

B. Consideration and Approval of Contract: Cooperative Purchase Contract with Russ Bassett Corp. in the amount of \$383,053.33 for Computer Aided Dispatch (CAD) consoles in the Flagstaff Police Department (FPD) Emergency Communications Center.

1. Approve the Cooperative Purchase Contract with Russ Bassett Corp. in the amount of \$383.053.33 for CAD consoles in the FPD Emergency Communications Center; and
2. Authorize the City Manager to execute all necessary documents.

C. ~~**Consideration and Approval of Contract:** Cooperative Purchase Contract with PFVT Motors, Inc. (DBA Peoria Ford) for the purchase of two Ford Mustang Mach-E Electric Vehicles in the amount of \$106,412.58.~~

- ~~1. Approve the Cooperative Purchase Contract with PFVT Motors, Inc. (DBA Peoria Ford) for two Ford Mustang Mach-E Electric Vehicles in the amount of \$106,192.58; and~~
- ~~2. Authorize the City Manager to execute the necessary documents.~~

ITEM PULLED FROM THE AGENDA

D. **Consideration and Adoption:** Revised Priority Based Budgeting (PBB) Objectives

Councilmember House stated that she pulled the item due to its importance to the community. She requested a brief overview of the process and changes that were made.

Management Analyst Chris Rhode addressed Council and stated that the process began in early summer with a Council retreat in late June. During the retreat, Council provided initial thoughts on the areas they wanted to see changed within the seven priorities and objectives. Two open houses were held, and feedback was collected at various community events, including concerts, activity centers, and the mall. The events resulted in hundreds of comments and about 75 full survey submissions. The suggested changes ranged from language adjustments to substantive alterations reflecting community culture and needs. Recommendations were presented to the Council at the retreat in June where additional edits were made before finalizing the process.

Councilmember House thanked Mr. Rhode for the recap and for the work that was done to ensure that the community had the opportunity to provide input.

Moved by Councilmember Khara House, seconded by Councilmember Miranda Sweet to adopt the revised PBB Objectives.

Vote: 6 - 0 - Unanimously

E. **Ratification and Approval of Contract:** Cooperative Purchase Contract with CDW Government, LLC for the Microsoft Enterprise Software Renewal Agreement in the amount of \$1,053,107.46 (plus applicable taxes) for a 3 year contract.

1. Ratify and approve a Cooperative Purchase Contract with CDW Government, LLC for the Microsoft Enterprise Software Renewal Agreement in the amount of \$1,053,107.46 (plus applicable taxes) for a 3 year contract; and
2. Authorize the City Manager to execute the necessary documents.

F. **Consideration and Approval of Grant Agreement:** Grant Agreement in the amount of \$1,482,899.60 between the City of Flagstaff and the Arizona Department Emergency and Military Affairs (DEMA) for the Pre-Disaster Mitigation Grant Award for Museum Post-Fire Flood Mitigation Property Acquisition (EMF-2023-PD-0002).

1. Approve the Grant Agreement with DEMA for the Pre-Disaster Mitigation Grant Award for Museum Post-Fire Flood Mitigation Property Acquisition (EMF-2023-PD-0002) for \$1,482,899.60 (67% Federal Share), with a minimum \$717,100.00 (33% Non-Federal Share) match requirement; and
2. Direct the City Manager to execute the necessary documents.

10. **ROUTINE ITEMS**

A. **Consideration and Adoption of Ordinance No. 2023-23:** An ordinance of the Flagstaff City Council authorizing the acquisition of real property interests for a fiber network as a betterment to the Rio de Flag Flood Control Project; providing for delegation of authority, repeal of conflicting ordinances, severability, clerical corrections, and establishing an effective date.

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Miranda Sweet to read Ordinance No. 2023-23 by title only for the final time.

Vote: 6 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AUTHORIZING THE ACQUISITION OF REAL PROPERTY INTERESTS FOR A FIBER NETWORK AS A BETTERMENT TO THE RIO DE FLAG FLOOD CONTROL PROJECT; PROVIDING FOR DELEGATION OF AUTHORITY, REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Miranda Sweet to adopt Ordinance No. 2023-23.

Vote: 6 - 0 - Unanimously

- B. Consideration and Adoption of Ordinance No. 2023-24:** An ordinance amending hours of use for City Parks and the hours for lighting of sport courts within City Parks.

Councilmember McCarthy stated that he would support the ordinance but did not believe that it was adequate given the noise that was expended from some of the parks.

Moved by Councilmember Khara House, **seconded by** Councilmember Lori Matthews to read Ordinance No. 2023-24 by title only for the final time.

Vote: 6 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING CITY CODE TITLE 8, PUBLIC WAYS AND PROPERTY, CHAPTER 11, POLICIES REGARDING USE OF MUNICIPAL PARKS, SECTION 8-11-001-0005, USE BY THE GENERAL PUBLIC/HOURS OF USE; PROVIDING FOR REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Khara House to adopt Ordinance No. 2023-24.

Vote: 6 - 0 - Unanimously

11. REGULAR AGENDA

- A. Consideration and Adoption of Resolution No. 2023-55:** A resolution of the Flagstaff City Council authorizing condemnation of real property for the Lone Tree Overpass project; providing for delegation of authority, and establishing an effective date

Real Estate Manager Bryce Doty addressed Council and stated that the resolution would authorize condemnation of the property. He indicated that the property owner was amenable to the sale, however, due to back taxes on the property, they would have to go through condemnation.

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Khara House to read Resolution No. 2023-55 by title only.

Vote: 6 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, AUTHORIZING CONDEMNATION OF REAL PROPERTY FOR THE LONE TREE OVERPASS PROJECT; PROVIDING FOR DELEGATION OF AUTHORITY, AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Khara House to adopt Resolution No. 2023-55.

Vote: 6 - 0 - Unanimously

- B. Consideration and Adoption of Ordinance No. 2023-25:** An ordinance of the City Council of the City of Flagstaff, ratifying the grant and reservation of easements; and formally accepting dedications and donations of easements and real property interests; providing for severability, authority for clerical corrections, and establishing an effective date. **(Approving receipt/transfer of easements and real property interests)**

Real Estate Specialist Carmen Pryor addressed Council and stated that the ordinance would formally accept the granting and reservation of real property interests that had been acquired over the prior year.

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Miranda Sweet to read Ordinance No. 2023-25 by title only for the first time.

Vote: 6 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, RATIFYING THE GRANT AND RESERVATION OF EASEMENTS; AND FORMALLY ACCEPTING DEDICATIONS AND DONATIONS OF EASEMENTS AND REAL PROPERTY INTERESTS; PROVIDING FOR SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

- C. Consideration and Adoption of Resolution No. 2023-52:** A resolution approving an Intergovernmental Agreement between the Summit Fire Medical District, the Highlands Fire District, the Pinewood Fire District, the Ponderosa Fire District and the City of Flagstaff on behalf of the Flagstaff Fire Department to expend grants funds and participate in regional training of emergency services personnel.

Deputy Fire Chief Jerry Bills addressed Council and stated that the resolution would approve an agreement to provide fire training for the city's regional partners. The money was 90% federal and 10% district with a proportional share assigned to each district.

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Khara House to read Resolution No. 2023-52 by title only.

Vote: 6 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, APPROVING AN INTERGOVERNMENTAL AGREEMENT BETWEEN THE HIGHLANDS FIRE DISTRICT, PONDEROSA FIRE DEPARTMENT, PINWOOD FIRE DEPARTMENT, SUMMIT FIRE AND MEDICAL DISTRICT AND THE CITY OF FLAGSTAFF FOR THE ASSISTANCE TO FIREFIGHTERS REGIONAL TRAINING GRANT PROGRAM

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Khara House to adopt Resolution No. 2023-52.

Vote: 6 - 0 - Unanimously

- D. Consideration and Adoption of Resolution No. 2023-53:** A resolution authorizing an Intergovernmental Agreement (IGA) between the City of Flagstaff and the State of Arizona, acting by and through the Department of Transportation (ADOT) for US180 at Schultz Creek Drainage Maintenance.

Grants, Contracts, and Emergency Management Director Stacey Brechler-Knaggs addressed Council and stated that the city was responsible for the design and construction of the new drainage system at Highway 180 and Schultz Creek to alleviate post wildfire flooding. The state would review the design plans and provide an inspector at no additional cost to the city. The advertising, design, permitting, and construction was secured and funded through the fiscal year 2024 state appropriation and the city had already started to receive some of the funding.

Moved by Councilmember Miranda Sweet, seconded by Councilmember Khara House to read Resolution No. 2023-53 by title only.

Vote: 6 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, APPROVING AN INTERGOVERNMENTAL AGREEMENT BETWEEN THE STATE OF ARIZONA, ACTING BY AND THROUGH THE DEPARTMENT OF TRANSPORTATION (ADOT) AND THE CITY OF FLAGSTAFF FOR US180 AT SCHULTZ CREEK DRAINAGE MAINTENANCE

Moved by Councilmember Miranda Sweet, seconded by Councilmember Khara House to adopt Resolution No. 2023-53.

Vote: 6 - 0 - Unanimously

- E. **Consideration and Adoption of Resolution No. 2023-51:** A resolution adopting the Rental Incentive Bond Program, providing framework for the expenditure of \$5,000,000 in general obligation bond funds for incentivizing the creation of affordable rental units.

Housing Planning Manager Jennifer Mikelson addressed Council and noted that the item had been discussed at the October 24, 2023 Work Session and that she was available for any questions.

Moved by Councilmember Jim McCarthy, seconded by Councilmember Khara House to read Resolution 2023-51 by title only, but with one minor change. The intent of the minor change was to tailor the program to be consistent with the Information Pamphlet that the voters were given to inform them of what the program would be. The change proposed was an addition to the Rental Incentive Bond Program Submittal Requirements, Minimum Threshold Criteria. Specifically, add the criterion that "The Project includes a minimum of 10% market-rate rental units."

Vice Mayor Aslan asked if a housing development had been identified at 90% affordable and 10% market-rate. Councilmember McCarthy indicated that he was not aware of one and the reason he made the motion was because he felt that the action was consistent with what was included in the publicity pamphlet from the bond election.

Vice Mayor Aslan stated that he did not believe that the amendment would be practical and that it was unlikely that a 90% affordable development would come forward. He did not want to exclude applications that were 100% affordable developments.

Councilmember Matthews agreed with Councilmember McCarthy and indicated that the intent was to incentivize market-rate developments to include affordable housing. She asked about the process for the remaining \$15 million from the bond. Housing Director Sarah Darr stated that there were three identified activities remaining within the bond. One was expanding the down payment and closing cost program and Council approved changes to those programs a few weeks ago. The other two activities included redevelopment of city properties which would not require a working group, and adaptive reuse to target the adaptation of existing vacant structures from one use into rental housing. The adaptive reuse would take more time because there was not a model to work from, they would have to develop the program in its entirety.

Councilmember House stated that while the intention was to incentivize market-rate developers, she felt that the overall objective was to increase access to and the supply of affordable housing. She had seconded the motion to allow the Council to engage in a discussion and while she agreed with the sentiments of the amendment, she believed that it would limit the potential benefit to the community.

Mayor Daggett stated that the goal was to get affordable housing constructed and she felt that the resolution did that and adequately addressed what was on the ballot and within the voter pamphlet.

Vote: 2 - 4

AYE: Councilmember Jim McCarthy

Councilmember Lori Matthews

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Lori Matthews to read Resolution No. 2023-51 by title only.

Vote: 5 - 1

NAY: Councilmember Jim McCarthy

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, ADOPTING THE RENTAL INCENTIVE BOND PROGRAM

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Lori Matthews adopt Resolution No. 2023-51.

Vote: 5 - 1

NAY: Councilmember Jim McCarthy

12. DISCUSSION ITEMS

A. **Butler-Fourth Improvements Project - Design Alternatives Discussion**

Project Manager Jeremy DeGeyter introduced Nick Hall Project Manager with Burgess and Niple, who provided a PowerPoint presentation that covered the following:

BUTLER-FOURTH IMPROVEMENTS PROJECT DESIGN ALTERNATIVES DISCUSSION
 CONTENTS
 PROJECT TEAM
 PROJECT LIMITS
 PROJECT BACKGROUND
 DEVELOPMENTS
 PROJECT GOALS
 CORRIDOR TYPICAL SECTION
 BICYCLE AND PEDESTRIAN TREATMENTS
 EXISTING BICYCLE AND PEDESTRIAN NETWORK
 PROPOSED BICYCLE AND PEDESTRIAN NETWORK
 PEDESTRIAN AND TRANSIT FACILITIES
 MEDIAN TREATMENTS

Councilmember Matthews asked how much of Butler would contain the off street bike lanes. Mr. DeGeyter stated that they planned to carry the improvement as far to the west as possible.

HEROLD RANCH ROUNDABOUT
 BUTLER-FOURTH INTERSECTION ALTERNATIVES SELECTION
 ALTERNATIVE EVALUATION TIMELINE A
 ADDITIONAL EVALUATED ALTERNATIVES
 5X5 SIGNALIZED
 2X2 ROUNDABOUT
 CANDIDATE ALTERNATIVES
 ALTERNATIVE A -- 7X7 INTERSECTION
 ALTERNATIVE B -- 6X6 INTERSECTION
 ALTERNATIVE B -- INTERSECTION CROSSINGS
 ALTERNATIVE C -- 2X2 ROUNDABOUT
 ALTERNATIVE C -- INTERSECTION CROSSINGS
 PROJECT TEAM REVIEW OF OVERALL MATRIX
 COMMISSION AND COMMITTEE RANKING
 COMMISSION AND COMMITTEE SCORING
 PUBLIC INPUT
 PUBLIC INPUT -- SURVEY RESULTS
 ALTERNATIVE D -- 2X1.5 ROUNDABOUT
 PROJECT TEAM REVIEW OF MATRIX
 COUNCIL DIRECTION
 NEXT STEPS

Councilmember Matthews stated that there would be a lot of new houses along Butler, she expressed concern about the speed limit along Butler and urged staff to consider the bike and pedestrian populations when they made those decisions. She also stated that she supported the tabletop crosswalks that were added and she liked Option D. She indicated support for flashing beacons and separated bike and pedestrian lanes.

Councilmember McCarthy stated that he did not support the 7x7 or 6x6 intersections. He stated that the widths of the refuge areas should be increased and that there needed to be signage that alerted crossers that there were multiple lanes of traffic to watch. He supported Option C or Option D with offset crossings.

Councilmember Sweet asked how the 35 mile per hour speed limit was determined and what that would mean for entrance into the roundabout. Mr. DeGeyter stated that the speed limit was determined by the engineering standards. Mr. Hall added that they also had speed-reducing curves that led up to the roundabout to naturally slow speeds as cars approached the roundabout.

Councilmember Sweet stated that she would support anything that would shorten the time it took for a pedestrian to get from point A to point B.

The following individuals addressed Council regarding the Butler-Fourth Improvements Program:

- Adam Shimoni, on behalf of Flagstaff Biking Organization
- Dapper Dre
- Star Kelley-Raemer
- Wilma Ennenger

The following comments were received:

- The project needed to be built for all types of transportation, especially cyclists and pedestrians.
- None of the options put pedestrians first.
- Alternative D was a decent option, but not preferred.
- Support raised crosswalks, 15-foot medians, and beacon lights for pedestrian crossings.
- Consider reducing the speed on Butler.
- Much of the focus of the design was on vehicles rather than pedestrians or cyclists.
- A specific pedestrian and cyclist thoroughfare should be considered.
- There is a concern about large trucks traversing through the neighborhoods to get to the highway.
- It was unfortunate that FUSD was not involved as a design partner.
- Residents of Sinagua Heights had not been consulted about the design.
- Traffic backs up during school drop-off and pick up and that should be considered.
- There should be a crosswalk for people to get across Butler without going to the roundabout.
- A signalized intersection was preferred.
- There are concerns about the impact of the design on nearby businesses.
- The design would eliminate twelve spaces from Black Barts.
- The residents of Harold Ranch have not been consulted about the roundabout.

Star Kelley-Raymer submitted a written comment that requested a crosswalk rather than traffic circle at Mount Pleasant and Butler.

Sasha Heinen submitted a written comment with concerns about the designs lack of support for pedestrians and cyclists. She requested separated paths along Butler for pedestrians and cyclists.

Mayor Daggett asked about the business access and the truck traffic that would come from Little America. Mr. DeGeyter stated that staff had been coordinating with Black Barks and Little America on the access points. The current design maintained left turns into the businesses. They are not far into the design so it was unknown what the full impacts would be.

Mayor Daggett asked about the comment made regarding the loss of spots at Black Barts. Mr. DeGeyter stated that because they were not deep into design it was unknown if that would be

necessary. They have heard the concerns and would work to minimize those impacts.

Mayor Daggett asked about the roundabout at Harold Ranch Road. Mr. DeGeyter explained that the roundabout was for truck turn movement to provide an opportunity to turn around and gain access to I-40.

Councilmember Matthews expressed concern about the schools on Butler and asked if a light could be incorporated into the design to allow kids to cross. She expressed concern about the possibility of Black Barts losing spaces and encouraged staff to work to avoid that. She also noted her support for no left turns onto Butler.

Vice Mayor Aslan stated that he supported Option D and Option C. He also indicated that he was interested in more information about an underground pedestrian tunnel and asked if it would be feasible to consider a crossways tunnel for all four corners. He stated that it was great to see more bike and pedestrian features incorporated into the project.

Councilmember Sweet voiced support for raised crosswalks, 12-foot medians, the turn movements to slow traffic as they enter the roundabout, sharrow markings, and beacons that only had to be pushed once. She would like to consider crossing improvements near Sinagua Middle School, and she encouraged continued communication with nearby businesses.

Mayor Daggett requested that as staff moved further into design that they continue to consider pedestrians and cyclists first and how the design would impact them. Designing streets that supported a mix of transportation modes ensures that travel was enjoyable and safe for all. She also expressed a desire to consider a lower speed limit along the entirety of Butler. She also requested that FUSD be included in the conversations about design to consider the impact on students at the schools in the area.

Mr. DeGeyter thanked Council for the direction provided. He stated that more details would come in the future and he would continue to communicate with Council on the progress.

13. FUTURE AGENDA ITEM REQUESTS

After discussion and upon agreement by three members of the Council, an item will be moved to a regularly-scheduled Council meeting.

- A. Future Agenda Item Request (F.A.I.R.): A request by Councilmember Matthews to place on a future agenda a discussion to consider adding the 10-Year Housing Plan to the staff summary policy impact section

There was requisite Council support to advance the item to a future agenda for discussion.

14. PUBLIC PARTICIPATION

None

15. INFORMATIONAL ITEMS TO/FROM MAYOR, COUNCIL, AND STAFF, AND FUTURE AGENDA ITEM REQUESTS

Councilmember Sweet stated that she would be absent from the next meeting.

Councilmember House noted that she would not be in person at the next meeting but planned on attending virtually.

Vice Mayor Aslan shared that he travelled to Santa Monica to attend a film festival with staff from Discover Flagstaff; they had a great time promoting Flagstaff as a film destination. He also reported that he had been invited to participate on the Board of the Flagstaff Community Band. He had been enjoying that new role and looked forward to future engagement in the community.

Councilmember Matthews offered a shout-out to Water Conservation Specialist Emily Melhorne for

her work in the conservation program. She met with Ms. Melhorne at Anew Living for an analysis of water conservation efforts, and she supplied water-saving shower heads, aerators for faucets, and testers for toilet leaks. She would also look into a device that goes on the water meter to send alerts if there was an unusual spike in water usage. She thanked Ms. Melhorne for her time and encouraged others to reach out for a similar audit. She also requested a FAIR Item to consider officially designating the second Monday in October as Indigenous Peoples' Day and an official city holiday.

Mayor Daggett reported that she attended the Flinn Brown convention where she was able to present the Arizona Champion of Northern Award to the Mayor of Cottonwood.

16. ADJOURNMENT

The Regular Meeting of the Flagstaff City Council held November 7, 2023, adjourned at 6:23 p.m.

MAYOR

ATTEST:

CITY CLERK

CERTIFICATION

I, STACY SALTZBURG, do hereby certify that I am the City Clerk of the City of Flagstaff, County of Coconino, State of Arizona, and that the above Minutes are a true and correct summary of the Meeting of the Council of the City of Flagstaff held on November 7, 2023. I further certify that the Meeting was duly called and held and that a quorum was present.

DATED this 19th day of March, 2024

CITY CLERK

MINUTES

1. CALL TO ORDER

Mayor Daggett called the meeting of the Flagstaff City Council held November 21, 2023, to order at 3:03 p.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 regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for discussion and consultation with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

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

PRESENT:

ABSENT:

MAYOR DAGGETT
VICE MAYOR ASLAN
COUNCILMEMBER HARRIS
COUNCILMEMBER HOUSE
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY (VIRTUALLY)
COUNCILMEMBER SWEET

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

3. PLEDGE OF ALLEGIANCE, MISSION STATEMENT, AND LAND ACKNOWLEDGEMENT

The Council and audience recited the pledge of allegiance, Councilmember Sweet read the Mission Statement of the City of Flagstaff, and Councilmember House read the Land Acknowledgement.

MISSION STATEMENT

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

LAND ACKNOWLEDGEMENT

The Flagstaff City Council humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.

4. PUBLIC PARTICIPATION

Public Participation enables the public to address the Council about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed. If you wish to address the Council at tonight's meeting, please complete a comment card and submit it to the recording clerk as soon as possible. Your name will be called when it is your turn to speak. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

Nadine Hart addressed Council and spoke about issues and struggles she experienced as a housing choice voucher holder.

Jonathan Otero addressed Council and spoke in opposition to the anti-camping ordinance. He stated that sleeping should not be criminalized.

5. PROCLAMATIONS AND RECOGNITIONS

A. November Work Anniversaries

Deputy City Manager Joanne Keene provided a PowerPoint presentation that covered the following:

NOVEMBER EMPLOYEE WORK ANNIVERSARIES
FIRST YEAR ANNIVERSARIES
FIVE YEAR ANNIVERSARIES
FIFTEEN YEAR ANNIVERSARIES
CONGRATULATIONS ON YOUR RETIREMENT!

6. COUNCIL LIAISON REPORTS

Councilmember House reported that the Commission on Diversity Awareness met and received updates on the Native American Heritage month flag and the Black History month flag. She hoped to provide recommendations for the upcoming 2024 flag designations.

Councilmember Sweet reported that she attended the Mountain Line Board meeting where they discussed the 2024-2025 legislative priorities and received an update on the electric bus pilot. She also attended the Water Commission meeting where they received an update on the water rate study.

Vice Mayor Aslan reported that the Tourism Commission met and received a number of great reports. Of note, was the amount of international travel that staff were undertaking to promote Flagstaff. He also reported that he attended the Cosmic Ray at Sheep Crossing Trail unveiling as well as a meeting with the Dark Sky Coalition. Lastly, he reported that an interpretive display was unveiled at the Flagstaff Visitor Center that included an interactive screen display that shared information about the Flagstaff area.

Councilmember Matthews reported that she also attended the Mountain Line Board meeting and received a presentation on their 12-18 month work plan in support of their strategic plan. They also discussed CDL testing and the possibility of a transit tax on the 2024 ballot. They also announced that they were awarded a \$12.4 million grant for the build out of solar on the Downtown Connection Center administration building.

7. LIQUOR LICENSE PUBLIC HEARINGS

Applications under Liquor License Public Hearings may be considered under one public hearing and may be acted upon by one motion unless otherwise requested by Council.

- A. **Consideration and Action on Liquor License Application:** Jeffrey Craig Miller, "Over Easy," 501 E. Piccadilly Drive, Building 101, Suite 70, Series 12 (restaurant), New License.

Mayor Daggett opened the public hearing.

Police Sergeant Nick Almendarez introduced the application and noted no concerns.

There being no public comment, Mayor Daggett closed the public hearing.

Moved by Councilmember Khara House, **seconded by** Vice Mayor Austin Aslan to forward the application to the State with a recommendation for approval.

Vote: 7 - 0 - Unanimously

- B. **Consideration and Action on Liquor License Application:** Anthony Burton Coulston, "Sunnyside Chevron," 2205 N. 4th Street, Series 09 (liquor store - all spirituous liquor), Owner Transfer.

Mayor Daggett opened the public hearing.

Police Sergeant Nick Almendarez introduced the application and noted no concerns.

There being no public comment, Mayor Daggett closed the public hearing.

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Miranda Sweet to forward the application to the State with a recommendation for approval.

Vote: 7 - 0 - Unanimously

8. CONSENT AGENDA

All matters under Consent Agenda are considered by the City Council to be routine. Unless a member of City Council expresses a desire at the meeting to remove an item from the Consent Agenda for discussion, the Consent Agenda will be enacted by one motion approving the recommendations listed on the agenda. Unless otherwise indicated, expenditures approved by Council are budgeted items.

Moved by Councilmember Khara House, **seconded by** Councilmember Jim McCarthy to approve the Consent Agenda as posted.

Vote: 7 - 0 - Unanimously

- A. **Consideration and Approval of Contract:** Cooperative Purchase Contract with Empire Southwest, LLC in the amount of \$1,103,354.00, plus other fees and taxes, for a Caterpillar 826K Refuse Compactor.

1. Approve the Cooperative Purchase Contract with Empire Southwest, LLC in the amount of \$1,103,354.00, plus other fees and taxes, for a Caterpillar 826K Refuse Compactor of \$1,103,354.00; and
2. Authorize the City Manager to execute the necessary documents.

- B. **Consideration and Approval of Assignment of Development Agreement:** Transfer of the Development Agreement between the City and VP 66 and Woody Mountain LLC to Liv SC Flagstaff, LLC

Approve the assignment of the Development Agreement to Liv SC Flagstaff, LLC.

9. **ROUTINE ITEMS**

- A. **Consideration and Adoption of Ordinance No. 2023-25:** An ordinance of the City Council of the City of Flagstaff, ratifying the grant and reservation of easements; and formally accepting dedications and donations of easements and real property interests; providing for severability, authority for clerical corrections, and establishing an effective date. (**Approving receipt/transfer of easements and real property interests**)

Real Estate Specialist Carmen Pryer addressed Council and shared that clerical errors were found after the first read. She noted that the errors had been corrected and the ordinance was ready for final read and adoption.

Moved by Councilmember Lori Matthews, **seconded by** Vice Mayor Austin Aslan to read Ordinance No. 2023-25 by title only for the final time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, RATIFYING THE GRANT AND RESERVATION OF EASEMENTS; AND FORMALLY ACCEPTING DEDICATIONS AND DONATIONS OF EASEMENTS AND REAL PROPERTY INTERESTS; PROVIDING FOR SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Miranda Sweet to adopt Ordinance No. 2023-25.

Vote: 7 - 0 - Unanimously

10. **PUBLIC HEARING ITEMS**

Mayor Daggett opened the public hearing on Items 10A, 10B, and 10C.

Zoning Code Manager Tiffany Antol provided a PowerPoint presentation that covered the following:

ZONING CODE AMENDMENT PLANNED RESIDENTIAL DEVELOPMENT
 PLANNED RESIDENTIAL DEVELOPMENT
 CITY'S PROPOSED ZONING CODE TEXT AMENDMENT
 OVERVIEW OF PROPOSED AMENDMENT
 REQUIRED FINDINGS
 MEETING FACILITIES -- NEIGHBORHOOD & REGIONAL
 CITY'S PROPOSED ZONING CODE TEXT AMENDMENT
 OVERVIEW OF PROPOSED AMENDMENT
 MEETING FACILITIES
 REQUIRED FINDINGS
 MH LOT DEVELOPMENT STANDARDS
 MANUFACTURED HOME (MH) ZONE LOT STANDARDS
 MOBILE HAVEN SUBDIVISION
 CITY'S PROPOSED ZONING CODE TEXT AMENDMENT
 OVERVIEW OF PROPOSED AMENDMENT
 REQUIRED FINDINGS

There being no public comment, Mayor Daggett closed the public hearing on Items 10A, 10B, and 10C.

- A. **Consideration and Adoption of Resolution No. 2023-57 and Ordinance No. 2023-28:** A Resolution of the City Council of the City of Flagstaff, Coconino County, Arizona, declaring as a public record that certain document filed with the City Clerk entitled "PZ-22-00223 - Planned Residential Development" and an Ordinance of the City Council of the City of Flagstaff, Coconino County, Arizona, amending the Flagstaff City Code, Title 10, Flagstaff Zoning Code, to modify the existing Planned Residential Development standards.

Moved by Councilmember Khara House, **seconded by** Vice Mayor Austin Aslan to read Resolution No. 2023-57 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL DECLARING AS A PUBLIC RECORD THAT CERTAIN DOCUMENT FILED WITH THE CITY CLERK AND ENTITLED "PZ-22-00223 -- PLANNED RESIDENTIAL DEVELOPMENT"

Moved by Councilmember Khara House, **seconded by** Councilmember Miranda Sweet to read Ordinance No. 2023-28 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, TITLE 10, FLAGSTAFF ZONING CODE, BY ADOPTING BY REFERENCE THAT CERTAIN DOCUMENT ENTITLED "PZ-22-00223 -- PLANNED RESIDENTIAL DEVELOPMENT"; PROVIDING FOR PENALTIES, REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE

- B. **Consideration and Adoption of Resolution No. 2023-54 and Ordinance No. 2023-26:** A Resolution of the City Council of the City of Flagstaff, Coconino County, Arizona, declaring as a public record that certain document filed with the City Clerk entitled "PZ-23-00135 - Meeting Facilities, Neighborhood and Regional" and an Ordinance of the City Council of the City of Flagstaff, Coconino county, Arizona, amending the Flagstaff City Code, Title 10, Flagstaff Zoning Code, to modify the existing Meeting Facility, Public or Private land use.

Moved by Councilmember Lori Matthews, **seconded by** Vice Mayor Austin Aslan to read Resolution No. 2023-54 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL DECLARING AS A PUBLIC RECORD THAT CERTAIN DOCUMENT FILED WITH THE CITY CLERK AND ENTITLED "PZ-23-00135 -- MEETING FACILITIES, NEIGHBORHOOD AND REGIONAL"

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Khara House to read Ordinance No. 2023-26 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, TITLE 10, FLAGSTAFF ZONING CODE, BY ADOPTING BY REFERENCE THAT CERTAIN DOCUMENT ENTITLED "PZ-23-00135 -- MEETING FACILITIES, NEIGHBORHOOD AND REGIONAL"; PROVIDING FOR PENALTIES, REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE

- C. Consideration and Adoption of Resolution No. 2023-56 and Ordinance No. 2023-27:** A Resolution of the City Council of the City of Flagstaff, Coconino County, Arizona, declaring as a public record that certain document filed with the City Clerk entitled "PZ-23-00137 - Manufactured Home (MH) Zone Lot Development Standards" and an Ordinance of the City Council of the City of Flagstaff, Coconino County, Arizona, amending the Flagstaff City Code, Title 10, Flagstaff Zoning Code to modify the lot development standards of the Manufactured Home (MH) zone.

Moved by Councilmember Deborah Harris, **seconded by** Councilmember Khara House to read Resolution No. 2023-56 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL DECLARING AS A PUBLIC RECORD THAT CERTAIN DOCUMENT FILED WITH THE CITY CLERK AND ENTITLED "PZ-23-00137 -- MANUFACTURED HOME (MH) ZONE LOT DEVELOPMENT STANDARDS"

Moved by Councilmember Deborah Harris, **seconded by** Councilmember Miranda Sweet to read Ordinance No. 2023-27 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, TITLE 10, FLAGSTAFF ZONING CODE, BY ADOPTING BY REFERENCE THAT CERTAIN DOCUMENT ENTITLED "PZ-23-00137 -- MANUFACTURED HOME (MH) ZONE LOT DEVELOPMENT STANDARDS"; PROVIDING FOR PENALTIES, REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE

- D. Consideration and Adoption of Resolution No. 2023-58 and Ordinance No. 2023-29:** A resolution of the Flagstaff City Council declaring as a public record that certain document filed with the City Clerk and entitled "PZ-23-00130 Updates to Zoning Code - Open Space Terminology" and an ordinance of the City Council of the City of Flagstaff amending the Flagstaff City Code, Title 10, Flagstaff Zoning Code, by adopting by reference that certain document entitled "PZ-23-00130 Updates to Zoning Code - Open Space Terminology"

Mayor Daggett opened the public hearing.

Planner Bethan Heng provided a PowerPoint presentation that covered the following:

OPEN SPACE TERMINOLOGY TEXT AMENDMENT
 OVERVIEW
 AREA SPECIFICATION, PURPOSE, PURVIEW
 EXAMPLES OF "COMMON OPEN SPACE"
 EXAMPLES OF "PRIVATE OPEN SPACE"
 EXAMPLES OF "OPEN SPACE"
 STAFF RECOMMENDATION
 FINDING #1
 FINDING #2
 FINDING #3
 PROSE
 PLANNING AND ZONING COMMISSION
 PUBLIC COMMENT
 RECOMMENDATION

Councilmember McCarthy stated that he found the terms nebulous, and they did not clearly define what was being discussed.

Ms. Heng stated that there had been a lack of consistency in how the terms were referred to within the code. Common Open Space would refer to open space for the use and enjoyment of all, and Private Open Space would refer to open space that was provided to residents within a development.

There being no public comment, Mayor Daggett closed the public hearing.

Moved by Vice Mayor Austin Aslan, **seconded by** Councilmember Miranda Sweet to read Resolution No. 2023-58 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL DECLARING AS A PUBLIC RECORD THAT CERTAIN DOCUMENT FILED WITH THE CITY CLERK AND ENTITLED "PZ-23-00130 UPDATES TO ZONING CODE -- OPEN SPACE TERMINOLOGY"

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Khara House to read Ordinance No. 2023-29 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, TITLE 10, FLAGSTAFF ZONING CODE, BY ADOPTING BY REFERENCE THAT CERTAIN DOCUMENT ENTITLED "PZ-23-00130 UPDATES TO ZONING CODE -- OPEN SPACE TERMINOLOGY"; PROVIDING FOR PENALTIES, REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE

11. REGULAR AGENDA

- A. **Consideration and Adoption of Resolution No. 2023-59:** Intergovernmental Agreement between Coconino County Flood Control District and the City of Flagstaff for License to Use City Property

Public Works Director Scott Overton stated that the Coconino County Flood Control District reached out with a mutual aid request to utilize city property located at the Cinder Lake landfill to accommodate pipe storage and some pipe fabrication materials for the upcoming Pipeline East mitigation projects. He indicated that staff was supportive of the request and noted that there would be minimal impact on the operations at the landfill.

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Jim McCarthy to read Resolution No. 2023-59 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, APPROVING AN INTERGOVERNMENTAL AGREEMENT BETWEEN COCONINO COUNTY FLOOD CONTROL DISTRICT AND THE CITY OF FLAGSTAFF TO ALLOW THE DISTRICT TO USE CITY PROPERTY AT CINDER LAKES LANDFILL FOR A PIPE FABRICATION FACILITY

Moved by Councilmember Khara House, **seconded by** Councilmember Miranda Sweet to adopt Resolution No. 2023-59.

Vote: 7 - 0 - Unanimously

- B. **Consideration and Approval of Adjustments of Property Development Standards:** Request by Roers Company, applicant for VP66 & Woody Mountain LLC, property owner, to approve adjustments to property development standards for a 100% affordable housing development located at 2292 S Alvan Clark Blvd (APN 112-01-156).

Current Planning Manager Alexandra Pucciarelli provided a PowerPoint presentation that covered the following:

WOODY MOUNTAIN APARTMENTS
ADJUSTMENT OF PROPERTY DEVELOPMENT STANDARDS
REQUEST OVERVIEW

VICINITY MAP
APPROVED SITE PLAN
WOODY MOUNTAIN APARTMENTS
PROPOSED ADJUSTMENTS
MODIFIED SITE PLAN
PROPOSED ADJUSTMENTS
ADJUSTMENT FINDINGS
PUBLIC NOTIFICATION
RECOMMENDATION

Councilmember Matthews asked about the width of the parking spaces and if there was enough room for people to open their doors. Ms. Pucciarelli stated that the parking space widths would be addressed within the conditions that staff were requesting. The new site plans would include the vehicle turning radius and the placement of the canopies. They did not have specific information because the developer wanted to request the modification first before doing the design work.

Lindsay Schube, on behalf of the applicant, provided a PowerPoint presentation that covered the following:

WOODY MOUNTAIN APARTMENTS
INTRODUCTIONS
ROERS COMPANIES
AERIAL MAP
ZONING MAP
REQUEST
PROJECT OVERVIEW
REQUEST 1
REQUEST 2
REQUEST 3
APPROVAL CRITERIA
CONCLUSION

Councilmember Harris asked where the energy savings from the solar panels would go. Kevin Sturgeon with Roers, stated that the development was an owner-pay energy structure, which meant that residents were not responsible for a separate utility bill. The energy savings would be realized by the entirety of the development.

The following individuals addressed Council in opposition to the adjustments of the Property Development Standards:

- Jonathan Phegley
- Mary McCarthy
- Sabrina (no last name provided)

The following comments were received:

- Notification of the project was limited.
- Concerned about the congestion in the area.
- The design seemed very plain and did not match the esthetic of Timber Sky
- The development was significantly different from the development that was described when they purchased their home.
- Concerned about losing the dark sky feeling of the neighborhood.
- What started as 20% affordable condos and townhomes had changed to 100% affordable apartments.
- There did not seem to be protections in place to ensure they do what they have committed to do.
- There would be an increase in traffic.
- What would the impacts of the project be and had those been considered?
- Many of the promised amenities in Timber Sky had not been done.
- The development was built on state land and in accordance with state land provisions, the land

was not supposed to be developed.

Ms. Pucciarelli stated that the parcel was rezoned as part of the entire Timber Sky subdivision. It was at that time that the impact analyses were completed. The parcel had always been envisioned as multi-family residential and the zoning had allowed for that density, so the impact analyses included the maximum number of units allowed on that site. The impact analyses included water, sewer, traffic, and stormwater. Concerning the dark sky concerns, the development was required to meet all regulations and restrictions placed upon the Timber Sky development.

Ms. Schube stated that the project had been discussed many times at Timber Sky HOA meetings. All impact studies contemplated more density at the corner. The Development Agreement exceeded all dark sky code obligations. With regard to the amenities within Timber Sky, the site plans had been approved, and the building permits had been issued to begin construction.

Councilmember Harris asked about the timeframe for completion of the amenities. Ms. Pucciarelli explained that it was difficult to determine because the development had so many phases and parts. She indicated that there would come a point in the development where the city would no longer issue any more Certificates of Occupancy until certain requirements were met. There was not an exact timeline, but there were ways to hold the developer accountable for following through on their obligations.

Councilmember Matthews asked about the notification requirements for the various phases. Ms. Pucciarelli stated that when the Timber Sky development first came in, few lived in the area. There were now more people who lived there. All notification requirements had been met with the development and rezone of the property. She noted that there was a code update that put a requirement that any amendments to a development agreement must be noticed to surrounding property owners.

Councilmember Matthews asked how different the outside architecture would appear compared to the other phases of the development. Ms. Schube stated that the only deviations were the depth of the garage, the building jogs, and the width of the parking stalls. The city design standards had all been met and HOA approval had been granted.

Mayor Daggett asked about the comment related to state land transfer. Ms. Pucciarelli explained that the state would often auction property for private purchase. There were no stipulations against development, and it was common for private developers to acquire the property. Ms. Schube added clarification that state land was not conservation land and it could be sold for highest and best value.

Vice Mayor Aslan expressed his excitement that the project was advancing and that there was opportunity to incentivize the effort. He stated that the amendments seemed minor and reasonable.

Councilmember McCarthy voiced his support for the modifications.

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Khara House to approve the modifications requested as presented, with the following conditions:

1. Before Civil Plan approval, staff will be provided with a revised site plan showing the final location of solar parking canopies, column locations, and layout of parking spaces.
2. A final landscape plan showing the layout of the parking peninsulas and the quantities and locations of landscape material be provided to staff as part of the Civil Plan Set submittal.

Vote: 7 - 0 - Unanimously

12. DISCUSSION ITEMS

A. **Update on Agassiz Renaming Process**

Coordinator for Indigenous Initiatives Rose Toehe addressed Council and stated that the Indigenous Youths of Flagstaff embarked on an effort to rename Agassiz Peak within the San Francisco Peaks

to Öo'mawki, a Hopi name which meant "home or place of the clouds." They met with many relatives, both Indigenous and non-Indigenous, and garnered support for their work, which also included the Agassiz family. She introduced Makaius Marks, Johnny Otero, Althea Etsitty, Madilynn Benally, and Loralynn Yazzie who provided an update on the efforts.

The points covered by the youth included the following:

- The process had taken many years.
- The Indigenous Club at Flagstaff High School began the effort and issued a press release that urged a name change of the peak.
- The mountain was female and represented the life that prospered around her.
- The rename was a reconciliation of the past, not an erasure of it.
- The Peaks were a symbol of the community, and it were sacred.
- House of the clouds was a reflection of the community.
- The next generation desired to feel served by the community around them.
- The Indigenous Youths of Flagstaff attended a meeting of the Board of National Geographic Names where they changed the name of Agassiz Peak to Öo'mawki.
- Öo'mawki was chosen because the Hopi were our ancestors, here long before many of us and the name acknowledged and respected that heritage.
- They were thankful for the acknowledgement and approval of the name change.
- The change represented further inclusivity within the Flagstaff community.
- There were 12 other tribes that deemed the mountain as holy.
- A name that did not represent sacredness was a disregard to its importance and a disregard of the cultural importance of the mountain.
- The name change would affect the current generation and generations to come.
- They were there to educate people about Indigenous youth and for Indigenous advocacy.
- There was still much work to be done, and care must be taken to sow the seeds that were planted with this effort.
- They carry the mountain with them every day.
- The mountain gave them and the community their identity.
- Thank you for taking the time to make this acknowledgment.

Tyler Jensen submitted a written comment in support of the renaming of Agassiz Peak and the efforts of the group.

Mayor Daggett expressed gratitude for the work they had put into the process. She thanked the group for sharing their thoughts and feelings about what the mountain represented to them.

Councilmember House thanked the group for the update. She shared a concept that came from her people, which was Sankof. It stemmed from a phrase that meant do not be afraid to look backward for what may have been forgotten and bring it into the present. It was represented by a crane or a bird that was looking backward with an egg on its back and the egg represented the future. The bird was flying into the present while looking back at the past and recognizing all. She felt that the renaming efforts represented that concept and the recognition and acknowledgment of the past but not to erase it. She expressed excitement of the change and thanked the group for their relentless effort to see it through.

Councilmember Matthews also expressed excitement about the change. She felt that it was a fresh healing and honoring of the past and present. They were the generation to pave the way and make change.

Councilmember Sweet thanked the group for their update and for giving hope. She noted that there was a lot that was happening in the world and their actions made a difference for everyone. Their dedication would ripple into more positive changes. She thanked them for using their voices and being passionate about change.

Councilmember Harris stated that there was so much appreciation for their work and commitment. They set a great example for others to follow. She encouraged them to continue to engage and never give up the struggle.

Vice Mayor Aslan echoed all the gratitude expressed and stated that he had hope for the future. He encouraged them to continue their involvement within the community and elsewhere. He also encouraged them to consider a seat on Council as more Indigenous and youth representation was needed.

13. **FUTURE AGENDA ITEM REQUESTS**

After discussion and upon agreement by three members of the Council, an item will be moved to a regularly-scheduled Council meeting.

- A. **Future Agenda Item Request (F.A.I.R.)**: A request by Councilmember Matthews to place on a future agenda a discussion to consider designating the second Monday in October Indigenous Peoples Day for the city.

Mr. Clifton stated that staff had begun to research the possibility of adding the holiday. He indicated that the discussion would come back to Council as part of the next budget process.

There was requisite Council support to advance the item to a future agenda for discussion.

14. **PUBLIC PARTICIPATION**

None

15. **INFORMATIONAL ITEMS TO/FROM MAYOR, COUNCIL, AND STAFF, AND FUTURE AGENDA ITEM REQUESTS**

Councilmember Harris offered thanks for those who reached out to her during a difficult time with her family.

Mayor Daggett reported that Flagstaff Pride hosted a Transgender Day of Remembrance where they read the names and stories of transgender individuals who had been killed in 2023. She stated that it was a moving event and was glad she attended.

16. **ADJOURNMENT**

The Regular Meeting of the Flagstaff City Council held November 21, 2023, adjourned at 5:36 p.m.

MAYOR

ATTEST:

CITY CLERK

CERTIFICATION

I, STACY SALTZBURG, do hereby certify that I am the City Clerk of the City of Flagstaff, County of Coconino, State of Arizona, and that the above Minutes are a true and correct summary of the Meeting of the Council of the City of Flagstaff held on November 21, 2023. I further certify that the Meeting was duly called and held and that a quorum was present.

DATED this 19th day of March, 2024

CITY CLERK

SPECIAL MEETING (EXECUTIVE SESSION)
TUESDAY, JANUARY 9, 2024
STAFF CONFERENCE ROOM - SECOND FLOOR
FLAGSTAFF CITY HALL
211 WEST ASPEN AVENUE
1:00 P.M.

1. Call to Order

Mayor Daggett called the Special Meeting (Executive Session) to order at 1:00 p.m.

2. Roll Call

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

PRESENT:

ABSENT:

MAYOR DAGGETT
VICE MAYOR ASLAN (virtually)
COUNCILMEMBER HARRIS (virtually)
COUNCILMEMBER HOUSE
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY
COUNCILMEMBER SWEET

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

3. Recess into Executive Session

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to recess into Executive Session.

Vote: 7 - 0 - Unanimously

4. Executive Session Confidentiality Statement

Discussions made during Executive Session are confidential by law. All persons present in Executive Session or who receive Executive Session information or materials shall keep the discussion, information and materials confidential and shall not disclose them, except as allowed by law.

5. Executive Session:

- A.** Discussion or consideration of employment, assignment, appointment, promotion, demotion, dismissal, salaries, disciplining or resignation of a public officer, appointee or employee of any public body, except that, with the exception of salary discussions, an officer, appointee or employee may demand that the discussion or consideration occur at a public meeting. The public body shall provide the officer, appointee or employee with written notice of the executive session as is appropriate but not less than twenty-four hours for the officer, appointee or employee to determine whether the discussion or consideration should occur at a public meeting, pursuant to

A.R.S. §38-431.03(A)(1).

i. On-Call Magistrate Reappointment

B. Discussion or consultation for legal advice with the attorney or attorneys of the public body, pursuant to A.R.S. §38-431.03(A)(3).

i. Legal advice on Citizen Petition for Denuclearization

C. Discussion or consultation for legal advice with the attorney or attorneys of the public body, and discussion or consultation with the attorneys of the public body in order to consider its position and instruct its attorneys regarding the public body's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation, pursuant to A.R.S. §38-431.03(A)(3) and (4) respectively.

i. Water Litigation Update

6. Adjournment

The Special Meeting (Executive Session) of the Flagstaff City Council held January 9, 2024, reconvened into Open Session at 2:10 p.m. at which time the meeting adjourned.

MAYOR

ATTEST:

CITY CLERK

SPECIAL MEETING (EXECUTIVE SESSION)
TUESDAY, JANUARY 16, 2024
STAFF CONFERENCE ROOM - SECOND FLOOR
FLAGSTAFF CITY HALL
211 WEST ASPEN AVENUE
1:00 P.M.

1. Call to Order

Vice Mayor Aslan called the Special Meeting (Executive Session) to order at 1:01 p.m.

2. Roll Call

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

PRESENT:

VICE MAYOR ASLAN (virtually)
COUNCILMEMBER HARRIS (virtually)
COUNCILMEMBER HOUSE (arrived at 1:07 p.m.)
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY
COUNCILMEMBER SWEET

ABSENT:

MAYOR DAGGETT

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

3. Recess into Executive Session

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to recess into Executive Session.

Vote: 5 - 0 - Unanimously

4. Executive Session Confidentiality Statement

Discussions made during Executive Session are confidential by law. All persons present in Executive Session or who receive Executive Session information or materials shall keep the discussion, information and materials confidential and shall not disclose them, except as allowed by law.

A. Discussion or consultation for legal advice with the attorney or attorneys of the public body, pursuant to A.R.S. §38-431.03(A)(3).

i. Legal Advice on Homeless Shelter and Services Fund Subrecipient Awards

5. Executive Session:

6. Adjournment

The Special Meeting (Executive Session) of the Flagstaff City Council held January 16, 2024, reconvened into Open Session at 1:18 p.m. at which time the meeting adjourned.

MAYOR

ATTEST:

CITY CLERK

SPECIAL MEETING (EXECUTIVE SESSION)
TUESDAY, JANUARY 23, 2024
STAFF CONFERENCE ROOM - SECOND FLOOR
FLAGSTAFF CITY HALL
211 WEST ASPEN AVENUE
1:00 P.M.

1. Call to Order

Mayor Daggett called the Special Meeting (Executive Session) to order at 1:02 p.m.

2. Roll Call

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

PRESENT:

ABSENT:

MAYOR DAGGETT
VICE MAYOR ASLAN (virtually)
COUNCILMEMBER HARRIS (virtually)
COUNCILMEMBER HOUSE (virtually)
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY
COUNCILMEMBER SWEET

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

3. Recess into Executive Session

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to recess into Executive Session.

Vote: 7 - 0 - Unanimously

4. Executive Session Confidentiality Statement

Discussions made during Executive Session are confidential by law. All persons present in Executive Session or who receive Executive Session information or materials shall keep the discussion, information and materials confidential and shall not disclose them, except as allowed by law.

5. Executive Session:

- A.** Discussion or consultation for legal advice with the attorney or attorneys of the public body, and discussion or consultation with the attorneys of the public body in order to consider its position and instruct its attorneys regarding the public body's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation, pursuant to A.R.S. §38-431.03(A)(3) and (4) respectively.

- i. Legal Advice and Settlement Discussions on A.R.S. 12-1134 Claims

 - B.** Discussion or consultation for legal advice with the attorney or attorneys of the public body and discussions or consultations with designated representatives of the public body in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property, pursuant to A.R.S. §38-431.03(A)(3) and (7), respectively.

 - i. Legal Advice and discussion regarding property acquisition for Spruce Wash
- 6. Adjournment**

The Special Meeting (Executive Session) of the Flagstaff City Council held January 23, 2024, reconvened into Open Session at 2:38 p.m. at which time the meeting adjourned.

MAYOR

ATTEST:

CITY CLERK

SPECIAL MEETING (EXECUTIVE SESSION)
TUESDAY, FEBRUARY 6, 2024
STAFF CONFERENCE ROOM - SECOND FLOOR
FLAGSTAFF CITY HALL
211 WEST ASPEN AVENUE
1:00 P.M.

1. Call to Order

Mayor Daggett called the Special Meeting (Executive Session) to order at 1:03 p.m.

2. Roll Call

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

PRESENT:

ABSENT:

MAYOR DAGGETT
VICE MAYOR ASLAN (virtually)
COUNCILMEMBER HARRIS (virtually)
COUNCILMEMBER HOUSE (virtually, arrived at 1:08 p.m.)
COUNCILMEMBER MATTHEWS (virtually)
COUNCILMEMBER MCCARTHY
COUNCILMEMBER SWEET

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

3. Recess into Executive Session

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to recess into Executive Session.

Vote: 6 - 0 - Unanimously

4. Executive Session Confidentiality Statement

Discussions made during Executive Session are confidential by law. All persons present in Executive Session or who receive Executive Session information or materials shall keep the discussion, information and materials confidential and shall not disclose them, except as allowed by law.

5. Executive Session:

- A.** Discussion or consultation for legal advice with the attorney or attorneys of the public body, and discussion or consultation with the attorneys of the public body in order to consider its position and instruct its attorneys regarding the public body's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation, pursuant to A.R.S. §38-431.03(A)(3) and (4) respectively.
 - i.** Litigation Update – Middleton vs. City of Flagstaff
 - ii.** Update on Water Litigation and potential options for collaboration with tribal partners on water supply and management

6. Adjournment

The Special Meeting (Executive Session) of the Flagstaff City Council held February 6, 2024, reconvened into Open Session at 2:43 p.m. at which time the meeting adjourned.

MAYOR

ATTEST:

CITY CLERK

SPECIAL MEETING (EXECUTIVE SESSION)
TUESDAY, FEBRUARY 20, 2024
STAFF CONFERENCE ROOM - SECOND FLOOR
FLAGSTAFF CITY HALL
211 WEST ASPEN AVENUE
1:00 P.M.

1. Call to Order

Mayor Daggett called the Special Meeting (Executive Session) to order at 1:02 p.m.

2. Roll Call

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

PRESENT:

ABSENT:

MAYOR DAGGETT (virtually)
VICE MAYOR ASLAN (virtually)
COUNCILMEMBER HARRIS (virtually)
COUNCILMEMBER HOUSE (virtually)
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY (virtually)
COUNCILMEMBER SWEET

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

3. Recess into Executive Session

4. Executive Session Confidentiality Statement

Discussions made during Executive Session are confidential by law. All persons present in Executive Session or who receive Executive Session information or materials shall keep the discussion, information and materials confidential and shall not disclose them, except as allowed by law.

5. Executive Session:

- A.** Discussion or consultation for legal advice with the attorney or attorneys of the public body and discussions or consultations with designated representatives of the public body in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property, pursuant to A.R.S. §38-431.03(A)(3) and (7), respectively.
 - i.** Legal Advice and discussion regarding property acquisition for Spruce Wash

6. Adjournment

The Special Meeting (Executive Session) of the Flagstaff City Council held February 20, 2024, reconvened into Open Session at 1:29 p.m. at which time the meeting adjourned.

MAYOR

ATTEST:

CITY CLERK

SPECIAL MEETING (EXECUTIVE SESSION)
TUESDAY, FEBRUARY 27, 2024
STAFF CONFERENCE ROOM - SECOND FLOOR
FLAGSTAFF CITY HALL
211 WEST ASPEN AVENUE
1:00 P.M.

1. Call to Order

Mayor Daggett called the Special Meeting (Executive Session) to order at 1:00 p.m.

2. Roll Call

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

PRESENT:

MAYOR DAGGETT
VICE MAYOR ASLAN
COUNCILMEMBER HARRIS
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY
COUNCILMEMBER SWEET

ABSENT:

COUNCILMEMBER HOUSE

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

3. Recess into Executive Session

4. Executive Session Confidentiality Statement

Discussions made during Executive Session are confidential by law. All persons present in Executive Session or who receive Executive Session information or materials shall keep the discussion, information and materials confidential and shall not disclose them, except as allowed by law.

5. Executive Session:

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Miranda Sweet to recess into Executive Session.

Vote: 6 - 0 - Unanimously

- A. Discussion or consultation for legal advice with the attorney or attorneys of the public body and discussions or consultations with designated representatives of the public body in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property, pursuant to A.R.S. §38-431.03(A)(3) and (7), respectively.
 - i. Legal advice and receive direction for purposes of property negotiations with BNSF Railway Company and pending condemnation litigation, City of Flagstaff vs. Arizona Materials Property, LLC

6. Adjournment

The Special Meeting (Executive Session) of the Flagstaff City Council held February 27, 2024, reconvened into Open Session at 2:17 p.m. at which time the meeting adjourned.

MAYOR

ATTEST:

CITY CLERK

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Stacy Fobar, Deputy City Clerk
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE:

Consideration of Appointments: Planning and Zoning Commission.

STAFF RECOMMENDED ACTION:

- Make one appointment to a term expiring December 2025.
- Make two appointments to terms expiring December 2026.

Executive Summary:

The Planning and Zoning Commission consists of seven citizen members and serves as an advisory board to the Council on matters relating to the growth and physical development of the City. The commission also conducts hearings on amendments to the Zoning Map, tentative subdivision plats, and Development Review Board appeals. There are currently three seats available due to two resignations and a term limit. It is important to fill vacancies on Boards and Commissions quickly so as to allow the Commission to continue meeting on a regular basis. The City of Flagstaff is committed to increasing diversity in every board and commission, please consider how the applicants stated they may contribute to this commitment.

There are six applications currently on file, they are as follows:

- Branden Johnson (new applicant)
- Carlton Johnson (new applicant)
- CJ Lucke (new applicant)
- Joshua Maher (new applicant)
- Christine Sheehy (new applicant)
- Megan Weller (new applicant)

Staff recommends filling the vacant seat as soon as possible to ensure that a quorum of members will be available to conduct hearings on amendments to the Zoning Map, tentative subdivision plats, and Development Review Board appeals. In an effort to reduce exposure to personal information, the applicant roster and applications will be submitted to the City Council separately.

Council Appointment Assignment: Councilmember Harris, Councilmember McCarthy, and Councilmember House

Financial Impact:

These are voluntary positions and there is no budgetary impact to the City of Flagstaff.

Policy Impact:

None

**Connection to PBB, Carbon Neutrality Plan, 10-Year Housing Plan & Regional Plan:
Inclusive and Engaged Community**

- Foster community pride & civic engagement by increasing opportunities for public involvement, in line

with best practices & legal requirements

- Enhance community involvement, education & regional partnerships to strengthen the level of public trust

10-Year Housing Plan

Connect 2.2: Encourage community organizations such as the local Continuum of Care to continue to integrate equity into programs and policies.

Has There Been Previous Council Decision on This:

N/A

Options and Alternatives:

1. Appoint three Commissioners; by appointing three Commissioners at this time, the Planning and Zoning Commission will be at full membership.
2. Table the action to allow for further discussion or expand the list of candidates.

Community Involvement:

The City's boards, commissions, and committees were created to foster public participation and input and to encourage Flagstaff citizens to take an active role in city government.

Expanded Options and Alternatives:

INFORM: The vacancies are posted on the City's website and individual recruitment and mention of the opening by Board members and City staff has occurred, informing others of these vacancies through word of mouth.

Attachments: P&Z Authority

**CHAPTER 2-01
PLANNING AND ZONING COMMISSION**

SECTIONS:

- 2-01-001-0001 CREATION OF COMMISSION
- 2-01-001-0002 INTENT AND PURPOSE
- 2-01-001-0003 MEMBERSHIP
- 2-01-001-0004 MEETINGS
- 2-01-001-0005 DUTIES AND FUNCTIONS

Prior legislation: Ords. 339, 859, 1427, 1826 and 2007-09.

2-01-001-0001 CREATION OF COMMISSION

There is hereby established a Planning and Zoning Commission for the City of Flagstaff under the provisions of A.R.S. § 9-461.02. (Ord. 339, 10-8-45; Ord. 2010-35, Amended, 11/16/2010)

2-01-001-0002 INTENT AND PURPOSE

The purpose of the Planning and Zoning Commission is to direct the growth and physical development of the City in a sound and orderly fashion for the prosperity, health, safety, convenience, and general welfare of the citizens of Flagstaff. (Ord. 2010-35, 11/16/2010)

2-01-001-0003 MEMBERSHIP

The Planning and Zoning Commission shall consist of seven (7) members appointed by the Mayor and Council.

The term of each citizen member shall be three (3) years or until his successor takes office. Vacancies occurring otherwise than through the expiration of term shall be filled for the unexpired portion of the term.

A. A Chairperson and Vice-Chairperson shall be elected from and by the voting membership of the Commission to serve one (1) year terms. A Chairperson may serve no more than two (2) consecutive terms as Chairperson (exclusive of a term as Vice-Chairperson). Upon the conclusion of a second, consecutive term as Chairperson, such Commission member shall be ineligible to serve as either Chairperson or Vice-Chairperson until a calendar year has expired.

B. In addition to the causes for removal set out in the Board and Commission Members' Rules and Operations Manual, a member accumulating eight (8) absences from regularly scheduled meetings in any given calendar year will be automatically removed from the Commission and a replacement appointed by the City Council. An unexcused absence is defined as the failure of the member to notify the Planning and Development Services Section of his or her inability to attend a regularly scheduled meeting. (Ord. 2010-35, 11/16/2010; Ord. 2014-28, Amended, 11/18/2014)

2-01-001-0004 MEETINGS

Unless there are no matters to be considered, the Commission shall hold at least one meeting each month and may schedule additional special meetings as needed. A special meeting may serve as the minimum one meeting per month. (Ord. 2010-35, 11/16/2010)

2-01-001-0005 DUTIES AND FUNCTIONS

The Planning and Zoning Commission created in this chapter shall be and act as the Zoning Commission of the City, and all duties and powers granted to zoning commissions under State law shall be exercised by the Planning and Zoning Commission. In addition to any authority granted to the Planning and Zoning Commission by State law or other ordinances of the City, the Planning and Zoning Commission shall have the following duties and functions under the provisions of these regulations:

- A. To review and recommend to the City Council adoption of a comprehensive general plan adopted in compliance with the authority provided in A.R.S. Section 9-461.05 for the orderly growth and development of the City and for any land outside the City which, in the opinion of the Planning and Zoning Commission, bears a relation to the planning of the City.
- B. To hear, review, and make recommendations to the City Council regarding applications for amendments to the General Plan or any other plan in accordance with the provisions of Chapter 11-10 (General Plans).
- C. To serve as an advisory body to the City Council and furnish the Council through the Planning Director the facts concerning the adoption of any report or recommendation.
- D. To make its special knowledge and expertise available upon reasonable written request and authorization of the City Council to any official, department, board, commission or agency of the State or Federal governments.
- E. To hear and review amendments to the Zoning Map and to the text of the Zoning Code in accordance with the provisions of Title 10, Zoning Code, Division 10-20.50 (Amendments to the Zoning Code Text and the Zoning Map).
- F. To confer with and advise other similar City or County commissions.
- G. To make investigations, maps, reports, and recommendations to the City Council in regard to the physical development of the City.
- H. To hear, review and make recommendations to the City Council regarding preliminary subdivision plats after recommendation from the Planning Director and City Engineer in accordance with Chapter 11-20, Subdivision and Land Split Regulations.
- I. To take such other action as authorized in Title 10 (Zoning Code) and Title 11 (General Plan and Subdivisions) as necessary to implement the provisions of those titles and the General Plan.
- J. To consider, review and approve Conditional Use Permits, pursuant to the provisions of Section 10-

20.40.050 (Conditional Use Permits).

K. The Commission shall carry out other such duties as determined by the City Council and present other recommendations the City Council deems pertinent. (Ord. 859, 10-24-72; Ord. 2010-35, Amended, 11/16/2010; Ord. 2014-28, Amended, 11/18/2014)

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Stacy Fobar, Deputy City Clerk
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE:

Consideration and Action on Liquor License Application: Catherine Marie Gomes, "Family Dollar #24029," 3494 E. Route 66, Series 10 (beer and wine store), New License.

STAFF RECOMMENDED ACTION:

1. Forward the application to the State with a recommendation for approval
2. Forward the application to the State with a recommendation for denial based on the testimony received at the public hearing and/or other factors.

Executive Summary:

The liquor license process begins at the State level and applications are then forwarded to the respective municipality for posting of the property and holding a public hearing, after which the Council recommendation is forwarded back to the State. A series 10 license allows a retail store to sell beer and wine (no other spirituous liquors), only in the original unbroken package, to be taken away from the premises of the retailer and consumed off the premises. This is a non-quota type of license.

Family Dollar #24029 is an existing business in Flagstaff. If approved, it will be the 41st active series 10 license in Flagstaff. To view surrounding liquor licenses, please visit the [Active Liquor Licenses Map](#).

The property has been posted as required, and the Police and Community Development divisions have reviewed the application and provided their respective reports.

Financial Impact:

There is no budgetary impact to the City of Flagstaff as this is a recommendation to the State.

Policy Impact:

Not applicable.

Connection to PBB, Carbon Neutrality Plan, 10-Year Housing Plan & Regional Plan:

Liquor licenses are a regulatory action and there are no Community Priorities that directly apply.

Has There Been Previous Council Decision on This:

No.

Key Considerations:

Because the application is for a new license, consideration may be given to both the applicant's personal qualifications and the location.

The deadline for issuing a recommendation on this application is April 15, 2024.



City of Flagstaff

OFFICE OF THE CITY CLERK

2/27/2024

Catherine Marie Gomes
500 Volvo Parkway
Chesapeake, VA 23320

Dear Ms. Gomes,

Your application for a Series 10 Liquor License for Family Dollar #24029 located at 3494 E. Route 66, Flagstaff, AZ was posted on February 27, 2024. The City Council will consider the application at a public hearing during their scheduled Regular City Council Meeting on **March 19, 2024, which is scheduled to begin at 3:00 p.m.**

It is important that you or your representative attend this Council Meeting via video conference ([Microsoft Teams Meeting](#)) or in person and be prepared to answer any questions the City Council may have. Failure to be available for questions could result in a recommendation for denial of your application. We suggest you contact your legal counsel or the Department of Liquor Licenses and Control at 602-542-5141 to determine the criteria for your license. To help you understand how the public hearing process will be conducted, we are enclosing a copy of the City's liquor license application hearing procedures. Please note that the City Council heard the liquor license application for Family Dollar #28851 on Tuesday, February 20, 2024, and requested that single-serve/mini bottles not be served at the location. I anticipate they will make a similar request for this location due to its location.

The twenty-day posting period for your liquor license application is set to expire on March 18, 2024, and the application may be removed from the premises at that time.

There is an \$815 application fee which needs to be received prior to the hearing date. Payment can be made online at <https://www.flagstaff.az.gov/2452/E--Services> under Business Licensing Payment Online Services by clicking Liquor License Request Payment, in person at the payment window, or you can send a check to my attention at 211 W. Aspen Ave., Flagstaff, AZ 86001.

If you have any questions, please call me at 928-213-2077 (office) or 928-220-5995 (cell).

Sincerely,

Stacy M. Fobar

Stacy M. Fobar
Deputy City Clerk

Enclosures



City of Flagstaff

Liquor License Application Hearing Procedures

1. When the matter is reached at the Council meeting, the presiding officer will open the public hearing on the item.
2. The presiding officer will request that the Applicant come forward to address the Council regarding the application in a presentation not exceeding ten (10) minutes. Council may question the Applicant regarding the testimony or other evidence provided by the Applicant.
3. The presiding officer will then ask whether City staff have information to present to the Council regarding the application. Staff should come forward at this point and present information to the Council in a presentation not exceeding ten (10) minutes. Council may question City staff regarding the testimony or other evidence provided by City staff.
4. Other parties, if any, may then testify, limited to three (3) minutes per person. Council may question these parties regarding the testimony they present to the Council.
5. The Applicant may make a concise closing statement to the Council, limited to five (5) minutes. During this statement, Council may ask additional questions of the Applicant.
6. City staff may make a concise closing statement to the Council, limited to five (5) minutes. During this statement, Council may ask additional questions of City Staff.
7. The presiding officer will then close the public hearing.
8. The Council will then, by motion, vote to forward the application to the State with a recommendation of approval, disapproval, or shall vote to forward with no recommendation.

R19-1-702. Determining Whether to Grant a License for a Certain Location

- A. To determine whether public convenience requires and the best interest of the community will be substantially served by issuing or transferring a license at a particular unlicensed location, local governing authorities and the Board may consider the following criteria:
1. Petitions and testimony from individuals who favor or oppose issuance of a license and who reside in, own, or lease property within one mile of the proposed premises;
 2. Number and types of licenses within one mile of the proposed premises;
 3. Evidence that all necessary licenses and permits for which the applicant is eligible at the time of application have been obtained from the state and all other governing bodies;
 4. Residential and commercial population of the community and its likelihood of increasing, decreasing, or remaining static;
 5. Residential and commercial population density within one mile of the proposed premises;
 6. Evidence concerning the nature of the proposed business, its potential market, and its likely customers;
 7. Effect on vehicular traffic within one mile of the proposed premises;
 8. Compatibility of the proposed business with other activity within one mile of the proposed premises;
 9. Effect or impact on the activities of businesses or the residential neighborhood that might be affected by granting a license at the proposed premises;
 10. History for the past five years of liquor violations and reported criminal activity at the proposed premises provided that the applicant received a detailed report of the violations and criminal activity at least 20 days before the hearing by the Board;
 11. Comparison of the hours of operation at the proposed premises to the hours of operation of existing businesses within one mile of the proposed premises; and
 12. Proximity of the proposed premises to licensed childcare facilities as defined by A.R.S. § 36-881.
- B. This Section is authorized by A.R.S. § 4-201(I).

License Types: Series 10 Beer and Wine Store License (Beer and wine only)

Non-transferable

Off-sale retail privileges

Note: Terms in **BOLD CAPITALS** are defined in the [glossary](#).

PURPOSE:

Allows a retail store to sell beer and wine (no other spirituous liquors), only in the original unbroken package, to be taken away from the premises of the retailer and consumed off the premises.

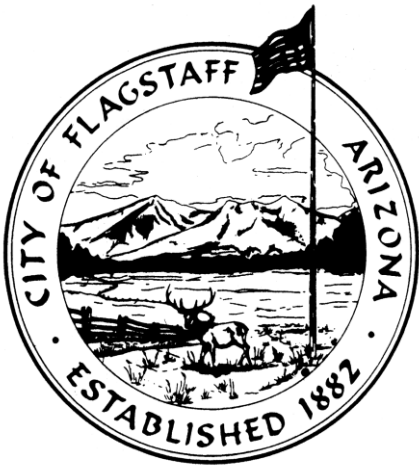
ADDITIONAL RIGHTS AND RESPONSIBILITIES:

A retailer with off-sale privileges may deliver spirituous liquor off of the licensed premises in connection with a retail sale. Payment must be made no later than the time of **DELIVERY**. The retailer must complete a Department approved "Record of Delivery" form for each spirituous liquor retail delivery.

On any original applications, new managers and/or the person responsible for the day-to-day operations must attend a basic and management training class.

A licensee acting as a **RETAIL AGENT**, authorized to purchase and accept delivery of spirituous liquor by other licensees, must receive a certificate of registration from the Department.

A **PREGNANCY WARNING SIGN** for pregnant women consuming spirituous liquor must be posted within twenty (20) feet of the cash register or behind the bar.



FLAGSTAFF POLICE DEPARTMENT

911 SAWMILL RD • FLAGSTAFF, ARIZONA 86001 • (928) 779-3646

ADMIN FAX (928)213-3372

TDD 1-800-842-4681



Chief of Police
Dan Musselman

MEMORANDUM

Memo #24-025

TO: Chief Musselman

FROM: Sgt. N. Almendarez #703

DATE: February 28, 2024

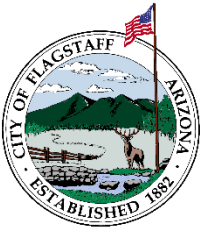
RE: New Application – Series 10 (Beer and Wine Store) Liquor License Application– Family Dollar

On February 28, 2024, I initiated an investigation into the new application for a Series 10 (Beer and Wine Store) liquor license filed by Catherine Gomes (Agent), Harry Spencer (Controlling Person), Peter Barnett (Controlling Person) and Jonathan Elder (Controlling Person). This is a new application, and the application number is 267814. It is for Family Dollar, located at 3494 East Route 66, Flagstaff, AZ.

I conducted a query through local systems and public access on Catherine, Harry, Peter and Jonathan. I discovered no derogatory records. I conducted a search for current or historical liquor violations on the business and found no violations.

I found evidence that the applicant has taken the mandatory liquor license training. This business is not located within 300 feet of a school.

A representative for the business was invited to be present for the council meeting on March 19th, 2024.



Planning and Development Services Memorandum

To: Stacy Fobar, Deputy City Clerk
From: Reggie Eccleston, Code Compliance Manager
CC: Michelle McNulty, Planning Director
Date: February 26, 2024
Re: Application for Liquor License #267814
3494 E. Rte.66, Flagstaff, Arizona 86004
Assessor's Parcel Number 108-06-005G
Catherine Marie Gomes on behalf of Family Dollar

This application is a request for a new Series 10 Beer & Wine Store liquor license by Catherine Marie Gomes on behalf of Family Dollar. This business is located within the Highway Commercial district. This district does allow for this use.

There are no active Zoning Code violations associated with the applicant or the property at this time.

3494 East Route 66, Flagst X Q

Show search results for 3494 E...



E MOUNT ELDEN DR
E MANOR RD
N LOMA VISTA DR

Family Dollar #24029

CVS
PHARMACY #
9 231

Cancelled:
SMOKEHOUSE BBO

Inactive:
MANDARIN
GARDENS

Expired: SIZZLER
RESTAURANT #792

STARLITE
LANES



E INDUSTRIAL DR

N FANNING DR

City of Flagst



DECISIONS CONSULTING LLC
1100 Circle 75 Parkway SE
Suite 210 Atlanta, GA 30339
Licensing Director: (678) 660-5121
licensing@decisions-consulting.com

March 12, 2024

Mayor and City Council
City of Flagstaff
211 W, Aspen Avenue
Flagstaff, AZ 86001

Re: Family Dollar, LLC - Store #24029 Application for sale of beer and wine for off-premises consumption only (“Application”)

Dear Honorable Mayor and City Council Members:

This firm represents Family Dollar Stores, LLC and its subsidiaries including Family Dollar, LLC, and we handle licensing matters for all Family Dollar locations and related entities nationally (collectively “Family Dollar”).

This letter is being submitted for consideration in support of our pending application for a license for the retail sale of beer and wine for off-premise consumption only at the Flagstaff Store located at 3494 East Route 66, Flagstaff, AZ 86004. As the license is being considered at the March 19, 2024 Council meeting, this information is being provided in support of Family Dollar’s application.

Family Dollar is a family-oriented store that provides a wide range of food and other retail items to its’ customers. Family Dollar locations that sell alcohol do not sell “discounted alcohol” and the beer and wine our customers have the option of purchasing for off-premises consumption is equivalent in price and quality to what one would find at any local grocery store. For additional information, please see the [linked weekly advertisement \(https://www.familydollar.com/weekly-ads\)](https://www.familydollar.com/weekly-ads) which provides a sampling of the wide range of products that Family Dollar offers to its’ customers. Also, I wanted to provide some additional information relating to how serious Family Dollar takes its obligation to be a responsible seller, complying with all applicable statutes, ordinances, rules, and regulations.

First, in addition to any requirements imposed by the State or Local jurisdiction, Family Dollar has a vigorous internal training and auditing program to ensure strict compliance and zero tolerance for violations. These internal procedures include, but are not limited to, training on the following:

(a) Minimum age requirements and how those requirements apply. This includes the mandatory **use of hand-held scanners to verify birthdates** are within the range required to make the purchase.

(b) How to recognize and differentiate between authentic forms of identification, typically a driver's license, and counterfeit identifications.

(c) How to confirm the person presenting the identification is the person on the identification card.

(d) Sales Associates' rights to refuse to sell any alcoholic beverage to a person who appears to be intoxicated and how to communicate that refusal respectfully.

(e) Understanding the role and personal liability to guarantee compliance with all applicable rules and regulations with emphasis on Family Dollar's zero tolerance policy is strictly enforced.

(f) How to cooperate with Law Enforcement as a partner to ensure compliance with the law.

With specific attention to the City of Flagstaff's local alcohol ordinances, Family Dollar will also train all associates on the local rules and regulations pertaining to off-premises selling including, but not limited to, (1) the duty to maintain a copy of the local ordinances on the premises; (2) duty to secure inventory when not legal to sale; (3) the limited hours for legal sales and any no sales days; (4) duty to maintain the premises and allow zero loitering or drinking in the parking lots, which is absolutely prohibited by Family Dollar, and (5) the duty to confirm proper legal identification and age (as noted above, Family Dollar uses handheld scanners as well). In sum, and as complimentary to other small business in the area, Family Dollar simply wishes to provide a safe, family-oriented option to those families who wish to purchase beer and wine for consumption with their meals at home, just like many other grocery stores.

In addition, Family Dollar uses internal auditing programs and proprietary software to assess abnormal activities which detect, deter, and prohibit any violations of rules and regulations. Further, Family Dollar locations licensed to sell off-premises are all equipped with surveillance cameras that monitor the cash registers, front doors, receiving, and stockroom areas. Based on these vigorous internal compliance matters and a culture of zero tolerance, Family Dollar is proud to say that from 2019 to 2022, the percentage of licensed locations cited for alcohol sales violations nationally averaged ***less than one and a half percent (1.5%) per year*** of all licensed locations. During that period, the highest percentage of cited licensed locations as less than two and a half percent (2.5%).

Further, as a condition of the Series 10 (Beer and Wine Store) liquor license, the Family Dollar agrees to not offer for sale or sell single-serve/mini bottles of beer or wine.

City of Flagstaff
March 12, 2024
Page 3

In conclusion, Family Dollar greatly appreciates the opportunity to conduct business in the State of Arizona and, specifically, in the City of Flagstaff. Family Dollar respectfully requests that you approve the resolution to allow beer and wine sales for off-premises consumption only at the Flagstaff Store located at 3494 East Route 66, Flagstaff, AZ 86004.

Please do not hesitate to email me tjackson@decisions-consulting.com or give me a call at if you have any questions or want to discuss further.

Sincerely,

Decisions Consulting, LLC

/s/ Tommy Jackson

Tommy Jackson, Consultant

cc: Ms. Stacy Saltzburg, MMC, MPA, City Clerk
(stacy.saltzburg@flagstaffaz.gov);
Ms. Stacy Fobar, CMC, Deputy City Clerk (stacy.fobar@flagstaffaz.gov).

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Stacey Brechler-Knaggs, Grants, Contracts & Emergency Management Director
Co-Submitter: Trevor Henry
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE:

Consideration and Approval of Contract Ratification: Ratify the Agreement between the Department of the Army and the City of Flagstaff to provide federal funds for Design and Construction Assistance for the Downtown Flood Lateral Tunnel Project.

STAFF RECOMMENDED ACTION:

Ratify the Agreement with the Department of the Army to provide \$1,200,000 in federal funds to the City of Flagstaff for Design and Construction Assistance for the Downtown Flood Lateral Tunnel Project.

Executive Summary:

The Section 595 of the Water Resources Development Act of 1999, Public Law 106-53, as amended (hereinafter "Section 595"), provides funding for publicly owned, non-Federal water-related environmental infrastructure and resource protection and development projects in Arizona. The District Commander for the Los Angeles District determined that the non-Federal project for the Downtown Flood Lateral Tunnel at West Santa Fe Avenue is eligible for design and construction assistance under Section 595.

On January 23, 2024 the U.S. Army Corps of Engineers and the City of Flagstaff conducted an executive meeting to discuss the Rio de Flag Flood Control Project. Andrew J. Baker, Colonel, U.S. Army District Commander and City of Flagstaff Mayor Daggett signed the Project Partnership Agreement authorizing the payment of \$1,200,000 in federal funds for the Downtown Flood Lateral Project.

Financial Impact:

The Agreement is in the amount of \$1,200,000 (75%), with a match of \$400,000 (25%) for a total of \$1,600,000.

The estimated project cost for the first increment of the project, environmental clearances and construction of the upsizing of the stormwater infrastructure along Santa Fe Avenue and the new storm drain facilities along Grand Canyon Avenue and/or Coconino Avenue, including multiple utility relocations will cost \$2,997,927.

Funding breakdown is as follows;

Total Cost, First Increment		\$2,997,927
<i>595 Funding (First Increment) (75%)</i>		<i>\$1,200,000</i>
<i>City Share (25%)</i>		<i>\$400,000</i>
<i>City and/or Other Funding Source</i>		<i>\$1,397,927</i>

The funds are programmed in the CIP 5-Year for Water Services, Stormwater, Side Drain Lateral Santa Fe project for FY2024-25 to FY2026-27 in the amount of \$ 1,600,000.

Policy Impact:

None.

Connection to PBB, Carbon Neutrality Plan, 10-Year Housing Plan & Regional Plan:**Priority Based Budget Key Community Priorities and Objectives**

High Performing Governance - Enhance the organization's fiscal stability and increase efficiency and effectiveness.

Sustainable, Innovative Infrastructure - Deliver outstanding services to residents through a healthy, well maintained infrastructure system.

Has There Been Previous Council Decision on This:

No.

Options and Alternatives:

1. Ratify the Agreement to authorize the Department of the Army to provide the City of Flagstaff \$1,200,000; or
2. No not approve the ratification of the Agreement, thereby foregoing the \$1,200,000. This option is not recommended by staff.

Background and History:

Flagstaff is located in north central Arizona and is home to approximately 78,000 residents, as well as Northern Arizona University with an enrollment of approximately 20,000 students. Flagstaff's Downtown and Southside neighborhoods are susceptible to flooding from on-forest rain and flow events. To prevent life/safety hazards and property damage caused by significant flood events, the \$122M Rio de Flag Project is planned as a partnership of City of Flagstaff and U.S. Army Corps of Engineers. Lateral drainages that tie into the Rio de Flag Project must also be upsized and joined to the new infrastructure but are separate stand-alone projects from the Rio de Flag Project. The proposed project is located at West Santa Fe Avenue, where significant runoff from Mars Hill and Observatory Mesa has frequently exceeded the storm drain capacity in the downtown neighborhood, overflowed the system and led to water contamination by flowing through the urban environment. The contaminated floodwaters pool at the Route 66/Milton Road underpass beneath the BNSF railway. There are limited north-south roadway connections across the railroad, so closures of this road pose grave public safety concerns, especially for emergency response times, and exposure to contaminated urban floodwaters is a concern for both the public and the ecosystem.

On January 23, 2024 the US Army Corps of Engineers and the City of Flagstaff conducted an executive meeting to discuss the Rio de Flag Flood Control Project. Ahead of the meeting, Col. Baker and Mayor Daggett signed the Project Partnership Agreement for the Downtown Flood Lateral Project.

Key Considerations:

The project will provide new construction of a storm drain system within West Santa Fe Avenue to improve storm runoff water quality by removing urban surface water sheet flow. Drainage improvements will include storm drain, drainage inlets, and catch basins, junction manholes with lids, trench drains, valley gutters, and scuppers. The length of the construction area is approximately 1,000 feet. Included with the improvements will be backfill base material, asphalt pavement trench patches, new concrete curb, gutter, sidewalk, and street pavement makings. Additional improvements will include existing water and wastewater infrastructure adjustments to protect and enhance water and wastewater infrastructure. Stormwater Best Management Practices will also be implemented for protection of the existing watershed system.

Community Involvement:

This new storm drain will relieve stormwater system overflows that often flood the Route 66 underpass of the Burlington Northern and Santa Fe (BNSF) railroad bridge and create serious water quality and safety hazards along this critical arterial transportation route. The project will protect water quality, protect water/wastewater infrastructure, all while concurrently reducing flood threats.

Attachments: Agreement

AGREEMENT
BETWEEN
THE DEPARTMENT OF THE ARMY
AND
CITY OF FLAGSTAFF
FOR
DESIGN AND CONSTRUCTION ASSISTANCE
FOR THE
DOWNTOWN FLOOD LATERAL TUNNEL, AZ PROJECT

THIS AGREEMENT is entered into this 23 day of JANUARY, 2024 by and between the Department of the Army (hereinafter the "Government"), represented by the District Commander for Los Angeles District (hereinafter the "District Commander") and the City of Flagstaff (hereinafter the "Non-Federal Sponsor"), represented by its Mayor.

WITNESSETH, THAT:

WHEREAS, the Government is authorized to provide design and construction assistance for publicly owned, non-Federal water-related environmental infrastructure and resource protection and development projects in Arizona, Idaho, Montana, rural Nevada, New Mexico, rural Utah, and Wyoming, including projects for wastewater treatment and related facilities, water supply and related facilities, and surface water resource protection and development pursuant to Section 595 of the Water Resources Development Act of 1999, Public Law 106-53, as amended (hereinafter "Section 595");

WHEREAS, the District Commander has determined that the non-Federal project for Downtown Flood Lateral Tunnel at West Santa Fe Avenue, Flagstaff, Arizona is eligible for design and construction assistance under Section 595;

WHEREAS, the design and construction assistance for the non-Federal project pursuant to this Agreement will be provided for increment(s) of work, as defined in Article I.A. of this Agreement, undertaken by the Non-Federal Sponsor;

WHEREAS, Section 595(e)(3) provides that the Federal share of costs under each agreement entered into under Section 595 shall be 75 percent, which may be in the form of reimbursements; and

WHEREAS, the Government and the Non-Federal Sponsor have the full authority and capability to perform in accordance with the terms of this Agreement and acknowledge that this Agreement shall be enforceable in the appropriate district court of the United States.

NOW, THEREFORE, the parties agree as follows:

ARTICLE I - DEFINITIONS

A. The term “increment of work” means design and construction of features, as generally described in a Scope of Work, and approved by the South Pacific Division Commander. The initial increment of work consists of design and construction of a storm drain system within West Santa Fe Avenue to improve storm runoff water quality by removing urban surface water sheet flow. Drainage improvements will include storm drain, drainage inlets, and catch basins, junction manholes with lids, trench drains, valley gutters, and scuppers. The length of the construction area is approximately 1,000 feet, as generally described in the Scope of Work for Flagstaff - Downtown Flood Lateral Design and Construction, dated October 2023 and approved by the South Pacific Division Commander on DECEMBER 14, 2023. Each additional increment of work, if any, will be described in a separate Scope of Work, which will specify the amount of Federal funds available for such work. In the event of a conflict between this Agreement and a Scope of Work, this Agreement will control.

B. The term “HTRW” means hazardous, toxic, and radioactive wastes, which includes any material listed as a “hazardous substance” (See 42 U.S.C. 9601(14)) regulated under the Comprehensive Environmental Response, Compensation, and Liability Act (hereinafter “CERCLA”) (42 U.S.C. 9601-9675) and any other regulated material in accordance with applicable laws and regulations.

C. The term “construction costs” means all costs incurred by the Government and Non-Federal Sponsor in accordance with the terms of this Agreement that are directly related to design and construction of an increment of work and cost shared. The term includes, but is not necessarily limited to: the Non-Federal Sponsor’s eligible pre-Scope of Work design work costs, if any; the Government’s costs for conducting environmental compliance activities, providing management oversight and technical assistance, as needed, preparing monthly financial reports, preparing Scopes of Work, reviewing design work, appraisals, and invoices provided by the Non-Federal Sponsor, conducting periodic inspections during construction, and any other costs incurred by the Government pursuant to the provisions of this Agreement; the Non-Federal Sponsor’s eligible costs of engineering, design, construction, and supervision and administration; the Non-Federal Sponsor’s eligible costs for providing real property interests and relocations, and performing permit work; and the costs of historic preservation activities except for data recovery for historic properties, if any. The term does not include any costs for operation and maintenance; HTRW cleanup and response; dispute resolution; audits; betterments; or the Non-Federal Sponsor’s cost of negotiating this Agreement.

D. The term “real property interests” means lands, easements, and rights-of-way, including those required for relocations and borrow and dredged material placement areas. Acquisition of real property interests may require the performance of relocations.

E. The term “relocation” means the provision of a functionally equivalent facility to the owner of a utility, cemetery, highway, railroad, or public facility when such action is required in accordance with applicable legal principles of just compensation. Providing a functionally

equivalent facility may include the alteration, lowering, raising, or replacement and attendant demolition of the affected facility or part thereof.

F. The term “pre-Scope of Work design work” means the design work performed by the Non-Federal Sponsor prior to approval of the Scope of Work for that increment of work that the Government determines was accomplished in a satisfactory manner and is integral to the increment of work.

G. The term “betterment” means a difference in the design or construction of an element of an increment of work that results from the application of standards that the Government determines exceed those that the Government would otherwise apply to design or construction of that element.

ARTICLE II - OBLIGATIONS OF THE PARTIES

A. The amount of Federal funds available for each increment of work is limited to the amount identified in the Scope of Work for that increment of work. Notwithstanding any other provision of this Agreement, the Non-Federal Sponsor shall be responsible for all costs in excess of this amount, and such excess costs shall not be eligible for credit or reimbursement or included in the construction costs for cost-sharing purposes. For the initial increment of work, the Federal funds available are limited to \$1,200,000.

B. The Non-Federal Sponsor shall design and construct each increment of work in accordance with all requirements of applicable Federal laws and implementing regulations and the following paragraphs. If after completion of the design portion of an increment of work, the parties mutually agree in writing not to proceed with construction of that increment of work, the parties shall conclude their activities relating to that increment of work and proceed to a final accounting in accordance with Article VI.C.

1. In accordance with Article III, the Non-Federal Sponsor shall provide the real property interests and relocations required for construction and operation and maintenance of each increment of work. The Non-Federal Sponsor hereby gives the Government a right to enter, at reasonable times and in a reasonable manner, upon property that the Non-Federal Sponsor now or hereafter owns or controls for the purpose of performing inspections pursuant to Article II.D.

2. The Non-Federal Sponsor shall afford the Government the opportunity to review and comment on all design work for an increment of work, including relevant plans and specifications, at intervals determined by the Government in coordination with the Non-Federal Sponsor, and related contract solicitations, prior to the Non-Federal Sponsor’s issuance of such solicitations. In addition, until the Government has provided written confirmation that environmental compliance has been completed for an increment of work, the Non-Federal Sponsor shall not issue the solicitation for the first construction contract for that increment of work or commence construction of that increment of work using its own forces.

3. The Non-Federal Sponsor is responsible for obtaining all permits and licenses necessary for design, construction, and operation and maintenance of each increment of work and for ensuring compliance with all requirements of such permits and licenses.

4. The Non-Federal Sponsor shall establish and maintain such legal and institutional structures as necessary to ensure the effective long-term operation of each increment of work at no cost to the Government.

5. Upon completion of design for each increment of work, the Non-Federal Sponsor shall furnish the Government with copies of the completed design.

6. The Non-Federal Sponsor shall operate and maintain each increment of work at no cost to the Government. The Non-Federal Sponsor shall furnish the Government with a copy of the as-built drawings for the completed work.

7. No more frequently than every 30 calendar days, the Non-Federal Sponsor shall provide the Government an invoice with the documentation required by Article V for the Government to determine whether costs incurred by the Non-Federal Sponsor for an increment of work are eligible for inclusion in construction costs. If the Non-Federal Sponsor incurred costs for pre-Scope of Work design work for an increment of work, documentation of such costs shall be included in the Non-Federal Sponsor's initial invoice. Following completion of an increment of work, the Non-Federal Sponsor shall notify the Government, which shall conduct a final inspection of that increment of work. No later than 60 calendar days after the Government conducts the final inspection, the Non-Federal Sponsor shall provide its final invoice for that increment of work, unless an extension is requested by Non-Federal Sponsor in writing and approved by the Government.

C. Using information developed and provided by the Non-Federal Sponsor, the Government shall ensure environmental compliance activities necessary to achieve compliance with all applicable environmental laws and regulations for design and construction of an increment of work are completed prior to initiation of construction on that increment of work. For each increment of work, the Government will notify the Non-Federal Sponsor in writing when such compliance has been completed.

D. The Government may perform periodic inspections to verify the progress of construction and that work is being performed in a satisfactory manner. In addition, the Government may provide technical assistance to the Non-Federal Sponsor on an as-needed basis during design and construction of an increment of work. Further, the Government shall perform a final inspection to verify satisfactory completion of an increment of work.

E. For each increment of work, the Government shall be responsible for 75 percent of construction costs, with reimbursement for costs incurred by the Non-Federal Sponsor determined in accordance with this paragraph. The Government shall review each invoice provided by the Non-Federal Sponsor and, based on the procedures, requirements, and conditions provided in Article V, shall determine the costs, or portion thereof, that are eligible for inclusion in construction costs. To the maximum extent practicable, within 30 days of receipt

of each invoice, the Government, subject to the availability of Federal funds, shall reimburse the Non-Federal Sponsor for costs for each invoice by taking 75 percent of the Non-Federal Sponsor's eligible costs, less 25 percent of the costs incurred by the Government during that same invoice period. The Government shall provide a written explanation to the Non-Federal Sponsor for costs it determines are not eligible for inclusion in construction costs.

F. The Government shall ensure compliance with the National Historic Preservation Act (NHPA) of 1966, as amended, prior to initiation of construction. All costs incurred by the Government and the Non-Federal Sponsor for actions associated with historic preservation, including, but not limited to, the identification and treatment of historic properties as those properties are defined in the NHPA and the mitigation of adverse effects other than data recovery, as the Government determines necessary and subject to audit in accordance with Article X.B. to determine reasonableness, allocability, and allowability of such costs, shall be included in construction costs and shared in accordance with the provisions of this Agreement. If historic properties are discovered during construction and the effect(s) of construction are determined to be adverse, strategies shall be developed to avoid, minimize, or mitigate these adverse effects. In accordance with 54 U.S.C. 312507, up to 1 percent of the total amount available for each increment of work may be applied toward data recovery of historic properties and such costs shall be borne entirely by the Government. In the event that costs associated with data recovery of historic properties exceed 1 percent of the total amount authorized to be appropriated for each increment of work, in accordance with 54 U.S.C. 312508, the Government will seek a waiver from the 1 percent limitation under 54 U.S.C. 312507 and upon receiving the waiver, will proceed with data recovery at full federal expense. Nothing in this Agreement shall limit or otherwise prevent the Non-Federal Sponsor from voluntarily contributing costs associated with data recovery that exceed 1 percent.

G. The Non-Federal Sponsor shall not use Federal program funds to meet any of its obligations under this Agreement unless the Federal agency providing the funds verifies in writing that the funds are authorized to be used for the increment of work. Federal program funds are those funds provided by a Federal agency, plus any non-Federal contribution required as a matching share for such work.

H. The Non-Federal Sponsor and the Government, in consultation with appropriate Federal and State officials, shall develop a facilities or resource protection and development plan, including appropriate engineering plans and specifications.

I. If the Non-Federal Sponsor elects to include betterments in the design or construction of an increment of work, the Non-Federal Sponsor shall notify the Government in writing and describe the betterments it intends to design and construct. The Non-Federal Sponsor shall be solely responsible for all costs due to betterments, including costs associated with obtaining permits for such work, without reimbursement by the Government.

**ARTICLE III - REAL PROPERTY INTERESTS, RELOCATIONS, AND COMPLIANCE
WITH PUBLIC LAW 91-646, AS AMENDED**

A. The Government and Non-Federal Sponsor shall jointly determine the real property interests required for construction, operation, and maintenance of each increment of work and the Non-Federal Sponsor shall provide the Government with general written descriptions, including maps as appropriate, of such real property interests. Upon written confirmation by the Government, the Non-Federal Sponsor shall acquire such real property interests and notify the Government in writing when such interests have been acquired. The Non-Federal Sponsor shall ensure that real property interests provided for such work are retained in public ownership and, in accordance with Article IV.A., that the real property interests are investigated and that HTRW does not exist in, on, or under the real property interests.

B. The Government and Non-Federal Sponsor shall jointly determine the relocations required for construction, operation, and maintenance of each increment of work and the Non-Federal Sponsor shall provide the Government with general written descriptions, including maps and plans and specifications, as appropriate, for such relocations. Upon written confirmation by the Government, the Non-Federal Sponsor shall perform or ensure performance of such relocations and notify the Government in writing when such relocations have been accomplished.

C. As required by Sections 210 and 305 of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, Public Law 91-646, as amended (42 U.S.C. 4630 and 4655), and Section 24.4 of the Uniform Regulations contained in 49 C.F.R. Part 24, the Non-Federal Sponsor assures that (1) fair and reasonable relocation payments and assistance shall be provided to or for displaced persons, as are required to be provided by a Federal agency under Sections 4622, 4623 and 4624 of Title 42 of the U.S. Code; (2) relocation assistance programs offering the services described in Section 4625 of Title 42 of the U.S. Code shall be provided to such displaced persons; (3) within a reasonable period of time prior to displacement, comparable replacement dwellings will be available to displaced persons in accordance with Section 4625(c)(3) of Title 42 of the U.S. Code; (4) in acquiring real property, the Non-Federal Sponsor will be guided, to the greatest extent practicable under State law, by the land acquisition policies in Section 4651 and the provision of Section 4652 of Title 42 of the U.S. Code; and (5) property owners will be paid or reimbursed for necessary expenses as specified in Sections 4653 and 4654 of Title 42 of the U.S. Code.

ARTICLE IV - HTRW

A. The Non-Federal Sponsor shall be responsible for undertaking any investigations to identify the existence and extent of any HTRW regulated under applicable law, that may exist in, on, or under real property interests required for construction, operation, and maintenance of each increment of work.

B. In the event the Non-Federal Sponsor discovers that HTRW exists in, on, or under any of the real property interests needed for construction, operation, and maintenance of an

increment of work, within 15 calendar days of such discovery, the Non-Federal Sponsor, in addition to providing any other notice required by applicable law, shall provide written notice to the Government. If HTRW is discovered prior to acquisition, the Non-Federal Sponsor shall not proceed with the acquisition of such real property interests until the parties agree that the Non-Federal Sponsor should proceed. If HTRW is discovered after acquisition of the real property interests, no further activities on that increment of work shall proceed until the parties agree on an appropriate course of action.

1. If the Non-Federal Sponsor initiates or continues construction, the Non-Federal Sponsor shall be responsible, as between the Government and the Non-Federal Sponsor, for the performance and costs of HTRW cleanup and response, including the costs of any studies and investigations necessary to determine an appropriate response to the contamination. Such costs shall be paid by the Non-Federal Sponsor, without reimbursement or credit by the Government.

2. In the event the Non-Federal Sponsor fails to discharge its responsibilities under this Article, the Government may suspend or terminate future performance under this Agreement, including reimbursements pursuant to Article II.E.

C. As between the Government and the Non-Federal Sponsor, the Non-Federal Sponsor shall be considered the owner and operator of each increment of work for purposes of CERCLA liability or other applicable law.

D. Any decision made pursuant to this Article shall not relieve any third party from any HTRW liability that may arise under applicable law.

ARTICLE-V - DETERMINATION OF ELIGIBLE NON-FEDERAL SPONSOR COSTS

A. The Government and the Non-Federal Sponsor agree that the Non-Federal Sponsor's costs that are eligible for inclusion in the construction costs for an increment of work shall be determined in accordance with the following procedures, requirements, and conditions and shall be subject to audit in accordance with Article X.B. to determine reasonableness, allocability, and allowability of costs.

1. Real Property Interests.

a. General Procedure. The Government shall include in construction costs the value of required real property interests acquired from private owners after the date of approval of the Scope of Work for an increment of work except that the value of real property interests donated to the Non-Federal Sponsor are not eligible for inclusion in construction costs. The Non-Federal Sponsor shall obtain for each required real property interest acquired from private owners an appraisal of the fair market value of such interest that is prepared by a qualified appraiser who is acceptable to the parties. Subject to valid jurisdictional exceptions, the appraisal shall conform to the Uniform Standards of Professional Appraisal Practice. The

appraisal must be prepared in accordance with the applicable rules of just compensation, as specified by the Government.

(1) Date of Valuation. The fair market value of real property interests acquired from private owners by the Non-Federal Sponsor after the date of approval of the Scope of Work for an increment of work shall be the fair market value of such real property interests at the time the interests are acquired.

(2) Except for real property interests acquired through eminent domain proceedings after the date of approval of the Scope of Work for an increment of work, the Non-Federal Sponsor shall submit an appraisal for each real property interest to the Government for review and approval no later than, to the maximum extent practicable, 60 calendar days after the Non-Federal Sponsor concludes the acquisition of the interest. If, after coordination and consultation with the Government, the Non-Federal Sponsor is unable to provide an appraisal that is acceptable to the Government, the Government shall obtain an appraisal to determine the fair market value of the real property interest for valuation purposes.

(3) The Government shall include in the construction costs the appraised amount approved by the Government. Where the amount paid or proposed to be paid by the Non-Federal Sponsor exceeds the approved appraised amount, the Government, at the request of the Non-Federal Sponsor, shall consider all factors relevant to determining fair market value and, in its sole discretion, after consultation with the Non-Federal Sponsor, may approve in writing an amount greater than the appraised amount.

b. Eminent Domain Procedure. For real property interests acquired by eminent domain proceedings after the date of approval of the Scope of Work for an increment of work, the Non-Federal Sponsor shall notify the Government in writing of its intent to institute such proceedings and submit the appraisals of the specific real property interests to be acquired for review and approval by the Government. If the Government provides written approval of the appraisals, the Non-Federal Sponsor shall use the amount set forth in such appraisals as the estimate of just compensation for the purpose of instituting the eminent domain proceeding. If the Government provides written disapproval of the appraisals, the Government and the Non-Federal Sponsor shall consult to promptly resolve the issues that are identified in the Government's written disapproval. In the event the issues cannot be resolved, the Non-Federal Sponsor may use the amount set forth in its appraisal as the estimate of just compensation for purpose of instituting the eminent domain proceeding. The fair market value for valuation purposes shall be either the amount of the court award for the real property interests taken or the amount of any stipulated settlement or portion thereof that the Government approves in writing.

c. Waiver of Appraisal. Except as required by paragraph A.1.b. of this Article, the Government may waive the requirement for an appraisal pursuant to this paragraph if, in accordance with 49 C.F.R. Section 24.102(c)(2), the Non-Federal Sponsor determines that an appraisal is unnecessary because the valuation problem is uncomplicated and the anticipated value of the real property interest proposed for acquisition is estimated at \$25,000 or less, based on a review of available data. When the Non-Federal Sponsor determines that an appraisal is unnecessary, the Non-Federal Sponsor shall prepare the written waiver valuation required by 49

C.F.R. Section 24.102(c)(2) and submit a copy thereof to the Government for approval. When the anticipated value of the real property interest exceeds \$10,000, the Non-Federal Sponsor must offer the owner the option of having the Non-Federal Sponsor appraise the real property interest.

d. Incidental Costs. The Government shall include in construction costs eligible incidental costs, documented to the satisfaction of the Government, that the Non-Federal Sponsor incurs in acquiring required real property interests from private owners for an increment of work after the date of approval of the Scope of Work for such work. Such incidental costs include closing and title costs, appraisal costs, survey costs, attorney's fees, plat maps, mapping costs, actual amounts expended for payment of any relocation assistance benefits provided in accordance with Article III.C., and other payments by the Non-Federal Sponsor for items that are generally recognized as compensable, and required to be paid, by applicable state law due to the acquisition of required real property interests.

e. Any publicly owned real property interests or real property interests owned by the Non-Federal Sponsor on the date of approval of the Scope of Work and required for an increment of work will be provided by the Non-Federal Sponsor at no cost to the Government.

2. Relocations. The Government shall include in construction costs eligible costs of required relocations performed by the Non-Federal Sponsor after approval of the Scope of Work for an increment of work.

a. For a relocation other than a highway, eligible costs shall be only that portion of relocation costs that the Government determines is necessary to provide a functionally equivalent facility, reduced by depreciation, as applicable, and by the salvage value of any removed items.

b. For a relocation of a highway, which is any highway, roadway, or street, including any bridge thereof, that is owned by a public entity, the eligible costs shall be only that portion of relocation costs that would be necessary to accomplish the relocation in accordance with the design standard that the State of Arizona would apply under similar conditions of geography and traffic load, reduced by the salvage value of any removed items.

c. Relocation costs include actual costs of performing the relocation; planning, engineering, and design costs; and supervision and administration costs, as determined by the Government. Relocation costs do not include any costs associated with betterments, as determined by the Government, nor any additional cost of using new material when suitable used material is available.

3. Design and Construction Work. The Government shall include in construction costs for an increment of work eligible costs of the design and construction work performed by the Non-Federal Sponsor after the date of approval of the Scope of Work for such work, and eligible costs of pre-Scope of Work design work, if any.

a. The Non-Federal Sponsor shall provide documentation, satisfactory to the Government, for the Government to determine the amount of eligible costs. Appropriate documentation includes invoices and certification of specific payments to contractors, suppliers, and the Non-Federal Sponsor's employees. Where the Non-Federal Sponsor's cost for completed pre-Scope of Work design work is expressed as fixed costs plus a percentage of the construction costs for the increment of work, the Non-Federal Sponsor shall renegotiate such costs with its contractor based on actual costs.

b. The following costs are not eligible for inclusion in construction costs for an increment of work: interest charges, or any adjustment to reflect changes in price levels between the time the design or construction work is completed; pre-Scope of Work design work previously reimbursed under another agreement; design or construction work obtained at no cost to the Non-Federal Sponsor; costs that exceed the Government's estimate of the cost for such design and construction work; or any construction work initiated on an increment of work prior to completion of environmental compliance for such work.

4. Permit Work. The Government shall include in construction costs for an increment of work eligible costs of permit work performed by the Non-Federal Sponsor after the date of approval of the Scope of Work for such work. Eligible costs shall be equivalent to the direct costs, documented to the satisfaction of the Government, that the Non-Federal Sponsor incurs in obtaining all permits and licenses necessary for design, construction, operation and maintenance of the increment of work, including the permits necessary for construction, operation, and maintenance of the increment of work on publicly owned or controlled real property interests. Appropriate documentation includes invoices and certification of specific payments to contractors, suppliers, and the Non-Federal Sponsor's employees involved in obtaining such permits. Failure to comply with these permits and licenses may result in the Government denying, in whole or part, inclusion of the Non-Federal Sponsor's costs for design and construction of an increment of work in construction costs.

5. Compliance with Federal Labor Laws. In undertaking construction and relocations, the Non-Federal Sponsor shall comply with applicable Federal labor laws covering non-Federal construction, including, but not limited to, 40 U.S.C. 3141-3148 and 40 U.S.C. 3701-3708 (labor standards originally enacted as the Davis-Bacon Act, the Contract Work Hours and Safety Standards Act, and the Copeland Anti-Kickback Act) The Non-Federal Sponsor's failure to comply with these laws may result in the Government denying, in whole or part, inclusion of the Non-Federal Sponsor's costs for relocations and construction of an increment of work in construction costs.

B. Notwithstanding any other provision of this Agreement, the Non-Federal Sponsor shall not be entitled to credit or reimbursement for any costs it incurs for real property interests, relocations, and permit work that exceed 25 percent of construction costs for an increment of work, and any such excess amount cannot be applied towards the non-Federal cost share for another increment of work; and for any costs incurred by the Non-Federal Sponsor prior to the effective date of this Agreement, excluding costs for pre-Scope of Work design work.

ARTICLE VI - ACCOUNTING

A. As of the effective date of this Agreement, construction costs for the initial increment of work are projected to be \$1,600,000, with the amount of Federal funds available for such work limited to \$1,200,000. Costs incurred by the Government for the initial increment of work are projected to be \$120,000. Costs incurred by the Non-Federal Sponsor for the initial increment of work are projected to be \$1,480,000, which includes eligible design and construction work after the effective date of this Agreement projected to be \$1,475,000, eligible pre-Scope of Work design work projected to be \$0, eligible real property interests projected to be \$0, eligible relocations projected to be \$0, and eligible permit work projected to be \$5,000. Reimbursements pursuant to Article II.E. for eligible costs incurred by the Non-Federal Sponsor for the initial increment of work are projected to be \$1,080,000. The Scope of Work for each additional increment of work will include information on the Federal funds available for the increment of work and the Non-Federal Sponsor's share of construction costs for such work. These amounts are estimates only that are subject to adjustment by the Government and are not to be construed as the total financial responsibilities of the Non-Federal Sponsor.

B. For each increment of work, the Government shall provide the Non-Federal Sponsor with monthly financial reports setting forth the estimated construction costs and the Government's and Non-Federal Sponsor's estimated shares of such costs; costs incurred by the Government to date; costs incurred by the Non-Federal Sponsor to date; the total amount of reimbursements made to the Non-Federal Sponsor to date; and the balance of the Federal funds available.

C. After the Non-Federal Sponsor has provided its final invoice to the Government for an increment of work, the Government shall conduct a final accounting and furnish the Non-Federal Sponsor with the written results of such final accounting. As a part of the final accounting, the Government will determine the total reimbursable amount by taking 75 percent of eligible costs incurred by the Non-Federal Sponsor, less 25 percent of the costs incurred by the Government for that increment of work. Should the final accounting determine that funds in excess of the total reimbursable amount have been reimbursed to the Non-Federal Sponsor, the Non-Federal Sponsor, within 60 calendar days of receipt of written notice from the Government, shall provide the Government with the full amount of such excess reimbursement by delivering a check payable to "FAO, USAED, Los Angeles District (L1)" to the District Commander, or by providing an Electronic Funds Transfer of such funds in accordance with procedures established by the Government. Should the final accounting determine that the reimbursements provided to the Non-Federal Sponsor are less than the total reimbursable amount, the Government, subject to the availability of funds, shall reimburse the Non-Federal Sponsor for the amount equal to such difference.

ARTICLE VII - TERMINATION OR SUSPENSION

If at any time the Non-Federal Sponsor fails to fulfill its obligations under this Agreement, the Government may suspend or terminate design and construction assistance. If the Government determines that the Federal funds available for an increment of work will be

exhausted prior to completion of such work, the Government shall notify the Non-Federal Sponsor and the Non-Federal Sponsor may continue with design and construction of such work, at no cost to the Government and without credit or reimbursement.

ARTICLE VIII - HOLD AND SAVE

The Non-Federal Sponsor shall hold and save the Government free from any and all damages arising from design, construction, or operation and maintenance of any work under this Agreement, except for damages due to the fault or negligence of the Government or its contractors.

ARTICLE IX - DISPUTE RESOLUTION

As a condition precedent to a party bringing any suit for breach of this Agreement, that party must first notify the other party in writing of the nature of the purported breach and seek in good faith to resolve the dispute through negotiation. If the parties cannot resolve the dispute through negotiation, they may agree to a mutually acceptable method of non-binding alternative dispute resolution with a qualified third party acceptable to the parties. Each party shall pay an equal share of any costs for the services provided by such a third party as such costs are incurred. The existence of a dispute shall not excuse the parties from performance pursuant to this Agreement.

ARTICLE X - MAINTENANCE OF RECORDS AND AUDITS

A. The parties shall develop procedures for the maintenance by the Non-Federal Sponsor of books, records, documents, or other evidence pertaining to costs and expenses for a minimum of three years after the final accounting. The Non-Federal Sponsor shall assure that such materials are reasonably available for examination, audit, or reproduction by the Government.

B. The Government may conduct, or arrange for the conduct of, audits. Government audits shall be conducted in accordance with applicable Government cost principles and regulations. The Government's costs of audits shall not be included in construction costs.

C. To the extent permitted under applicable Federal laws and regulations, the Government shall allow the Non-Federal Sponsor to inspect books, records, documents, or other evidence pertaining to costs and expenses maintained by the Government, or at the request of the Non-Federal Sponsor, provide to the Non-Federal Sponsor or independent auditors any such information necessary to enable an audit of the Non-Federal Sponsor's activities under this Agreement. The costs of non-Federal audits shall be paid solely by the Non-Federal Sponsor without reimbursement or credit by the Government.

ARTICLE XI - RELATIONSHIP OF PARTIES

In the exercise of their respective rights and obligations under this Agreement, the Government and the Non-Federal Sponsor each act in an independent capacity, and neither is to be considered the officer, agent, or employee of the other. Neither party shall provide, without the consent of the other party, any contractor with a release that waives or purports to waive any rights a party may have to seek relief or redress against that contractor.

ARTICLE XII - NOTICES

A. Any notice, request, demand, or other communication required or permitted to be given under this Agreement shall be deemed to have been duly given if in writing and delivered personally or mailed by registered or certified mail, with return receipt, as follows:

If to the Non-Federal Sponsor:

City Manager
Mr. Greg Clifton
City of Flagstaff
211 West Aspen Avenue
Flagstaff, AZ 86001

If to the Government:

District Commander
U.S. Army Corps of Engineers, Los Angeles District
915 Wilshire Blvd
Los Angeles, CA 90017

B. A party may change the recipient or address to which such communications are to be directed by giving written notice to the other party in the manner provided in this Article.

ARTICLE XIII - CONFIDENTIALITY

To the extent permitted by the laws governing each party, the parties agree to maintain the confidentiality of exchanged information when requested to do so by the providing party.

ARTICLE XIV - THIRD PARTY RIGHTS, BENEFITS, OR LIABILITIES

Nothing in this Agreement is intended, nor may be construed, to create any rights, confer any benefits, or relieve any liability, of any kind whatsoever in any third person not a party to this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, which shall become effective upon the date it is signed by the District Commander.

DEPARTMENT OF THE ARMY

CITY OF FLAGSTAFF

BY: *AJ Baker*
Andrew J. Baker
Colonel, U.S. Army
District Commander

BY: *Becky Daggett*
Becky Daggett
Mayor

DATE: Jan 23 2024

DATE: 1/23/24

ATTEST:

Stacy Saltburg
City Clerk

APPROVED AS TO FORM:

Helene Solomon
City Attorney

CERTIFICATE OF AUTHORITY

I, Sterling Solomon, do hereby certify that I am the principal legal officer for the City of Flagstaff, that the City of Flagstaff is a legally constituted public body with full authority and legal capability to perform the terms of the Project Partner Agreement between the Department of the Army and the City of Flagstaff in connection with the Downtown Flood Lateral Section 595 Project, and to pay damages, if necessary, in the event of the failure to perform in accordance with the terms of this Project Partner Agreement, and that the person who executed this Agreement on behalf of the City of Flagstaff acted within their statutory authority.

IN WITNESS WHEREOF, I have made and executed this certification this 23rd day of January 2024

Sterling Solomon
Sterling Solomon
City Attorney

DOWNTOWN FLOOD LATERAL SECTION 595 PROJECT

CERTIFICATION REGARDING LOBBYING

The undersigned certifies, to the best of his or her knowledge and belief that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by 31 U.S.C. 1352. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

CITY OF FLAGSTAFF



Greg Clifton
City Manager

DATE: 1/23/2024

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Stacey Brechler-Knaggs, Grants, Contracts & Emergency Management Director

Co-Submitter: Brian Gall

Date: 03/12/2024

Meeting Date: 03/19/2024



TITLE:

Consideration and Approval of Grant Agreement: Grant Agreement between the City of Flagstaff and the Arizona Department of Transportation (ADOT) for the construction of a Snow Removal Equipment Building (SREB), Phase 1 Site Preparation.

STAFF RECOMMENDED ACTION:

Approve Grant Agreement with the Arizona Department of Transportation for the Airport Snow Removal Equipment Building, Phase 1 Site Preparation, in an amount not to exceed \$217,304 as a matching grant.

Executive Summary:

This grant is part of a multiple grant funding opportunity (three separate matching grants are anticipated) to deliver this much needed City facility. The delivery of the SREB project will ensure the investments made by City, state and federal funds on equipment is secured and is anticipated to increase the overall level of service of the runway snow operations. Once the project is completed, the efforts will result in an improved quality of air transportation network during the winter months. The City of Flagstaff community continues to support initiatives improving and maintaining quality infrastructure throughout out transportation network.

Financial Impact:

The grant award amount is \$217,304, with a City match of \$217,304 for a total of \$434,608. The total estimated project cost is \$24,780,722, this is one of multiple matching grant awards to fund the project.

This project is a multiple year project and is partially budgeted in 221-07-222-6271-0-4434 in FY 2023-24 with the full project included the Airport capital improvements 5 year plan

Policy Impact:

None

Connection to PBB Priorities/Objectives, Carbon Neutrality Plan & Regional Plan:

Priority Based Budget Key Community Priorities and Objectives

Safe & Healthy Community - Ensure the built environment is safe through the use of consistent standards, rules and regulations, and land use practices. - Promote physical health through providing recreation opportunities, parks, open space & multiple transportation options. Sustainable, Innovative Infrastructure - Deliver outstanding services to residents through a healthy, well maintained infrastructure system. - Provide effective management of and infrastructure for all modes of transportation.

Has There Been Previous Council Decision on This:

Yes.

On August 18, 2020 Council approved a grant award for the Design of the Snow Removal Equipment

Building.

On October 17, 2023, Council approved the first of three grant awards with the Federal Aviation Administration for the construction of the Snow Removal Equipment Building.

Options and Alternatives:

- Accept the Grant Agreement which will provide funding to design the snow removal equipment building.
- Not accept the Grant Agreement and the funds will be returned and project terminated.

Background and History:

A Request for Proposal was solicited for Professional Architectural Design Services, bids were received on April 2, 2020 and on July 7, 2020 Council approved the contract with APMI in the amount of \$859,977. Based on bids, the City received a Grant Offer on July 13, 2020 from FAA for the Airport Improvement Program (AIP) Project No. 3-04-0015-044-2020 to Design the Snow Removal Equipment Building.

The first of June 2023 we submitted three grant applications (FAA Entitlement, Bipartisan Infrastructure Law, and FAA Discretionary) for funding the construction of the Snow Removal Equipment Building. This is the first award of three matching grants to get to a total project cost of approximately \$24,780,722.

Key Considerations:

The project design was 100% funded by FAA. The construction grant will be funded through a number of grant awards (anticipating three total) using Entitlement funds, Airport Bipartisan Infrastructure Law funds, and competitive Discretionary funding.

This grant award is the first of three that will be matched by AZ Department of Transportation, Aeronautics Section.

Community Benefits and Considerations:

The City will benefit in numerous ways with the completion of this project. There will be a consolidation of facility resources (staff, equipment...) and thus, efficiency in these services is expected to increase. The facility will increase the efficiency of snow removal operations at the airport and extend the life of airport equipment by providing a protected storage area.

Community Involvement:

Consult - Staff will continue to share the design progress with the airport commission as well as City Council.
Empower -- The Federal Aviation Administration and City Council have been very supportive of the project.

Attachments: [ADOT Grant Agreement for Snow Removal Equipment Building](#)

Arizona Department of Transportation
Multimodal Planning Division
Aeronautics Group

Airport Development Reimbursable Grant Agreement

Part I

THIS AGREEMENT is entered into _____, between the STATE OF ARIZONA, acting by and through its DEPARTMENT OF TRANSPORTATION, through its Multimodal Planning Division (the "State") and the **CITY OF FLAGSTAFF**, a political subdivision of the State of Arizona (the "Sponsor"), for a grant of State funds for the purpose of aiding in financing a Project of **Construct/Rehabilitate/Modify/Expand Snow Removal Equipment Building (Phase 1, Site Preparation** (the "Project"), for the improvement of the **Flagstaff Pulliam Airport** (the "Airport").

WITNESSETH

Recitals:

- 1) The Sponsor desires, in accordance with the authority granted by Arizona Revised Statutes (A.R.S.) Section 28-8413, funds from the State for the purpose of airport planning and/or development.
- 2) The Arizona State Transportation Board, as approved on **July 1, 2023** and the Director of the Arizona Department of Transportation, in accordance with the authority granted by Sections 28-304, 28-363, and 28-401 and A.R.S. Title 28, Chapter 25, have authorized reimbursement to the Sponsor of funds expended for airport planning and/or development.

Now, therefore, in consideration of the foregoing recitals and of the covenants and agreements made by the parties herein to be kept and performed, the parties agree as follows:

Sponsor's Responsibility

- 1) The Sponsor shall accept this Agreement within 4 months of the date of the grant offer cover letter: **December 5, 2023**. This Grant offer, if not accepted by the Sponsor, shall expire at the end of the 4-month period.
- 2) The Sponsor shall commence the Project within 6 months of the date the grant was executed by the State. This Project will consist of the airport improvements as described in Exhibit C. The Sponsor shall proceed with due diligence and complete the Project in accordance with the provisions of this Agreement. The Sponsor shall provide and maintain competent supervision to complete the Project in conformance with the plans, specifications and work completion schedule incorporated as part of this Agreement.

- 3) The Sponsor shall submit completed Project Reimbursement and Milestone schedules, which shall be attached hereto, as Exhibit C, Schedules Two and Three respectively and shall complete the Project within that schedule. Any change to the schedule shall be submitted in writing and be approved by the State. A time extension beyond the State's obligation to provide funds herein must be reflected by formal Amendment to this Agreement.
- 4) The Sponsor shall comply with the Sponsor Assurances and abide by and enforce the General Provisions and Specific Provisions incorporated herein as Exhibits A, B and C respectively.

Obligations

- 1) The minimum funding participation from the Sponsor shall be ***Four And Forty-Seven Hundredths (4.47%)*** as determined by the State.
- 2) The maximum reimbursement available from the State to the Sponsor for this Agreement shall be ***Two Hundred Seventeen And Three Hundred Four Thousandths Dollars (\$217,304.00)***
- 3) Except as otherwise provided herein for the State's obligation to provide funds hereunder expires upon completion of the project required herein or ***November 30, 2027***, whichever is earlier.
- 4) The State may, after agreeing to provide said funds to the Sponsor, withdraw/terminate the grant if the Project has not been initiated as evidenced by a Notice to Proceed within 6 months of the date the grant was executed by the State or has not progressed as scheduled over a period of 12 months or if the State determines that Sponsor is not otherwise complying with the terms of this Agreement. If it becomes necessary to terminate a grant at any time, the State will reimburse expenses of the Sponsor, approved by the State, up to the time of notification of cancellation provided Sponsor is not in default hereunder.
- 5) Sponsor acknowledges that in the event of a late payment or reimbursement by the State, the State shall have no obligation to pay a late payment fee or interest and shall not otherwise be penalized.
- 6) Notwithstanding anything to the contrary herein, in the case where funds are no longer available or have been withdrawn or not appropriated, or the Project is no longer in the State's best interest, the State shall have the right of termination at its sole option. The State shall not reimburse any costs incurred after receipt of the notice of termination. The Governor pursuant to A.R.S. Section 38-511 hereby puts all parties on notice that this Agreement is subject to cancellation.

Preliminary Work Provision

Any preliminary work, for which costs for this Project were incurred after December 5, 2023 shall be considered eligible for reimbursement provided that said costs are directly related to the Project on which this Agreement is written. The State shall review related records and determine eligibility at its sole discretion.

Part II

The Sponsor shall approve and attach to this agreement a resolution, or Motion, or Board Action by its governing body that certifies as follows:

- 1) The Sponsor has the legal power and authority:
 - a) to do all things necessary, in order to undertake and carry out the Project;
 - b) to accept, receive and disburse grant funds from the State in aid of the Project.

- 2) The Sponsor now has on deposit, or is in a position to secure two hundred seventeen thousand three hundred and four dollars (\$ 217,304), or an equivalent amount represented by Sponsor's proposed labor and equipment costs, for use in defraying Sponsor's share of the costs of the Project. The present status of these funds is as follows:

Airport General Fund
(Enter local funding type and location)

- 3) The Sponsor hereby designates Rick Tadder, Management Services Director
Name Title
to receive payments representing the State's share of project costs.

Signature of Sponsor's Representative

Title of Representative

- 4) The Sponsor has on file with ADOT the following vendor identification and address for project payments:

Sponsor Vendor Id #: **IV0000002739**
Sponsor Vendor Address: **CITY OF FLAGSTAFF**
211 West Aspen
Flagstaff, AZ 86001

Exhibits

The following Exhibits are incorporated herewith and form a part of this Agreement.

- Exhibit A - Sponsor Assurances
- Exhibit B - General Provisions
- Exhibit C - Specific Provisions and Project Schedules

STATE:

State of Arizona
Department of Transportation
Multimodal Planning Division

SPONSOR:

CITY OF FLAGSTAFF
Flagstaff Pulliam Airport

By: _____

Title: MPD Division Director

Date: _____

By: _____

Title: ___City Manager_____

Date: _____

WITNESSED BY:

Signature: _____

Print Name: _____

Date: _____

WITNESSED BY:

Signature: _____

Print Name: _____

Date: _____

Approved as to Form

City Attorney

EXHIBIT A

Sponsor Assurances

Upon acceptance of the grant offer by the Sponsor, these assurances will become a part of this Agreement. The Sponsor hereby covenants and agrees with the State as follows:

General

- 1) That the Project is consistent with plans (existing at the time of approval of the Project) of political jurisdictions authorized by the State to plan for the development of the area surrounding the Airport and has given fair consideration to the interest of communities in or near where the Project is to be located. In making a decision to undertake any airport development Project under this Agreement the Sponsor insures that it has undertaken reasonable consultation with affected parties using the Airport at which the Project is proposed. All appropriate development standards of Federal Aviation Administration (FAA) Advisory Circulars, Orders, or Federal Regulations shall be complied with. All related state and federal laws shall be complied with.
- 2) That these covenants shall become effective upon execution of this Agreement for the Project or any portion thereof, made by the State and shall remain in full force and effect throughout the useful life of the facilities or the planning project's duration developed under the grant, but in any event, not less than twenty (20) years from the date of acceptance of the grant offer by the Sponsor.
- 3) The Sponsor certifies in this Agreement that it is a political subdivision of the State and is the public agency with control over a public-use Airport and/or on behalf of the possible future development of an Airport and is eligible to receive grant funds for the development or possible development of an Airport under its jurisdiction.
- 4) The Sponsor further agrees it holds good title, satisfactory to the State, to the landing area of the Airport or site thereof, or will give assurance satisfactory to the State that good title will be acquired.
- 5) That the Sponsor is the owner or lessee of the property or properties on which the Airport is located and that the lease guarantees that the Sponsor has full control of the use of the property for a period of not less than twenty (20) years from the date of this Agreement. All changes in airport ownership or to an airport lease shall be approved by the State.
- 6) The Sponsor agrees that it has sufficient funds available for that portion of the project costs which are not to be paid by the State (or the United States).
- 7) The Sponsor agrees to provide and maintain competent supervision to complete the Project in conformance with this Agreement.
- 8) Preserving Rights and Powers: The Sponsor agrees it shall not take or permit any action which would operate to deprive it of any of the rights and powers necessary to perform any or all of the terms, conditions and assurances in this Agreement without written permission from the State, and shall act promptly to acquire, extinguish or modify any outstanding rights or claims of right by others which would interfere with such performance by the Sponsor. This will be done in a manner acceptable to the State. The Sponsor shall not sell, lease, encumber or otherwise transfer or dispose of any part of its title or other interests in the property shown on the airport property map included in the most recent FAA-approved Airport Layout Plan, or to that portion of the property upon which State

funds have been expended, for the duration of the terms, conditions and assurances in this Agreement without approval by the State. If the transferee is found by the State to be eligible under Title 49, United States Code, to assume the obligations of this Agreement and to have the power, authority and financial resources to carry out such obligations, the Sponsor shall insert in the contract or document transferring or disposing of Sponsor's interest and make binding upon the transferee all the terms, conditions and assurances contained in this Agreement.

- 9) **Public Hearings:** In Projects involving the location of an Airport, an airport runway or a major runway extension, the Sponsor has afforded the opportunity for public hearings for the purpose of considering the economic, social and environmental impacts of the Airport or runway location and its consistency with goals and objectives of such planning as has been carried out by the community and it shall, when requested by the State, submit a copy of such hearings to the State.

Financial

Pursuant to A.R.S. 35-326, the Sponsor may elect to utilize the Local Government Investment Pool ("LGIP") maintained by the state treasurer. The Sponsor shall request written approval from the State to use the LGIP. Thereafter, the State may deposit the funds authorized by the grant into the Sponsor's account. After approval of the reimbursements by the state, the funds shall be disbursed through the LGIP account to the Sponsor. The disbursements shall be made pursuant to the applicable laws and regulations.

The Sponsor shall establish and maintain for each Project governed by this Agreement, an adequate accounting record to allow State personnel to determine all funds received (including funds of the Sponsor and funds received from the United States or other sources) and to determine the eligibility of all incurred costs of the Project. The Sponsor shall segregate and group project costs into cost classifications as listed in the Specific Provisions of Exhibit C.

Record Keeping

The Sponsor shall maintain accurate records of all labor, equipment and materials used in this Project and that upon reasonable notice, shall make available to the State, or any of their authorized representatives, for the purpose of audit and examination all records, books, papers or documents of the recipient relating to work performed under this Agreement. For airport development Projects, make the Airport and all airport records and documents affecting the Airport, including deeds, leases, operation and use agreements, regulations and other instruments, available for inspection by any duly authorized agent of the State upon reasonable request.

Airport Based Aircraft Reporting

The Sponsor shall furnish to the State on a quarterly basis, a current detailed listing (including: Registration/N Number, Name, Address and Phone Number of Owner) of all based aircraft on the Airport in a form approved by the State.

Airport Layout Plan

- 1) The Sponsor shall maintain a current signed/approved Airport Layout Plan (ALP) of the Airport, which shows building areas and landing areas, indicating present and planned development and to furnish the State an updated ALP of the Airport as changes are made.
- 2) The Sponsor shall be required to prepare an ALP for update or revalidation in accordance with current FAA and State standard guidelines. The ALP will indicate any deviations from FAA design standards as outlined in current FAA

Advisory Circulars, orders or regulations. A copy of the signed/approved ALP in electronic format shall be forwarded to the State after authentication by FAA or the State.

- 3) The Sponsor shall assure that there are no changes to the airport property boundaries, together with any off-site areas owned or controlled by the Sponsor which support the Airport or its operations as a part of this project.
- 4) If a change or alteration is made at the Airport which the State determines adversely affects the safety, utility or efficiency of the Airport, or any State funded property on or off Airport which is not in conformity with the ALP as approved by the State, the Sponsor will, if requested by the State, eliminate such adverse affect in a manner approved by the State.

Immediate Vicinity Land Use Restriction

The Sponsor shall restrict the use of land, adjacent to or in the immediate vicinity of the Airport, to activities and purposes compatible with normal airport operations and to take appropriate action including the adoption of appropriate zoning laws. In addition, if the Project is for noise compatibility or to protect the 14 CFR Part 77 imaginary surfaces of the Airport, the Sponsor will not cause or permit any change in land use, within its jurisdiction, that will reduce its compatibility, with respect to the Airport, of the noise compatibility program measures or the imaginary surfaces of the Airport upon which State funds have been expended.

Airport Operation

- 1) The Sponsor shall promote safe airport operations by clearing and protecting the approaches to the Airport by removing, lowering, relocating, marking and/or lighting existing airport hazards and to prevent, to the extent possible, establishment or creation of future airport hazards. The Sponsor shall take appropriate action to assure such terminal airspace as is required to protect instrument and visual operations to the Airport (including established minimum flight altitudes) will be adequately cleared and protected by preventing the establishment or creation of future airport hazards. The Sponsor shall promptly notify airmen of any condition affecting aeronautical use of the Airport.
- 2) The Sponsor further agrees to operate the Airport for the use and benefit of the public and to keep the Airport open to all types, kinds and classes of aeronautical use without discrimination between such types, kinds and classes; provided that the Sponsor shall establish such fair, equal and nondiscriminatory conditions to be met by all users of the Airport as may be necessary for the safe and efficient operation of the Airport; and provided further, that the Sponsor may prohibit any given type, kind or class of aeronautical use of the Airport if such use would create unsafe conditions, interfere with normal operation of aircraft, or cause damage or lead to the deterioration of the runway or other airport facilities.
- 3) In any agreement, contract, lease or other arrangement under which a right or privilege at the Airport is granted to any person, firm or corporation to conduct or engage in any aeronautical activity for furnishing services to the public at the Airport, the Sponsor shall insert and enforce provisions requiring said person, firm or corporation:
 - a) to furnish services on a reasonable and not unjustly discriminatory basis to all users thereof and charge reasonable and not unjustly discriminatory prices for each unit or service;
 - b) and be allowed to make reasonable and nondiscriminatory discounts, rebates or similar types of price reductions to volume purchasers;

- c) each Fixed Based Operator (FBO) and Air Carrier at the Airport shall be subject to the same rates, fees, rentals and other charges as are uniformly applicable to all other FBOs and Air Carriers making the same or similar uses of the Airport and utilizing the same or similar facilities;
 - d) each Air Carrier using such Airport shall have the right to service itself or to use any FBO that is authorized or permitted by the Airport to serve any Air Carrier at the Airport.
- 4) The Sponsor shall not exercise or grant any right or privilege which operates to prevent any person, firm or corporation operating aircraft on the Airport from performing any services on its own aircraft with its own employees (including but not limited to maintenance, repair and fueling) that it may choose to perform. In the event the Sponsor itself exercises any of the rights and privileges referred to in this assurance, the services involved will be provided on the same conditions as would apply to the furnishing of such services by a commercial aeronautical operator authorized by the Sponsor under these provisions.
- 5) The Sponsor shall suitably operate and maintain the Airport and all facilities thereon or connected therewith which are necessary for airport purposes and to prohibit any activity thereon which would interfere with its use for aeronautical purposes and to operate essential facilities, including night lighting systems, when installed, in such manner as to assure their availability to all users of the Airport; provided that nothing contained herein shall be construed to require that the Airport be operated and maintained for aeronautical uses during temporary periods when snow, flood or other climatic conditions interfere substantially with such operation and maintenance.
- 6) The Sponsor shall not permit an exclusive right for the use of the Airport by any person providing, or intending to provide, aeronautical services to the public. For purposes of this paragraph, providing services at an Airport by a single FBO shall not be construed as an “exclusive right” if:
- a) it would be unreasonably costly, burdensome or impractical for more than one FBO; and
 - b) if allowing more than one FBO to provide such services would require a reduction of space leased pursuant to an existing agreement between a single FBO and the Airport.

Note: Aeronautical activities that are covered by this paragraph include, but are not limited to: charter flights, pilot training, aircraft rental, sightseeing, air carrier operations, aircraft sales and services, aerial photography, agricultural spraying, aerial advertising and surveying, sale of aviation petroleum products whether or not conducted in conjunction with any other aeronautical activity, repair and maintenance of aircraft, sale of aircraft parts, and any other activities which because of their direct relationship to the operation of aircraft can be regarded as an aeronautical activity.

- 7) The Sponsor shall terminate any exclusive right to conduct an aeronautical activity now existing at the Airport before any grant of assistance from the State. However, there shall be no limit on the duration of the assurances regarding Exclusive Rights and Airport Revenue so long as the Airport is used as an Airport. There shall be no limit on the duration of the terms, conditions, and assurances with respect to real property acquired with State funds.
- 8) Airport Pavement Preservation Program: The Sponsor certifies that they have implemented an effective pavement preservation management program at the Airport in accordance with Public Law 103-305 and with the most current associated FAA policies and guidance for the replacement, reconstruction or maintenance of pavement at the Airport. The Sponsor assures that it shall use and follow this program for the useful life of the pavement constructed, reconstructed or repaired with financial assistance from the State and that it will provide such reports on pavement condition and pavement management programs as may be required by the State.

Sponsor Transactions

The Sponsor shall refrain from entering into any transaction which would deprive the Sponsor of any of the rights and powers necessary to perform any or all of the covenants made herein, unless by such transaction the obligation to perform all such covenants is assumed by another public agency eligible to assume such obligations and having the power, authority and financial resources to carry out such obligations; and, if an arrangement is made for management or operation of the Airport by an agency or person other than the Sponsor, the Sponsor shall reserve sufficient powers and authority to insure that the Airport will be operated and maintained in accordance with these covenants or insure that such an arrangement also requires compliance therewith.

Airport Revenues

The Sponsor shall maintain a fee and rental structure for the facilities and services at the Airport which will make the Airport as self-sustaining as possible under the circumstances existing at the particular Airport, taking into account such factors as the volume of traffic and economy of collection. All revenues generated by the Airport (and any local taxes established after Dec 30, 1987), will be expended by it for the capital or operating costs of the Airport; the local airport system; or the local facilities which are owned or operated by the owner or operator of the Airport and which are directly or substantially related to the actual air transportation of passengers or property, on or off the Airport.

Disposal of Land

- 1) For land purchased under a grant for airport development purposes (it is needed for aeronautical purposes, including runway protection zones, or serve as noise buffer land; and revenue from the interim use of the land contributed to the financial self-sufficiency of the Airport), the Sponsor shall apply to the State and FAA for permission to dispose of such land. If agreed to by the State and/or FAA, the Sponsor shall dispose of such land at fair market value and make available to the State and FAA an amount that is proportionate to the State and FAA's share of the cost of the land acquisition. That portion of the proceeds of such disposition, which is proportionate to the share of the cost of acquisition of such land, shall be (a) reinvested in another eligible airport development Project or Projects approved by the State and FAA or (b) be deposited to the Aviation Trust Fund if no eligible Project exists.
 - 2) Disposition of such land shall be subject to the retention or reservation of any interest or right therein necessary to ensure that such land will only be used for purposes which are compatible with noise levels associated with operation of the Airport.
-

EXHIBIT B

General Provisions

Employment of Consultants

The term consultant, as used herein, includes planners, architects and/or engineers. If a consultant is to be used for this Project, the Sponsor agrees to consider at least three (3) consultant firms. If the Sponsor has contracted with or will contract with a consultant on a retainer basis, the Sponsor assures to the State that prior to entering such a contract, at least three (3) consultants were or will be considered. The Sponsor shall submit to the State, for review and approval, a copy of the request for proposals and/or request for qualifications, and the proposed consultant contract prior to its execution and upon award of the contract, a fully executed copy. All requests for qualifications and requests for proposals shall be in accordance with A.R.S. 34, Chapters 1, 2 and 6, and shall include a list of projects and project locations to be awarded project contracts.

Contracts

- 1) The Sponsor as an independent entity and not as an agent of the State may obtain the services required in order to fulfill the work outlined in the Project Description as approved by the State for funding in the Airport Capital Improvement Program. All contracts awarded to accomplish the project work described in this Agreement shall state:
 - a) The name of the consultant authorized to perform the work and to communicate on behalf of the Sponsor;
 - b) The Sponsor must insure that contracts issued under this Agreement comply with the provisions of Arizona Executive Order 75-5 as amended by Arizona Executive Order 2009-9, relating to equal opportunity;
 - c) The terms for termination of the contract either for failure to perform or in the best interest of the Sponsor;
 - d) The duly authorized representatives of the State shall have access to any books, documents, papers and records of the consultant and/or contractor which are in any way pertinent to the contract for a period of five years, in accordance with A.R.S. 35-214, for the purpose of making inspections, audits, examinations, excerpts and transcriptions.
- 2) All contracts shall stipulate and make clear:
 - a) The responsibilities of the consultant to gain authorization for changes on the Project which may have an affect on the contract price, scope, or schedule;
 - b) That all construction contractors and sub-contractors hired to perform services, shall be in compliance with A.R.S. 32, Chapter 10.
 - c) That any materials, including reports, computer programs or files and other deliverables created under this Agreement are the sole property of the Sponsor. That these items shall be made available to the public. The Contractor/Consultant is not entitled to a patent or copyright on these materials and may not transfer the patent or copyright to anyone else.

- d) That any travel shall be reimbursable by the State only within the rules and costs in accordance with the State of Arizona Travel Policy.

3) Liability of Subcontractors

1) It shall be the responsibility of the Sponsor to ensure through contractual agreement that any independent contractor, subcontractors, or sub consultants utilized by the Sponsor, defend, indemnify, save, and hold harmless the State and any of their departments, divisions, agencies, officers, or employees who may be obligated to pay by reason of any liability imposed upon any of the above for damages arising out of any error, negligence, omissions, or act of the independent contractor, subcontractor, or sub consultant.

Conflict of Interest

Each consultant submitting a proposal shall certify that it shall comply with, in all respects, the rules of professional conduct set forth in Arizona Administrative Code R4-30-301. In addition, a conflict of interest shall be cause for disqualifying a consultant from consideration; or terminating a contract if the conflict should occur after the contract is made. A potential conflict of interest includes, but is not limited to:

- 1) Accepting an assignment where duty to the client would conflict with the consultant's personal interest, or interest of another client.
- 2) Performing work for a client or having an interest which conflicts with this contract.

Reports

1) Reimbursement Requirements

a). The Sponsor shall submit quarterly Grant Reimbursement Requests (GRR's) to the Aeronautics Grant Manager after the date of the grant agreement has been signed by both Sponsor and State.

b). The Sponsor shall prepare quarterly (GRR) forms with the appropriate invoices attached which clearly indicate the project's progress to date and the amount of reimbursement due by virtue of that progress. All GRR's for payment shall be for work completed unless otherwise agreed to by State.

(i). The State has the right to withhold reimbursement payments if the Sponsor does not fill out the State GRR form correctly. If the State does decide to withhold payments to the Sponsor for any reason, it must provide written notification and an explanation to the Sponsor within ten (10) days of the date of the invoice submitted.

c). The State has the right to suspend any current or future grants should the Sponsor neglect to make a grant reimbursement request after 180 days as stated on the **Projected Reimbursement Requests / State Cash Flow** section of the grant agreement under Exhibit C, Schedule 2.

d). An Airport may be awarded a pavement management agreement through the State's Airport Pavement Management System (APMS Program). Sponsors receiving APMS treatment will be responsible for 10% of the eligible construction cost. Outstanding balances after final costs reconciliation shall be paid to the State upon

written notice. Any unpaid balance by the Sponsor can result in suspension of participation in the State's Airport Pavement Management System and State/Local Grants.

2) The Sponsor shall submit monthly status reports during planning, shall submit monthly status reports during design, and shall submit weekly reports during construction. All reports shall reflect, at a minimum, the progress accomplished in relation to the Grant and Project schedules and milestones, the reasons for any changes, and the recommended corrections of problems encountered. Upon completion of the Project, the Sponsor shall submit a letter to the State specifying that the Project has been completed to their satisfaction and that the consultant and the contractor have completed their contractual responsibilities.

Changes

Any changes to the consultant contract, authorized by the Sponsor, that include additional funds, time and/or scope, shall be by amendment and shall be approved by the State prior to being made in order to be eligible for reimbursement. Approval of a change by the State shall not obligate the State to provide reimbursement beyond the maximum funds obligated by this Agreement. Any increase to the amount of funds authorized hereunder, to the expiration date of this agreement, or to the scope of work included in this agreement must be by formal amendment, and signed by all parties.

Any changes to the contract documents, authorized by the Sponsor, must be approved by the State prior to any changes being made in order to be eligible for reimbursement.

Audit

Upon completion of the Project, the Sponsor agrees to have an audit performed. The audit examination may be a separate project audit or in accordance with the Single Audit Act of 1984 (Single Audit). If the Sponsor is required under law to have a Single Audit, this Project shall be considered for inclusion in the scope of examination.

The Sponsor shall keep all project accounts and records which fully disclose the amount and disposition by the recipient of the proceeds of the grant, the total cost of the Project in connection with which the grant is given or used, and the amount or nature of that portion of the cost of the Project supplied by other sources, and such other financial records pertinent to the Project. The accounts and records will be kept in accordance with A.R.S. 35-214.

In any case in which an independent audit is made of the accounts of a Sponsor relating to the disposition of the proceeds of a grant relating to the Project in connection with which the grant was given or used, it shall file a certified copied of such audit with the State not later than six (6) months following the close of the fiscal year in which the audit was made.

The Sponsor shall make available to the State or any of their other duly authorized representatives, for the purpose of audit and examination, any books, documents, papers and records of the recipient that are pertinent to the grant. The Sponsor further agrees to provide the State a certified copy of the audit report. The State is to determine the acceptability of this audit.

Suspension

If the Sponsor fails to comply with any conditions of this Agreement, the State, by written notice to the Sponsor, may suspend participation and withhold payments until appropriate corrective action has been taken by the Sponsor. Costs incurred during a period of suspension may not be eligible for reimbursement by the State.

Failure to Perform

If the Sponsor fails to comply with the conditions of this Agreement the State, may by written notice to the Sponsor, terminate this Agreement in whole or in part. The notice of termination will contain the reasons for termination, the effective date, and the eligibility of costs incurred prior to termination. The State shall not reimburse any costs incurred after the date of termination.

Termination for Convenience

When the continuation of the Project will not produce beneficial results commensurate with the further expenditure of funds or when funds are not appropriated or are withdrawn for use hereunder, the State may terminate this Agreement. In the case where continuation of the Project will not produce beneficial results, the State and the Sponsor shall mutually agree upon the termination either in whole or in part. In the case where funds are no longer available or have been withdrawn or not appropriated, or the Project is no longer in the State's best interest, the State shall have the right of termination as its sole option. The State shall not reimburse any costs incurred after receipt of the notice of termination. The Governor pursuant to A.R.S. Section 38-511 hereby puts all parties on notice that this Agreement is subject to cancellation.

Waiver by State

No waiver of any condition, requirement or right expressed in this Agreement shall be implied by any forbearance of the State to declare a default, failure to perform or to take any other action on account of any violation that continues or repeats.

Compliance with Laws

The Sponsor shall comply with all Federal, State and Local laws, rules, regulations, ordinances, policies, advisory circulars, and decrees that are applicable to the performance hereunder.

Arbitration

In the event of a dispute, the parties agree to use arbitration to the extent required by A.R.S. Section 12-1518.

Jurisdiction

Any litigation between the Sponsor and the State shall be commenced and prosecuted in an appropriate State court of competent jurisdiction within Maricopa County, State of Arizona.

Excess of Payments

If it is found that the total payments to the Sponsor exceed the State's share of allowable project costs, the Sponsor shall promptly return the excess to the State. Final determination of the State's share of allowable costs shall rest solely with the State. Any reimbursement to the Sponsor by the State not in accordance with this Agreement or unsubstantiated by project records will be considered ineligible for reimbursement and shall be returned promptly to the State.

State Inspectors

At any time and/or prior to final payment of funds for work performed under this Agreement, the State may perform an inspection of the work performed to assure compliance with the terms herein and to review the workmanship of the Sponsor's contractors and/or consultants. No inspector is authorized to change any provisions of this Agreement or any provisions of Agreements between the Sponsor and the Sponsor's contractor and/or consultant.

Indemnification

The State of Arizona, acting by and through the Arizona Department of Transportation, does not assume any liability to third persons nor will the Sponsor be reimbursed for the Sponsor's liability to third persons resulting from the performance of this Agreement or any subcontract hereunder.

The Sponsor shall indemnify and hold harmless the State, any of their departments, agencies, officers and employees from any and all liability, loss or damage the State may suffer as a result of claims, demands, costs or judgments of any character arising out of the performance or non-performance of the Sponsor or its independent contractors in carrying out any provisions of this Agreement. In the event of any action, this indemnification shall include, but not be limited to, court costs, expenses of litigation and reasonable attorney's fees.

Required Provisions Deemed Inserted

Each and every provision of law and clause required by law to be inserted in this Agreement shall be read and enforced as though it were included herein, and if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then upon the application of either party, this Agreement shall forthwith be physically amended to make such insertion or correction.

Property of the Sponsor and State

Any materials, including reports, computer programs or files and other deliverables created under this Agreement are the sole property of the Sponsor. The Contractor/Consultant is not entitled to a patent or copyright on these materials and may not transfer the patent or copyright to anyone else. The Sponsor shall give the State unrestricted authority to publish, disclose, distribute and otherwise use at no cost to the State any of the material prepared in connection with this grant. At the completion of the project, the Sponsor shall provide the State with an electronic copy, in a format useable by the State, and one hard copy in a format useable by the State, of final plans, specifications, reports, planning documents, and/or other published materials as produced as a result of this project.

Title VI List of Pertinent Nondiscrimination Authorities

During the performance of this Agreement, the Sponsor, for itself, its assignees, and successors in interest (hereinafter referred to as the "Sponsor") agrees to comply with the following non-discrimination statutes and authorities, including but not limited to:

- 1) Title VI of the Civil Rights Act of 1964 (42 U.S.C. §2000d et seq., 78 stat. 252), (prohibits discrimination on the basis of race, color, national origin);
- 2) 49 CFR part 21 (Non-discrimination In Federally-Assisted Programs of The Department of Transportation – Effectuation of Title VI of The Civil Rights Act of 1964);
- 3) The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (42 U.S.C § 4601), (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);

- 4) Section 504 of the Rehabilitation Act of 1973, (29 U.S.C. § 794 et seq.), as amended, (prohibits discrimination on the basis of disability); and 49 CFR part 27;
- 5) The Age Discrimination Act of 1975, as amended, (42 U.S. C. § 6101 et seq.), (prohibits discrimination on the basis of age);
- 6) Airport and Airway Improvement Act of 1982, (49 USC § 471, Section 47123), as amended, (prohibits discrimination based on race, creed, color, national origin, or sex);
- 7) The Civil Rights Restoration Act of 1987, (PL 100-209), (Broadened the scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, The Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms “programs of activities” to include all the programs or activities of the Federal-aid recipients, sub-recipients and contractors, whether such programs or activities are Federally funded or not);
- 8) Titles II and III of the Americans with Disabilities Act of 1990, which prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 U.S.C. §§ 12131-12189) as implemented by Department of Transportation regulations at 49 CFR parts 37 and 38;
- 9) The Federal Aviation Administration’s Non-discrimination statute (49 U.S.C § 47123) (prohibits discrimination on the basis of race, color, national origin, and sex);
- 10) Executive Order 12898, Federal Actions to Address Environmental justice in Minority Populations and Low-Income Populations, which ensures discrimination against minority populations by discouraging programs, policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations;
- 11) Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency guidance, national origin, discrimination includes discrimination because of limited English proficiency (LEP). To ensure compliance with Title VI, you must take reasonable steps to ensure that LEP persons have meaningful access to your programs (70 Fed. Reg. at 74087 to 74100);
- 12) Title IX of the Education Amendments of 1972, as amended, which prohibits you from discrimination because of sex in education programs or activities (20 U.S.C 1681 et. Seq.).
- 13) All parties shall comply with all applicable federal, state, county, cities, and local laws, rules, regulations, and assurances in addition to all applicable provisions of Title 14 (Aeronautics and Space Chapter 1 – Federal Aviation Administration, Department of Transportation) and Title 49 (United States Department of Transportation) and other applicable Codes of Federal Regulations where and when relevant.

EXHIBIT C

Specific Provisions and Project Schedules

Provisions for Design/Construction

Financial Cost Categories

The Sponsor shall segregate and group project costs in categories as follows:

- 1) "Design/Engineering Services" (as applicable), including topographic surveys/mapping, geometric design, plans preparation, geotechnical and pavement design, specifications, contract documents.
- 2) "Construction" (must be accounted for in accordance with approved work items as presented in the bid tabulation).
- 3) "Construction Engineering" (as applicable), including contract administration, inspection/field engineering, materials testing, construction staking/as-built plans and other.
- 4) "Sponsor Administration" directly associated with this Project (not to exceed 5% of project costs).
- 5) "Sponsor Force Account" contribution (if applicable).
- 6) "Contingencies" (not to exceed 5% of construction costs).
- 7) "Other" with prior approval of the State.

Design Review – Plans, Specifications and Estimates

Plans, specifications and estimates shall be accomplished by, or under the direct supervision of a qualified engineer registered by the State of Arizona. The Sponsor shall conduct a Concept Design Review meeting with the State and Sponsor's consultant at approximately the thirty percent (30%) completion point in the design of the Project, and a Final Design Review at one hundred percent (100%) plan completion.

These mandatory reviews shall be completed before the Sponsor will be permitted to proceed with the Project. The State shall issue an approval to proceed with final design upon satisfactory completion of the 30% review. The State shall issue an approval of the 100% plans, specifications and estimates upon satisfactory completion of the 100% review. Upon State approval, the Sponsor may proceed to advertising if construction is included in the scope of the Project, or must close the Project and submit a final grant reimbursement request if the grant is for design only.

Any modification to the approved plans, specifications and estimates authorized by the Sponsor shall also be subject to approval of the State. **Changes made to approved plans, specifications, and estimates at any time must be authorized by the State prior to executing the changes in order to be eligible for reimbursement by the State.**

The National Environmental Policy Act (NEPA) documentation must be complete and approved by the State and/or FAA prior to construction. The Sponsor shall submit a copy of the documentation to the State.

FAA Notice of Proposed Construction

The Sponsor agrees to submit an FAA Form 7460-1, Notice of Proposed Construction or Alteration before construction, installation or alteration of any Project under this Agreement that falls under the requirements of Subpart B to Part 77, Objects Affecting Navigable Airspace.

Bidding - Alternate Bidding Methods

Design, Bid, Build is the standard and preferred method for project delivery for State airport development grant projects. Alternative contracting methods (Design Build, Construction Manager at Risk, Task Order Contract) may be used in accordance with A.R.S. Title 34, Chapters 1, 2 and 6. **Use of an alternative contracting method shall be reviewed and approved by the State prior to the Sponsor executing a contract for the work.** If a project is approved for an alternative contracting method, the Sponsor must comply with all Federal, State, and Local policies, regulations, rules, and laws, as well as all requirements of this grant agreement within that method.

Based on Bids

If a Sponsor has requested a match to a Federal construction grant that was based on bids (the project was already advertised by the Sponsor with no existing State airport development grant for the design work), then all design coordination with the State required by this agreement must have been met during the design process for any prior design work to be considered eligible for reimbursement by the State. The State shall review any documentation and work done prior to bidding and, at its sole discretion, determine the eligibility of the work. Only work items necessary to complete the Project as stated in Exhibit C, Schedule One, Project Description, may be considered eligible.

Contractor Allowance

This item may only be used to cover costs of unknown, unforeseen circumstances within the scope of the grant that are necessary for Project completion. (For example: if unknown underground utilities must be removed or relocated to accomplish the Project) **This item must have prior approval of the State for each use of the item during construction in order to be eligible for reimbursement by the State.** The bid item shall be clearly defined in the contract documents with concise language describing when it may be utilized. It shall also be specified that the item may not be used at all. The allowance may only be used for unforeseen items directly related to the Project.

Contingencies

Contingencies are to be used as an estimating tool during the preliminary phases of Project development. They are intended to allow room in the grant funding level for reasonable price increases or approved added items during design. Contingencies are not eligible for reimbursement by the State as bid items in a construction contract.

Itemized Allowance

Use of an itemized allowance items may only be included in a contract with prior approval of the State. Any use of an itemized allowance bid item as part of a grant must be for a clearly defined portion of the project. (For example: cabinet allowance – cabinets in terminal storage room as shown on plans to be selected by Sponsor, or carpet allowance – industrial Berber carpet for 200 SF lobby to be selected by Sponsor) Each contract allowance item must be approved by

the State in order to be included in the bid package. The State will not approve use of an item to cover expenses not directly related to the item. (For example: Left over funds from cabinet allowance cannot be used to purchase light fixtures)

Construction Inspection

Airport planning, design, project estimates, bidding, and construction inspection are the direct responsibility of the Sponsor and may be accomplished by the Sponsor's staff or by a qualified consultant. The Sponsor shall provide and maintain competent technical supervision throughout the Project to assure that the work conforms to the plans, specifications and schedules approved by the State and the Sponsor.

Construction inspection shall be accomplished by, or under the direct supervision of a qualified engineer registered by the State of Arizona.

The Sponsor shall subject the construction work and any related documentation on any Project contained in an approved Project application to inspection and approval by the State and the FAA. The State shall, if in accordance with regulations and procedures, prescribe such work as needed for the Project.

Change Orders

The Sponsor shall notify the State in advance of the need for a change. Such notification shall clearly define the changed or added bid items, the locations of changed work, the quantities and costs of changed work, and the time required for the change. Justification for the change must be provided to the State by the Sponsor. Change orders may be approved by the State only if they are clearly necessary to accomplish the original grant scope. If approval is granted by the State, the Sponsor shall follow up with the written change order for the State's review and approval in a timely manner. The Sponsor may not request reimbursement for the work done under a change order until the change order is approved by the State.

Construction Contract Documents

Any changes to the construction contract documents (including scope, time and amount), authorized by the Sponsor, must be approved by the State prior to being implemented by the Sponsor in order to be eligible for reimbursement under the grant. All changes, as well as any notifications and approvals related to the changes, shall be documented in the final contract documents, change orders, and as built plans provided to the State at the end of the contract. Verbal requests and approvals are not sufficient as documentation for reimbursement. Final reimbursements will not be made until all documentation is received by the State.

Design/Construction Project Schedules

The Schedule Forms are intended to identify and monitor project scope, costs, and basic milestones that will be encountered during various phases of the Project. The Sponsor shall complete these three schedules showing the project description and total costs, project reimbursements (cash flow) schedule and project milestones.

Schedule One shows the total Project estimated costs associated with each share - State and Federal and Local. Schedule Two shows a projected cash flow for State funds only. The Sponsor is to estimate requests to the State for Project reimbursement. Schedule Three shows anticipated dates of Project milestones. These schedules will be used to keep track of the Project's progress. Be sure to develop realistic schedules.

As the project progresses, and the original reimbursement schedule and or milestone dates change, the Sponsor must submit a revised Schedule to the State for approval.

Schedule One
Design/Construction Project Description and Funding Allocation

Detailed Project Description:

Construct/Rehabilitate/Modify/Expand Snow Removal Equipment Building
(Phase 1, Site Preparation)
3-04-0015-051-2023

Project Cost Category	Total Estimated Project Cost	Estimated Local Share	Estimated Federal Share	Estimated State Share*
Design/Engineering Services	\$	\$	\$	\$
Construction	\$ 4,861,391	\$217,304	\$4,426,783	\$217,304
Construction Engineering	\$	\$	\$	\$
Sponsor Administration**	\$	\$	\$	\$
Sponsor Force Account Work***	\$	\$	\$	\$
Contingencies	\$	\$	\$	\$
Total Project Costs	\$ 4,861,391	\$217,304	\$4,426,783	\$217,304

*Total of this column to be used in Schedule Two.

** Sponsor Administration is not eligible for reimbursement above 5% of the project costs.

*** All force account work is to be approved by the State prior to the grant agreement being signed.

NOTE: The Sponsor must attach a project plan based upon the ALP that clearly shows the scope and the limits of the work.

Reference grant application Part IV – Program Narrative (see attached)

Schedule Two
Design/Construction Project Reimbursement Schedule

The Sponsor must complete this Project Reimbursement Schedule showing the projected cash flow of State grant funds only for this Project. Projections must include all consultant and contractor services. The reimbursement schedule should be a realistic schedule and will be used to keep track of a project’s progress. Reimbursement requests must be submitted regularly by the Sponsor while the grant is active. The cash flow should reflect when a request is submitted to the State, not when invoices are paid by the Sponsor.

Instructions:

- 1) For “Total State Funds” below, enter the Total Project Costs/Estimated State Share from Schedule One.
- 2) For each month/year, indicate the projected reimbursement request amount for **State Funds Only** (use whole dollars only, e.g. \$540 or \$1,300).
- 3) Continue the process by entering a Zero (Ø) in the month/year for which no reimbursement is anticipated and/or a dollar amount of the reimbursement, until the total State funds are accounted for in the cash flow.

Total State Funds: \$ 217,304.00

Projected Reimbursement Requests / State Cash Flow

Calendar Year	Jan	Feb	Mar	Apr	May	Jun
2023	\$	\$	\$	\$	\$	\$
2024	\$	\$	\$	\$	\$	\$
2025	\$54,326	\$	\$	\$54,326	\$	\$
2026	\$	\$	\$	\$	\$	\$
2027	\$	\$	\$	\$	\$	\$
Calendar Year	Jul	Aug	Sep	Oct	Nov	Dec
2023	\$	\$	\$	\$	\$	\$
2024	\$54,326	\$	\$	\$54,326	\$	\$
2025	\$	\$	\$	\$	\$	\$
2026	\$	\$	\$	\$	\$	\$
2027	\$	\$	\$	\$	\$	\$

Grants expire 4 years from the date of the grant offer. The Sponsor shall schedule the work to be completed within the 4 years.

Schedule Three
Design/Construction Project Milestones

Milestone Duration Guidelines

The below duration periods are intended to provide guidelines for you to consider. These are average time periods (in calendar days), but it is understood these periods may vary by Sponsor and Project, and are subject to modification. If an entry on the form is not applicable, write N/A.

- 1) The Consultant Selection Phase for all Projects, regardless of type, is approximately ninety (90) days but should not exceed one hundred eighty (180) days.
- 2) The Design/Engineering Phase is subject to the type and complexity of the Project, however, most designs can be accomplished within one hundred eighty (180) days to two hundred and seventy (270) days.
- 3) The Bidding Phase typically should be sixty (60) days or less.
- 4) The Construction Phase is dependent upon the type of Project, the airport traffic, and the available construction season, generally ninety (90) days to three hundred sixty (360) days.
- 5) The State review periods should be fifteen (15) days.

Design/Construction Milestone Schedule

PART IV – PROGRAM NARRATIVE
(Suggested Format)

PROJECT:
AIRPORT:
1. Objective:
2. Benefits Anticipated:
3. Approach: (See approved Scope of Work in Final Application)
4. Geographic Location:
5. If Applicable, Provide Additional Information:
6. Sponsor's Representative: (include address & telephone number)

Grant Number E4FSU 01C
CITY OF FLAGSTAFF
Flagstaff Pulliam Airport

Milestones	Duration # of Days	Start Date		Completion Date	
		Proposed	Actual	Proposed	Actual
Consultant Selection Phase					
Submit Scope for State Review/Approval*					
Submit Contract for State Review/Approval					
Award Consultant Contract					
Design & Engineering Phase					
Sponsor Issue Notice to Proceed/Start Design					
Conduct 30% Design Review/Approval					
Conduct Final Design Review/Bid Set Submitted (100%) for Review/Approval					
Bidding Phase					
Bid Set Submitted (100%) for Review/Approval					
Issue Invitation for Bids					
Submit Bid Tab for State Review/Approval					
Award Construction Contract/Submit to the State					
Construction Phase					
Pre-Construction Meeting					
Issue NTP – Begin Construction					
Final Inspection					
Submit As-Builts & Final Documentation					
Submit Final Reimbursement Request and Sponsor Closeout Letter					

* The solicitation for qualifications and the service agreements must contain a list of projects, including this grant project, per A.R.S. 34-Chapter 6.

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Jonathan Damico, IT Administrator
Co-Submitter: Paul Santana
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE:

Consideration and Approval of Cooperative Purchase Contract: With Continuant, Inc. in an amount not to exceed \$100,000 for Microsoft Teams calling migration, equipment, licensing, and support/maintenance.

STAFF RECOMMENDED ACTION:

1. Approval of a Cooperative Purchase Contract with Continuant, Inc. in an amount not to exceed \$100,000 for Microsoft Teams calling migration, equipment, licensing, and support/maintenance; and
2. Authorize the City Manager to execute the necessary documents.

Executive Summary:

The Cooperative Purchase Contract will authorize the purchase of communications technology equipment and services and will allow City staff to use the Microsoft Teams Calling features, such as sending and receiving phone calls on-site or remotely. This new phone system allows for increased mobility, ease of use, ease of management, increased security, and increased reliability. Approval of this Cooperative Purchase Contract will replace the aging Cisco Phone System. The amount of the Cooperative Purchase Contract is not to exceed \$100,000 which will include a \$60,377.05 contract, plus monthly fees of \$3,468.10.

Financial Impact:

There is a one-time cost of \$60,337.05, in addition to other fees and taxes. This cost has been budgeted in Information Technology account 001-01-014-0044-1-4301. There is also an ongoing monthly cost of \$3,468.00, in addition to other fees and taxes. This cost has been budgeted in Information Technology account 001-01-144-0044-1-4211.

Policy Impact:

None.

Connection to PBB, Carbon Neutrality Plan, 10-Year Housing Plan & Regional Plan:

Provide Exceptional Service: Provide employees tools, training and support.

Previous Council Decision on This:

None.

Options and Alternatives:

1. Approve the Cooperative Purchase Contract with Continuant, Inc. for hardware, support, and associate licensing; or
2. Do not approve this purchase and direct staff how to proceed. If not approved, staff will continue to use the existing phone equipment with its functional limitations.

Background and History:

City IT has been expanding the tool set for staff to allow for more functionality and availability to remote users as well as ease of use. Specifically this will allow all staff, regardless of location, the ability to use the Microsoft Teams Calling feature to receive and send calls. This enables staff to use one application for all of their communication needs. This also enables IT to utilize a unified management experience through Office 365.

The State of Texas acting by and through the Texas Department of Information Resources conducted a competitive and open procurement process through Request for Offer No. DIR-CPO-TMP-552 that resulted in Contract No. DIR-TELE-CTSA-0111 with Continuant, Inc. The City of Flagstaff Procurement department has verified the cooperative purchase contract as valid and appropriate.

Key Considerations:

The purchase of this hardware, support, and licensing is necessary to continue to provide a high performing and reliable phone service throughout the City facilities and to remote staff.

Attachments: Cooperative Purchase Contract
 Exhibit A - Scope of Work
 Exhibit B - Agency Contract
 Exhibit B2 Pricing

COOPERATIVE PURCHASE CONTRACT

Contract No. 2024-131

This Cooperative Purchase Contract is made and entered into this _____ day of _____, 20____ by and between the City of Flagstaff, Arizona, a political subdivision of the State of Arizona ("City") and Continuant, Inc., a Washington corporation ("Contractor").

RECITALS:

- A. Contractor is a fully authorized vendor of Communications Technology Services;
- B. The State of Texas acting by and through the Texas Department of Information Resources conducted a competitive and open procurement process through Request for Offer No. DIR-CPO-TMP-552 that resulted in Contract No. DIR-TELE-CTSA-0111 with Contractor ("Agency Contract"); and
- C. The City has authority to enter into a cooperative purchase contract with Contractor utilizing the Agency Contract.

AGREEMENT:

NOW THEREFORE, in consideration for the mutual promises contained herein, the Parties agree as follows:

1. Materials and or Services Purchased: Contractor shall provide to the City the materials and/or services, as specified in the Scope of Work attached as Exhibit A, and in accordance with the Agency Contract. A general description of materials and/or services being purchased is:

Communications Technology Services

2. Specific Requirements of City: Contractor shall comply with all specific purchase and delivery requirements and/or options of City, as specified in the Scope of Work attached as Exhibit A and incorporated by reference.
3. Payment: Payment to Contractor for the materials and/or services provided and not to exceed one-hundred thousand dollars and no cents (\$100,000.00), in addition to other fees and taxes; made in accordance with the price list and terms set forth in the Agency Contract. Any price adjustment must be approved by mutual written consent of the Parties through a formal amendment. The City Manager or his/her designee (the Purchasing Director) may approve an amendment if the amendment price increase is less than \$100,000; otherwise, City Council approval is required.
4. Terms and Conditions of Agency Contract Apply: All provisions of the Agency Contract documents attached as Exhibit B, including any amendments, are incorporated in and shall apply to this Contract as though fully set forth herein. Contractor is responsible for promptly notifying City in writing of any changes to the Agency Contract, including, specifically changes in price for materials and/or services.
5. Certificates of Insurance: All insurance provisions of the Agency Contract shall apply, including any requirement to name the City as an additional insured. Prior to commencing performance

under this Contract, Contractor shall furnish City with a copy of the current Certificate of Insurance required by the Agency Contract.

6. Term: This Cooperative Purchase Contract shall commence upon execution by the Parties and shall continue until expiration or termination of the underlying Agency Contract, unless sooner terminated by City in writing.
7. Renewal: This Cooperative Purchase Contract shall be automatically renewed if the underlying Agency Contract is renewed, for the same renewal period, unless City provides advance written notice to Contractor of its intention to non-renew.
8. Notice: Any formal notice required under the Contract shall be in writing and sent by certified mail and email as follows:

To the City:

Liane Garcia, Buyer
City of Flagstaff
211 W. Aspen Ave.
Flagstaff, AZ 86001
lgarcia@flagstaffaz.gov
Phone: 928-213-2279

To Contractor:

Doug Graham, CEO
Continuant, Inc.
5050 20th St. E
Fife, WA 98424
Email: Doug.Graham@continuant.com

With a copy to:

Jonathan Damico
Deputy IT Director
City of Flagstaff
211 W. Aspen Ave.
Flagstaff, AZ 86001
Jonathan.damico@flagstaffaz.gov
Phone: 928-213-2823

Copy to Contractor:

Brenda Brooks
Continuant, Inc.
5050 20th St. E
Fife, WA 98424
Email: Brenda.brooks@continuant.com

Copy to Contractor:

Joel Keene
Continuant, Inc.
5050 20th St. E
Fife, WA 98424
Email: joel.keene@continuant.com

9. Authority: Each Party warrants that it has authority to enter into the Contract and perform its obligations hereunder, and that it has taken all actions necessary to enter into the Contract.

Continuant, Inc.:

By: _____

Title: _____

CITY OF FLAGSTAFF

By: _____

Title: _____

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney's Office

Notice to Proceed issued: _____, 20__

Last Updated October 30, 2023

EXHIBIT A
SCOPE OF WORK
(attached)

1. Continuant Connect Calling Proposal (33 pages)

EXHIBIT B
AGENCY CONTRACT
(attached)

1. DIR Contract No DIR-TELE-CTSA-011 Communications Technology Services Agreement – (98 pages)
2. Pricing DIR-TELE-CTSA-011 (5 pages)



Continuant Connect Calling PROPOSAL

Created by:

Brenda Brooks

brenda.brooks@continuant.com

&

Joel Keene

joel.keene@continuant.com

Prepared for:

Beth Verstraete

City of Flagstaff



Specialist
Adoption and Change
Management
Calling for Microsoft Teams
Meetings and Meeting Rooms
for Microsoft Teams



Executive Summary

Continuant Connect Calling

Continuant, a Microsoft Global Partner of the Year for Teams Calling and Meetings, is an expert in driving modern workplace transformation. It provides tools and resources that ensure organizations can collaborate effectively and share information securely no matter where they work. Through extensive experience, Continuant has found that many organizations struggle with driving the successful adoption of Microsoft Teams. Successful Microsoft Teams deployments occur with proper planning and design. Continuant is excited to offer this engagement to consult then design, deploy, and manage Continuant Connect Calling.

Key Objectives

- Replace legacy telephony systems with Teams Calling across the enterprise.
- Engage new PSTN carrier and centralize delivery using modern technologies to reduce telephony costs.
- Enable E911 services to remain compliant with human health and safety requirements.
- Integrate existing telephony endpoints like overhead or broadcast paging and analog devices to Teams Calling leveraging existing Cisco Unified Communications Manager (CUCM).

Project Highlights

- Design Teams Calling, includes:
 - Recommended architecture that meets the business requirements
 - Bill of Materials (BOM) for the recommended architecture
 - Recommendations for integrating 3rd-party services
 - Adoption and Change Management (ACM) strategies for user enablement and adoption tracking
 - Teams Calling enablement roadmap including an estimated timeline
- Enable the following Teams Calling features, includes:
 - PSTN outbound/inbound calling
 - Call hold/park/transfer
 - Call forwarding/simultaneous ringing
 - Call delegation/team call
 - Cloud voicemail
 - Busy on busy
 - Music on hold
 - Caller ID masking
 - Call blocking
 - Secondary ringers and distinctive ringing
 - Device transfer/switch devices
 - Enhanced 911
- Configure Teams Calling, includes:

- Considerations for the Teams Calling features above as determined by user personas
- Custom dial plans as required for analog and Teams Calling integration as well as any short-code or extension dialing needs
- Standard and custom calling Classes of Restriction (Emergency Only, Internal Only, National, International)
- Auto Attendants and Call Queues that create the same or similar automated call flows identified during design
- Deliver Adoption and Change Management (ACM), includes:
 - Email campaign template
 - On-demand video training
 - Adoption reports
- Enable Teams Calling for users by phases determined during Design
- Support and manage Teams Calling as defined by Continuant Managed Services

Project Methodology

Continuant approaches projects using the Design, Deploy, Manage methodology. Each of these phases are used to ensure proper steps are taken and milestones reached before moving on to the next phase. This approach helps to ensure project success by maintaining appropriate gates and points of communication across all project stakeholders.

- **Design** – Workshops are conducted, data is collected, the project reviewed to ensure the scope is correct, and the High-Level Design is delivered.
- **Deploy** – Continuant coordinates with Customer to execute tasks required to implement the accepted design.
- **Manage** – The implemented solution is supported by Continuant Managed Services.

Progression through the project will be governed via gated control meetings held by project team members and customer stakeholders. Signature approval will be required from the project team and customer stakeholders to control successful outcomes, proceed to the next phase, or handoff to managed services. A detailed list of activities and measured level of effort will be provided upon commencement of project. Project Change Orders (PCOs) are used to document and control changes to the initial Statement of Work or any accepted project documents.

Document Deliverables

Throughout the course of the project, documentation will be delivered for acceptance. These documents must be approved and accepted for the project to proceed to subsequent phases.

The documents delivered and the contents for each is as follows:

- **Customer Requirements Document (CRD)**
 - Business requirements

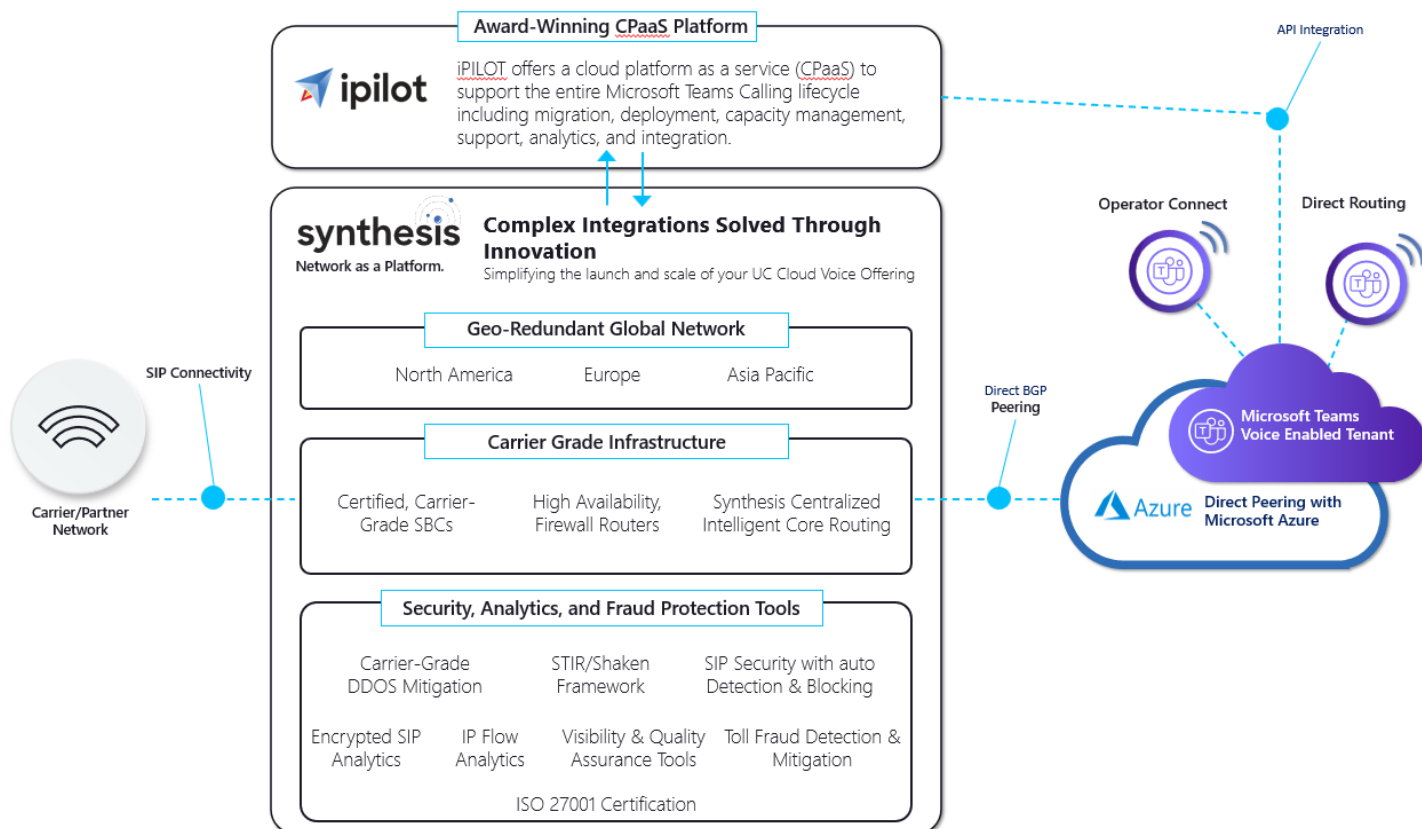
- Functional requirements
- Technical requirements
- **High Level Design (HLD)**
 - Solution topology at the organization level
 - Approach to region- or site-specific infrastructure design
 - Migration steps, configuration settings, and considerations at the organization level
 - Adoption & Change Management (ACM) and enablement roadmap including estimated timeline
 - Low-Level Design process will be determined as an outcome of HLD
- **Bill of Materials (BOM) and Quote for Licensing**
 - List of equipment and software to be purchased to deploy the designed solution
 - List of licenses and estimated costs required to deploy the designed solution
 - Initial estimates delivered at HLD with final delivered at LLD
- **User Acceptance Testing (UAT)**
 - Steps to test the deployed solution against the Business, Functional, and Technical requirements
 - UAT is delivered when designs are delivered in order to review the suggested tests against the goals of the design
- **As-Built Document(s)**
 - Region- or site-specific infrastructure configuration settings and considerations
 - Migration steps, configuration settings, and considerations for the localized user community
 - LLD is leveraged to provide framework for As-Built Documents
- **Customer Satisfaction Survey (CSAT)**
 - Survey measuring the success of the project and Continuant's ability to deliver and exceed the Customer's expectations

Continuant Connect Calling

Continuant will work with Customer to enable Teams Calling with Continuant Connect Calling. Each Continuant Connect Calling customer activation includes three project phases: Design, Deploy, and Managed Services.

Continuant Connect leverages iPilot - the world's first fully automated Microsoft Teams Direct Routing onboarding solution empowering our customers to rapidly enable carrier grade and Microsoft Teams voice services within minutes. iPilot puts visibility and control of cloud services back into the hands of our customers providing on-demand orchestration and automation for Microsoft Teams collaboration solutions.

- iPilot simplifies the onboarding & tenant provisioning process and reduces the complexity of provisioning for IT teams as it requires no prior coding knowledge.
- iPilot has full Office 365 Integration and allows for full Active Directory Synchronization. This means no 3rd-party apps and absolute security knowing our platform is built with enterprise level security.



Customer Prerequisites

Continuant will require assistance from Customer ensuring a smooth transition into our services by providing the following:

- Customer will have the appropriate Microsoft licensing in place to include Microsoft Teams Phone Standard in order to enable Teams Calling services.
- Customer will assign a single point of contact who is currently administering their Microsoft 365 tenant.
- Customer will provide call routing requirements and call flows (if available) for configuration of Auto Attendant and Call Queues routing.
- Customer will provide a list of phone numbers to be ported.
- Customer will provide a list of users and their associated phone numbers to be configured.
- Customer will provide a Letter of Authorization (LOA) allowing Continuant to directly work with the current PSTN carrier.
- Customer will provide a signed service agreement form to initiate Continuant Connect Calling services delivery.
- Customer's Teams users will need to be homed in Office 365 to enable voice services.

Continuant Connect Calling Features

Call Path

Each Call Path represents a calling port from Teams to the PSTN. It includes 750 domestic outbound minutes (US48 & Canada) per month with unlimited inbound and unlimited Teams to Teams. If minute allocation is exceeded, a \$0.019/minute charge applies. Add an additional 1,250 minutes to a Call Path for \$5/month per Call Path. iPilot available as Add-on. No service Interruption or Prepay required. (Hawaii is \$0.095/minute and Alaska is \$0.10/minute)

SIP Trunk

Each SIP Trunk represents a calling port from the PBX to the PSTN. It includes 750 domestic outbound minutes (US48 & Canada) per month with unlimited inbound. If minute allocation is exceeded, a \$0.019/minute charge applies. Additional security for SIP Trunks in the form of a VPN Gateway or SIP with TLS can be configured for an additional charge. Add an additional 1,250 minutes to a SIP Trunk for \$5/month per SIP Trunk. iPilot available as Addon. No service Interruption or Prepay required. (Hawaii is \$0.095/minute and Alaska is \$0.10/minute).

iPilot

Single-pane-of-glass platform for automation, operations, and management of Microsoft Teams Direct Routing, Microsoft Operator Connect, and other entities connected to iPilot or Synthesis.

Synthesis

Secure platform for connecting voice users, PBXs, and PSTN carriers whether cloud-based or on-premises including Teams Calling.

New DIDs

Direct Inward Dialing (DID) telephone numbers.

Ported DIDs

Owned telephone numbers from another PSTN carrier to be ported over to Continuant Connect.

Temporary DIDs

Temporary DIDs are procured to assist with validation and for temporary use in the event of a pending port. Temporary DIDs will be disconnected once customer has ported active numbers or validation is complete and numbers are no longer needed.

Enhanced 911 (E911)

When an emergency number is called (such as 911 in the US), emergency call recipients reference a shared database to dispatch emergency services to the caller's appropriate location. In many cases, the main telephone number for a site is associated with its physical address. E911 allows an emergency call to carry technical location information in the call setup to assist in dispatching emergency services. Multiple location records can be configured as defined during design. Dynamic E911 - sending emergency call

locations based on the caller's network or other information - is supported; however, configuration of dynamic emergency locations may require a project change order.

Inbound Caller ID Name Display

The Incoming Caller ID Number Display is provided at no charge. However, if you would like to add Caller ID Name display, there will be an additional charge.

Toll-Free Numbers

Toll-Free numbers can be added to service. There is an additional charge associated with per minute usage on Toll-Free Numbers.

Continuant Connect Calling Terms

Proposal Terms

- Proposals are offered for the entire Continuant Connect services and are subject to change if the configuration changes before the acceptance of an order
- Multi-national opportunities are invoiced in a single currency, default currency is US Dollar
- Domestic Calling - Consumption rates in the Rate Card refer to domestic calling per minute rates inside of that countries' domestic calling area
- International Rates - Published international rates on the Rate Card refer to outbound international calls from originating country to terminating country. International Calling Rate card can be found at <https://nuwave.com/wp-content/uploads/2022/06/Nuwave-INTL-Rates.pdf>
- Travel, shipping, and all other third-party expenses (for the performance of services not currently shown in this SOW) shall be invoiced to customer separately after the expense is incurred

Pricing Terms

- All rates for domestic and international usage, local and national DIDs, porting, and activation published in the Rate Card are subject to change and are billed at the current monthly rate
- International calls are billed per minute (country to country)
- International Calling Rate card can be found at <https://nuwave.com/wp-content/uploads/2022/06/Nuwave-INTL-Rates.pdf>
- All One-Time Charges ("OTCs") to be billed on the first invoice
- All Monthly Recurring Charges ("MRCs") to be billed monthly in advance
- The first month MRC will be pro-rated based upon the date users are activated
- All usage, overage, and international calls are invoiced arrears the month after services are delivered
- DIDs/DDIs used for Toll-Free Numbers will be invoiced MRC of the DID/DDI and per minute incoming rates defined in this Rate Card

Porting and Activation Terms

- Number porting and activation requests may require signed documentation based on local regulations specific to each country

- Number porting and activation is offered where available in country by city
- Number porting and activation timelines vary depending on country and size of port
- Number porting and activation are subject to local carrier restrictions and relevant timelines
- Porting and activation fees are subject to change
- Porting and activation fees are per number being ported / activated
- Any number ported to or activated by Continuant as reservation (inactive) is subject to associated MRC; Monthly DID Cost and OTC; One-Time Porting or Activation Fee as outlined in the pricing section. When a reserved number is activated for use within Continuant Connect Calling that includes a DID, the associated DID MRC will be absorbed into the Calling Plan MRC

Emergency Services

- Emergency services included when available in country
- It is the customers' responsibility to provide and maintain end user information related to emergency services
- Emergency services availability applies to local DIDs and may not be available for national DIDs
- Please read the full terms and conditions for emergency services at:
<https://www.nuwave.com/policies/>

Local and National Number Definition

- Local Number (Also referred to as Geographic): A local number is a number with a prefix associated with a specific city
- National Number (Also referred to as Non-Geographic) A national number is a number with a prefix associated to a specific country

Continuant Onboarding Methodology Design

Continuant will work with the customer to determine the specific business and technical requirements for Teams Calling. A Continuant UC Solutions Architect and Adoption and Change Management (ACM) consultant will work closely with a Project Manager to coordinate and execute on the activities selected to assess the business needs and define the requirements. These requirements will culminate in a High-Level Design (HLD) created by the architect and peer-reviewed by the team for delivery.

Once the HLD is approved by the customer, Low-Level Design (LLD) processes begin, and Continuant's project management will work to coordinate customer resources, architects, and engineers with the goal of defining final deployment configurations, processes, and timelines.

Design activities include:

- Collect and assess the Customer Requirements Document (CRD)
- Determine whether new or existing telephone numbers (aka "DIDs") will be used
- Determine the porting strategy for existing numbers that must be used

- Deliver Teams Calling workshop
- Deliver Teams Adoption & Change Management (ACM) workshop
- Define organizational approach to Teams Calling configuration, includes:
 - Teams Calling user policies
 - Dial plan and voice routing
 - Automated call flows that require Auto Attendants (AAs) and/or Call Queues (CQs)
 - Emergency calling
 - Business continuity strategies
- Determine Teams ACM strategy
- Determine PSTN carrier requirements
- Determine user enablement roadmap
- Determine software, hardware, and licensing requirements
- Determine managed services and operational requirements

Deliverables from this phase:

- High-Level Design (HLD) document
- ACM Findings and Recommendations report

Calling Workshop

A Calling Workshop (up to 8 hours) is included for one region. The objective of the workshop is to identify and document business and technical requirements for Teams, deployment timeline expectations, and customer use case scenarios of how Teams Calling will work within the customer environment. Activities include defining use cases for PSTN and internal call routing, PBX analysis (requires a compatible PBX), voice policies, audio conferencing, automated call flows, and emergency calling.

Session Border Controller (SBC) Design

A Continuant Engineer will conduct workshops to determine:

- Business and technical requirements for SBC
- Infrastructure and environmental requirements for SBC
- Licensing requirements for SBC

Dynamic Enhanced 911 (E911) Design

Continuant will work with Customer to define, refine and optimize E911 with Teams calling across the environment. Activities include:

- Conduct Emergency Calling Workshop
 - E911 with Teams Knowledge transfer (workshop on native capabilities, feature and functions)
 - Discovery legacy PBX platform capabilities
 - Discuss transition and end state E911 requirement
- Define and design E911 calling policy for emergency calling (static/dynamic E911).
- Define and design E911 calling for analog devices.

- Update the HLD with best practices and guidance for Teams Calling E911 guidance developed for the customer environment.
- Create a gap analysis to determine if 3rd-party solution is required
- Discuss Integrating Teams Calling with emergency notification applications

Note: After Dynamic E911 design is completed, it may be determined the efforts involved in deployment of E911 may exceed the initial deployment estimates and incur a Project Change Order (PCO).

Persona Analysis Workshop

During the Persona Analysis Workshop, the ACM Team will evaluate and document the types of users in the Customer environment. The analysis is built on up to eight core personas commonly found in organizations; personas will help Continuant and the Customer categorize users based on their communication and collaboration requirements and help to plan for a strategic deployment.

Activities

- Conduct an ACM Workshop with business leaders to understand which personas exist within the organization and the typical mapping of common Microsoft Teams feature sets to those personas.
- Interview a subset of representatives from each persona to:
 - Identify any blockers to migration for specific personas that may require further investigation.
 - Discover current pain points or frustration with the existing system.
- Provide guidance to the project team to define which personas/ business functions/ business units can be migrated to the Microsoft Teams application, this information will feed into site and migration planning.
- Review and identify the ideal devices for users (i.e., headsets and/or desk phones).
- Identify operator console requirements and present possible solutions (dependent on scope).

Deliverables

- ACM Plan
- Email Templates
- Links to Microsoft Teams Training Videos
- Findings & Recommendations Report

Deploy

Once Design has been completed, Continuant will focus on Deploy where project management will coordinate with engineers for the execution of all tasks required for the preparation, configuration, and testing of Teams Calling.

Once readiness has been achieved, Teams Calling will be enabled for a pilot group of users. This group will be responsible for vetting the designed processes and delivering feedback to be applied to strategies for future enablement cycles. The user community will then be enabled in cycles as determined during Design.

Deploy activities include:

- Manage the delivery of new DIDs or porting of existing DIDs
- Configure Continuant Connect Calling, includes:
 - Administrative contacts and access
 - PSTN integration
 - M365 tenant integration
 - Emergency addresses
 - Business continuity strategies
- Configure M365 tenant for Teams Calling, includes:
 - Dial plan and voice routing
 - Teams Calling user policies
 - Emergency calling
 - Automated call flows
- Execute on ACM strategy, includes:
 - Email campaign using defined templates
 - On-demand video training
 - End user adoption reports
- Enable users for Teams Calling; includes:
 - Coordination of enablement session(s)
 - Execution of enablement/migration process
 - UAT execution guidance
 - Coordinated issue analysis/resolution

Note: After Dynamic E911 design is completed, it may be determined the efforts involved in deployment of E911 may exceed the initial deployment estimates and incur a Project Change Order (PCO).

Virtual Session Border Controller (vSBC) Installation

The following tasks will be performed remotely by a Continuant technician:

- Validate security and access configuration for vSBC host
- Validate resources available for vSBC
- Deploy vSBC instance
- Validate VM health
- Configure network connectivity for vSBC
- Validate remote administrator access
- Collect and back up post-configuration data

Session Border Controller (SBC) Configuration

The following tasks will be performed remotely by a Continuant engineer:

- Update SBC firmware

- Configure SBC for Direct Routing
- Configure SBC for SIP trunk connectivity
- Configure SBC for SIP device registration
- Collect and back up post-configuration data

Adoption and Change Management

ACM is an essential element of any solution Continuant delivers. Since a transition to Microsoft Teams impacts the way people work, a strategic effort focused on the individual users is required. Optimal user adoption will be achieved by identifying success factors and use cases, catering messaging and training to unique personas, and continually reinforcing the change over time.

Activities

- Customized persona-based messaging to drive awareness.
- Accommodation for varying learning styles with a variety of training methods.
 - Live virtual training available for both basic and advanced features.
- Assist in supporting a Champions community to advocate for the change at a grassroots level.
- Participate in weekly project cadence meetings for managing and executing the ACM plan.
- Ad hoc meetings as needed to finesse the ACM strategy in real time.

Deliverables

- Live Virtual Trainings
- Post Training Survey Results
- Training Completion sign-off

This effort is estimated to include 60 hours of ACM activities.

Manage

Manage is an ongoing phase comprised of two components: Project Management and Managed Services. Project Management is responsible for maintaining the customer relationship, expectations, and progress through the course of an engagement. Managed Services is responsible for supporting the user environment once Teams Calling is in production.

Project Management

Project Management is included as a component throughout Design, Deploy, and Manage for each phase. Continuant's Project Manager will lead initiatives on the following:

- **Design**
 - Coordinate and conduct Kick-Off and Cadence Meetings
 - Develop and implement communication plan
 - Identify and document Service Providers & Supply Orders
 - Identify lead times and constraints

- Conduct Managed Service Initial Planning
- Perform Process alignment
- Implement Third party coordination
- Initiate User Change Communication Planning
- Define User Acceptance Testing (UAT)
- **Deploy**
 - Conduct project meetings
 - Coordinate flow of information
 - Define user change communication
 - Customer and Continuant resources
 - Provide Project Management oversight, planning, and gating
 - Coordinate license delivery
 - Track progress of implementation
 - Define success criteria for each phase of migration
 - Execute planned flash-cut user change communication
- **Manage**
 - Validate key success criteria met
 - Complete Customer Satisfaction survey (CSAT)

User Acceptance Testing

- User acceptance testing will be conducted and a signature required. This is done as a session, dependent on the number of phased cutovers for users. The proposal must have a quantity of sessions selected.
- Phones - verify phone options, validate call routing for local, national, and international calling. Also, validates conference and meeting policies.

Project & Technical Support

- Support services are outlined in the Managed Services section of this SOW
- Flash-cut users are supported by Continuant Global Service Desk
- Deployed Connect Services is supported by Continuant Global Service Desk

Call Compliance Recording

Platform Features and Capabilities

Provisioning API
Tagging
Provider-supported pause & resume
Provider-supported RVA
Workspace web application
Multi-language web app
User Inbox
iOS and Android apps
Data Sovereignty (choice of region for data storage)
Search - User's recordings
GDPR Compliance
ISO27001 Compliance
Support (Online)
Access Controls
Audit reports
Deletion - Single
Deletion - Bulk
Download - Single
Download - Bulk
Data Exporter
Recording Share
Retention Periods
Teams Workspace & Management
Team Inbox
Search - Team's recordings

Continuant Connect: Analog Device Integration

The following sections define the scope for integrating analog devices with Continuant Connect.

Analog devices such as analog phones, security doors, call boxes, loud ringers, and notification strobes can be integrated with Continuant Connect to enable Teams Calling users to communicate with these devices. This allows an organization to leverage its existing infrastructure in cases where analog devices are required because their features cannot be moved to network-based services or doing so would be cost prohibitive.

Continuant will work with the customer to determine the specific business and technical requirements for overhead paging to be integrated with Continuant Connect. A Continuant architect and ACM consultant will

work closely with a project manager to design a solution for overhead paging and deploy the approved design.

A new SIP Media Gateway may be required to integrate existing analog devices with Continuant Connect.

Scope

Design and deploy analog devices utilizing the clients existing customer-provided Cisco Analog Gateways.

- City Hall: 1 gateway, 12 analog ports
- Police Department: 1 gateway, 24 analog ports
- Courts: 1 gateway, 8 analog ports
- Airport: 1 gateway, 4 analog ports

Design

Design activities include:

- Collect existing analog device and configuration information.
- Determine business and technical requirements for analog integration.
- Define analog integration solution that meets the business and technical requirements.
- Deliver analog integration design including:
 - Infrastructure requirements (if applicable), assess and validate current analog gateway environment.
 - Configuration requirements for SIP Calling and the SIP Media Gateway.
 - Licensing requirements (if applicable)
 - Bill of Materials (BOM if applicable)
- Receive approval on analog integration design.

Deploy

Deploy activities include:

- Update SIP Media Gateway firmware (if applicable).
- Configure SIP Media Gateway according to the approved design.
- Test analog integration.
- Backup SIP Media Gateway configuration.
- Coordinate and support migration of analog devices to Continuant Connect.

Manage

Management of analog integration is defined in **Continuant Managed Services: Extended Plan**.

Assumptions

The analog integration scope is based on the following assumptions:

- Existing or new analog devices and the required cabling are deployed and configured for production and managed by the customer. Continuant may offer guidance on devices downstream from the SIP

Media Gateway including analog phones, security doors, call boxes, loud ringers, and notification strobes, but Continuant is not responsible for those devices or their configuration.

- Continuant Managed Services coverage includes the SIP Media Gateway and other SIP components identified as covered in the design with regard to the devices and the integration with Continuant Connect. Continuant may offer guidance on resolving issues downstream from the SIP Media Gateways and other SIP components, but Continuant is not responsible for the physical connection to or functionality of downstream devices.

Definitions

- **Managed Services Package** – Continuant provides Managed Services in three packages: Basic, Extended, and Premium.
- **Covered Equipment** - Equipment, hardware, components, and software to be maintained by Continuant is defined as covered equipment. All covered equipment items must be listed in the contract between Continuant and the customer to be covered under the Managed Services Package.
- **Customer Requirements Document (CRD)** - This is a document used by the Continuant Project Management Office (PMO) to document information about covered equipment, customer contacts, and other important information required by Continuant to deliver services effectively.
- **Authorized User** - An authorized user is an individual whom the customer's organization has authorized to request work, perform changes, and approve maintenance windows.
- **Service Transition** - The phase of the contract term, just after contract signatures, where setup activities begin. Setup activities may include identifying customer stakeholders, establishing remote access, documenting credentials, and activating event management.
- **Service Operation** - The phase of the contract term where all the service transition activities are complete. Service operation commences upon agreement between Continuant and the customer, once the service transition phase is complete.
- **Standard Business Days and Hours** - Business days are Monday through Friday, excluding Continuant observed holidays. Business hours are 8:00am - 5:00pm according to your local time.

Customer Responsibilities

Customer will provide the following, which are necessary to seller's performance hereunder:

- Complete the Letter of Agency (LOA) document, containing carrier information, phone numbers, and service address(es)
- Participate in project cadence meetings
- Assist Continuant PM with data collection and RAID Log items
- Provide Continuant required Microsoft accounts and administrative roles to manage tenant and Teams policies and configurations
- Works with Continuant engineer to design the system and is available to help coordinate the install
- Provide data such as drawings, numbering schematics, and bandwidth capacity as required by the Continuant PM

- Provide a project contact for information gathering, escalation, and remote or onsite assistance, and schedules resources when necessary
- Customer is responsible to acquire or procure all Microsoft licenses and resource accounts (such as E3 or E5, Phone System, Conferencing, Meeting Rooms, etc.).
- Customer is responsible for its network and network management. Provide network availability for the Calling Plan Service and take responsibility for additional network requirements as outlined by the Continuant PM
 - The quality of audio, video, and application sharing over IP networks is impacted by the quality of end-to-end connectivity.
 - Teams only requires 1.2 Mbps per user for a typical call or meeting which includes audio, video, and desktop sharing, but actual bandwidth is dependent upon the activities of the user. Teams uses TCP ports 80 & 443. Teams also uses UDP ports 3478 through 3481.
- Provide remote or onsite access as required by the Continuant PM and engineering resources
- Assist in development, documentation, and participation of the User Acceptance Test (UAT) plan
- Complete and provide sign-off on UAT
- Provide recordings of all prompts to be used in the IVR Script(s)
- Client will provide sign-off on project completion documentation

Assumptions and Clarifications

The scope and any responsibilities set forth above are based on, and in scoping and performing the services seller is relying on the accuracy of the assumption(s) set forth below:

- Customer-provided phones are Teams compatible.
- Customer is responsible to acquire or procure all Microsoft licenses and resource accounts (such as E3 or E5, Phone System, Conferencing, Meeting Rooms, etc.).
- After assigning a Phone System license to a user, it may take up to 24 hours for a user to be enabled due to the latency between Office 365 and Teams.
- Continuant will require Microsoft administrator roles to configure Teams and access to customer resource that has the permissions in the following areas:
 - Domain Name Administrator
 - Teams Administrator
 - User Administrator
- Customer will provide all necessary application configurations, including but not limited to:
 - VDI
 - Firewall configuration
 - DNS (internal and external)
 - SQL server (if applicable)
 - Anti-virus exclusions
 - Reverse proxy configuration
 - NAT/firewall configurations
 - QoS configurations

- Office and operating system versions, licensing
- Customer will contract with a Continuant-recognized PSTN carrier to deliver telephony services for Teams Calling via iPilot.

Out of Scope

All services and items not identified in the preceding sections are out of scope and include but are not limited to the following:

- Providing any services or items other than what are specified herein
- Customer site surveys for discovery of requirements
- Cabling to phones
- Physical deployment of phones or headsets
- Decommission of legacy devices
- Tenant configurations not related to Teams with the Microsoft Phone Systems
- Design of conference/meeting rooms environment
- Any equipment not listed in the SOW budgetary BOM
- Providing any services or items other than what are specified herein
- Configuration of internal extensions in Microsoft Teams Dial Plan is not preferred. It is highly encouraged for users to place calls by searching the address book or dialing the full phone number for a target user.
- Contact Centers – This design document is not intended to detail any integration with contact center efforts for the customer.
- Calling Plans include E911 services through Intrado in the US & Canada. Continuant will provide the primary service address; additional location details (such as floor, room, IP addresses, etc.) are not included in this SOW.
- Configuration of Microsoft O365 for any other workload (IE SharePoint, Exchange, Azure) other than Microsoft Teams.
- Customer network assessment or configuration
- Configuration of any Microsoft Teams components which are not related to telephony or Meeting Rooms

Managed Services

Continuant's Basic Support Plan is included in this SOW. Continuant's Extended and Premium Support packages are available for additional fees.

Basic Plan

Global Service Desk

The Continuant Service Desk will be the primary communication point for services. The customer will have several ways of interacting with the Service Desk, which will be identified during service transition.

Service Desk activities shall include the following:

- Perform initial analysis, troubleshooting and diagnostics
- Provide proactive communication of service delivery
- Manage escalations to ensure timely and high-quality resolution
- Management of the online service portal, available to customers at: <https://continuant.service-now.com/sp>

Service Asset and Configuration Management

Continuant will maintain the necessary configuration items (CI) of all covered equipment, within Continuant's configuration management database (CMDB).

CIs vary by managed services offered and original equipment manufacturer (OEM), Continuant may store the following general CIs, subject to change:

- Part number
- Serial number
- Model number
- Software version
- Firmware
- MAC address
- IP address
- Licensing
- Location – site, building, floor, room, and area

Remote Incident Management

Incident management ensures normal service operation is restored as quickly as possible, and the business impact is minimized. Continuant is responsible for prioritization and management of all incidents throughout their lifecycles.

Remote incident management is provided 24/7 and ensures normal service operation is managed through remote connectivity. This service requires the customer to provide Continuant with remote access and login credentials to the covered equipment. Activities may include:

- Resolution of service disruptions and performance degradations on covered equipment.
- Remote diagnostics, troubleshooting, and remote support for onsite personnel.
- Management of incident escalations to ensure timely and high-quality resolution of all cases.
- Remote labor to repair or replace covered equipment, including the subsequent testing to confirm the correct operation of the device and its operational interface with associated equipment, communication facilities, and services.
- Closure of incidents after receiving confirmation from the affected authorized user that the incident has been resolved.
- Retention of overall responsibility and ownership of all incidents until the incident is closed, subject to customer approval.

Continuant may implement a firmware update or security patch to resolve an incident. If firmware or security patches are not made publicly available by an OEM, the customer is responsible for providing Continuant with a support contract, or other means, for Continuant to gain access to the firmware or patch.

Incident Prioritization

Continuant classifies and prioritizes incidents according to impact and urgency. Continuant will evaluate incident impact and urgency to classify all incidents into Priority 1 (P1), Priority 2 (P2), Priority 3 (P3), and Priority 4 (P4) incident categories.

Impact Definition

An incident is classified according to its impact on the business (the size, scope, and complexity of the incident). Impact is a measure of the business criticality of an incident, often equal to the extent to which an incident leads to the degradation of a service. The four impact levels are:

1. **Widespread** – The entire inventory of covered equipment is affected (more than three quarters of individuals, sites, or devices).
2. **Large** – Multiple sites are affected (between one-half and three-quarters of individuals, sites, or devices).
3. **Localized** – A small number of sites and/or users are affected (between one-quarter and one-half of individuals, sites, or devices).
4. **Individualized** – A single user is affected (less than one-quarter of individuals, sites, or devices).

Urgency Definition

Urgency defines the criticality of the incident to the customer’s business. Continuant will work with customer to understand and set the proper urgency level. There are four urgency levels:

- **Critical** – Primary business function is stopped with no redundancy or backup. There may be an immediate financial impact to customer’s business.
- **High** – Primary business function is severely degraded or supported by backup or redundant system. There is potential for a significant financial impact to customer’s business.
- **Medium** – Non-critical business function is stopped or severely degraded. There is a possible financial impact to customer’s business.
- **Low** – Non-critical business function is degraded. There is little or no financial impact.

Continuant Incident Management priorities are listed in the matrix below:

	Impact				
		Widespread	Large	Localized	Individualized
Urgency	Critical	P1	P1	P2	P2
	High	P1	P2	P2	P3
	Medium	P2	P3	P3	P3
	Low	P4	P4	P4	P4

Continuant will downgrade the incident priority in accordance with the reduced severity of impact or incident resolution. The case may be left open for a prescribed period while operational stability is being assessed.

The Incident Ticket will be resolved by Continuant or customer upon validation of the issue remediation and the system’s returning to operational stability.

Change Control

Continuant will manage the control of change activities of the covered equipment. The primary goal of this process is to ensure all potential risks of performing changes are documented and communicated. Continuant’s change control responsibilities may consist of the following activities:

- Raise and record changes.
- Assess the impact, benefit, and risk of proposed changes.
- Confirm business justification and obtain approval.

Three types of changes:

- **Standard** – Standard changes are defined as well-known, repeatable, and thoroughly documented procedures. These procedures present a low risk to operations and business services as determined by a standard risk assessment. Standard changes are preauthorized by the customer to be implemented per terms agreed upon by the customer. If the service owner is concerned about the risk and/or potential impact of a change on other services, then a normal or emergency change should be considered. A list of standard change templates may be provided upon request.
- **Normal** – Normal changes are defined as medium/high risk to business services, and therefore must follow the normal change management process. The urgency of normal changes may be upgraded to accelerate the timeline for implementation given customer business justification of an impending business impact.
- **Emergency** – Emergency changes are defined as high risk to the business and require implementation without proceeding through the normal change management process. They may be required to resolve a break/fix situation that has resulted in a service degradation or interruption in service. They may also be needed to address an imminent interruption in service. Emergency changes should leverage existing standard change procedures where applicable to reduce the associated risk. These changes should also be related to a corresponding incident where a service disruption or potential disruption has been recorded.

OEM Management

Continuant will manage the customer's OEM support contract, when possible, by opening tickets with the OEM on behalf of the customer. The OEM is responsible for the fulfillment of their ticket.

Customer requirements:

- Customer must provide Continuant with a Letter of Agency (LOA) for representation for each OEM.
- Customer must provide Continuant with a copy of the OEM support contract, to include:
 - OEM support contract #
 - Description of support (i.e. 24/7, next business day, etc.)
 - Expiration date

For Microsoft customers:

- Continuant will establish a Cloud Solution Provider (CSP) relationship with the customer. The CSP relationship allows Continuant to open service cases with Microsoft on behalf of the customer, through Continuant's advanced support contract with Microsoft.
- Customer must accept the CSP relationship request from Continuant

Simple Service Requests

A Simple Service Request (SSR) is a formal request from the customer for service on equipment. SSRs are considered a minor and routine configuration change affecting one user or device.

These requests do not require any research or review of documentation and are all completed remotely. SSRs are not scheduled and will be completed according to time to fulfill service level definitions.

The following types of work are considered an SSR and follow the below criteria:

- Low risk, System Administration Work (move-add-change-deletion).
- Affects a single user.
- A standard type of change does not require a normal or emergency change request.
- Can be done at will (does not require specific scheduled work window); fulfilled within SLO.
- Customer must allow Continuant remote access to the application or equipment to perform SSRs. The requested feature must be currently supported by the firmware present on the device and known to be working correctly. In some cases, a Simple Service Request may require the dispatch of a Continuant technician for on-site work. In this event, customer must provide approval before technician is sent on-site. On-site work will be billed at current time and material rates.
- Simple Service Requests are fulfilled during standard business hours as defined for the location.

- Expedited SSRs are requests that the customer requires to be completed within accelerated timeframes. Expedited SSRs will be subject to an additional \$50.00 per request.
- Additional remote SSRs, above the include fixed amount of five, may be added to the CMS Plan for \$33 a month. Please see your Continuant Account Manager to update the CMS Plan.
- Unused SSRs do not roll over to the following month.
- Onsite SSRs will be billed to customer under Continuant's T&M rates.
- Onsite SSRs cannot be expedited.

Complex Service Requests and Projects

A Remote Complex Service Request is defined as medium-risk, remote system administration work performed within an application that affects multiple users. Remote Complex Service Requests must be completed in less than 40 hours. A Remote Complex Service Request requires an approved RFC. All Remote Complex Service Requests are to be billed T&M rates.

A project is any request where completion does not fit in the Remote Simple or Remote Complex types of service requests. A project will require a separate SOW to account for design, resource, schedule, and pricing.

Definitions

- Managed Services Package – Continuant provides Managed Services in three packages: Basic, Extended, and Premium.
- Covered Equipment - Equipment, hardware, components, and software to be maintained by Continuant is defined as covered equipment. All covered equipment items must be listed in the contract between Continuant and the customer to be covered under the Managed Services Package.

- Customer Requirements Document (CRD) - This is a document used by the Continuant Project Management Office (PMO) to document information about covered equipment, customer contacts, and other important information required by Continuant to deliver services effectively.
- Authorized User - An authorized user is an individual whom the customer's organization has authorized to request work, perform changes, and approve maintenance windows.
- Service Transition - The phase of the contract term, just after contract signatures, where setup activities begin. Setup activities may include identifying customer stakeholders, establishing remote access, documenting credentials, and activating event management.
- Service Operation - The phase of the contract term where all the service transition activities are complete. Service operation commences upon agreement between Continuant and the customer, once the service transition phase is complete.
- Standard Business Days and Hours - Business days are Monday through Friday, excluding Continuant observed holidays. Business hours are 8:00am - 5:00pm according to your local time.

Out of Scope

The following services and items are out of scope and are not included among the services:

- Providing any services or items other than what are specified herein
- Customer site surveys for discovery of requirements
- Cabling to phones
- Physical deployment of phones or headsets
- Decommission of legacy devices
- Tenant configurations not related to Teams with the Microsoft Phone Systems
- Design of conference/meeting rooms environment
- Any equipment not listed in the SOW budgetary BOM
- Configuration of internal extensions in Microsoft Teams Dial Plan is not preferred. It is highly encouraged for users to place calls by searching the address book or dialing the full phone number for a target user.
- Contact Centers – This design document is not intended to detail any integration with contact center efforts for the customer.
- Calling Plans include E911 services through Intrado in the US & Canada. Continuant will provide the primary service address; additional location details (such as floor, room, IP addresses, etc.) are not included in this SOW.
- Configuration of Microsoft O365 for any other workload (IE SharePoint, Exchange, Azure) other than Microsoft Teams.
- Customer network assessment or configuration
- Configuration of any Microsoft Teams components which are not telephony or Meeting/Rooms related
- Low-level design documentation

Customer Responsibilities

Customer will provide the following, which are necessary to seller's performance hereunder:

- Complete the Letter of Agency (LOA) document, containing carrier information, phone numbers, and service address(es)
- Participate in project cadence meetings
- Assist Continuant PM with data collection and RAID Log items
- Provide Continuant required Microsoft accounts and administrative roles to manage tenant and Teams policies and configurations
- Works with Continuant engineer to design the system and is available to help coordinate the install
- Provide data such as drawings, numbering schematics, and bandwidth capacity as required by the Continuant PM
- Provide a project contact for information gathering, escalation, and remote or onsite assistance, and schedules resources when necessary
- Customer is responsible to acquire or procure all Microsoft licenses and resource accounts (such as E3 or E5, Phone System, Conferencing, Meeting Rooms, etc.).
- Customer is responsible for its network and network management. Provide network availability for the Calling Plan Service and take responsibility for additional network requirements as outlined by the Continuant PM
 - The quality of audio, video, and application sharing over IP networks is impacted by the quality of end-to-end connectivity.
 - Teams only requires 1.2 Mbps per user for a typical call or meeting which includes audio, video, and desktop sharing, but actual bandwidth is dependent upon the activities of the user. Teams uses TCP ports 80 & 443. Teams also uses UDP ports 3478 through 3481.
- Provide remote or onsite access as required by the Continuant PM and engineering resources
- Assist in development, documentation, and participation of the User Acceptance Test (UAT) plan
- Complete and provide sign-off on UAT
- Provide recordings of all prompts to be used in the IVR Script(s)
- Client will provide sign-off on project completion documentation

Customer Requirements Document

Continuant will send a Customer Requirements Document (CRD) to the customer, which provides key information for service delivery. The customer is responsible for filling out the CRD, which will include:

- Customer representative contact name
- Authorized contacts to request support services
- Location of the site(s) to be managed
- Network connectivity detail and topology
- Covered Equipment information:
 - Location and naming scheme
 - As-built documentation and/or bill of materials
 - Managed IP addresses and system details
 - Simple Network Management Protocol (SNMP) community strings

- Credentials, telnet, and password access
- Definition of customer-specific support policies
- Maintenance contract or software support contract information
- For Microsoft covered equipment: Customer must accept a CSP and CPOR relationship with Continuant and provide the necessary administrator roles to manage the covered equipment.
- Letter of Authorizations for third-party vendors

Continuant Remote Access and Event Management

The Continuant Access and Monitoring Platform will allow remote access and monitoring for all covered equipment supported by CMS (Continuant Managed Services). The Access and Monitoring Platform includes a suite of management applications, consisting of software and hardware required for the delivery of services. Continuant requires the customer to help facilitate the installation and management of the access and monitoring platform. The Access and Monitoring Platform is deployed on the customer's network, in a single configuration instance or multiple instance configurations depending on the number, type, and location of the covered equipment. Any delay in establishing remote access or the deployment of the management applications may inhibit the ability for Continuant to deliver services.

The Access and Monitoring Platform is installed during service transition for the duration of the contract term. During the contract term, the customer is granted a nonexclusive and nontransferable license to use the hardware and the software resident solely on the supplied access and monitoring platform. Installation of the remote Access and Monitoring Platform may require the following from the customer:

- Network connectivity established per Continuant-supplied guidelines
- Communications facilities and services, including internet and network configuration. These communication facilities and services must be maintained for the duration of the contract term.
- A resource person to support the installation activities of the hardware and software, which may include:
 - Racking
 - Connection to the network
 - Power connection to continuous uninterrupted power, suitable commercial power, and an Uninterruptible Power System (UPS), or other acceptable power back-up facilities.

The customer will use reasonable efforts to provide and maintain the Access and Monitoring Platform in good working order. The customer shall not, nor permit others to, rearrange, disconnect, remove, attempt to repair, or otherwise tamper with any hardware or software in the platform. Should this occur as a result of the customer's actions without first receiving written consent from Continuant, the customer will be responsible for reimbursing Continuant for the cost to repair any damage caused to the platform. Under no circumstance will Continuant be held liable to the customer or any other parties for the interruption of services, missed SLOs or for any other loss, cost, or damage that results from the improper use or maintenance of the platform.

Unless otherwise agreed upon, title to all monitoring platforms shall remain in the possession of Continuant. The customer must return all associated materials (hardware, software, and documentation) to Continuant immediately upon expiration or termination of the contract term. Continuant expects, at the time of removal, the platform shall be in the same condition as when installed, except what normal wear and tear is expected. The customer shall reimburse Continuant for the depreciated costs of any platform equipment, whereby the condition of which is deemed beyond normal wear and tear.

Assumptions and Clarifications

The scope and any responsibilities set forth above are based on, and in scoping and performing the services seller is relying on the accuracy of the assumption(s) set forth below:

- Customer-provided phones are Teams compatible
- Customer is responsible to acquire or procure all Microsoft licenses and resource accounts (such as E3 or E5, Phone System, Conferencing, Meeting Rooms, etc.).
- After assigning a Phone System license to a user, it may take up to 24 hours for a user to be enabled due to the latency between Office 365 and Teams.
- Continuant will require Microsoft administrator roles to configure Teams and access to customer resource that has the permissions in the following areas:
 - Global Cloud Administrator
 - Teams Service Administrator
 - Domain Administrator
 - RTC Universal Server Administrators
 - Network monitoring access
 - Security Management
 - SQL Server SA (if Applicable)
 - Wireless Network Monitoring
 - Tenant access
- Customer will provide all necessary application configurations, including but not limited to:
 - VDI
 - Firewall configuration
 - DNS (internal and external)
 - SQL server (if applicable)
 - Anti-virus exclusions
 - Reverse proxy configuration
 - NAT/firewall configurations
 - QoS configurations
 - Office and operating system versions, licensing
- All pre-existing conditions are not covered under Managed Services.

Your Investment

One-Time Charges	QTY	Price	Subtotal
Microsoft Teams Calling Plan Setup (500-999 Users)	1	\$13,587.50	\$13,587.50
Deploy: Teams Calling - Custom Dial Plan	1	\$869.60	\$869.60
Design: SBC	1	\$2,652.28	\$2,652.28
Deploy: SBC Configuration	1	\$1,608.76	\$1,608.76
Design: Analog Gateway	1	\$750.03	\$750.03
Design: Analog Gateway (Subsequent)	8	\$201.10	\$1,608.80
Deploy: Analog Gateway Configuration	9	\$657.64	\$5,918.76
Deploy: SBC/Gateway Field Deployment	10	\$380.45	\$3,804.50
Design: Dynamic E911	1	\$5,760.00	\$5,760.00
Number porting (per session) 50 or more DIDs per session; 1 Session - 10 Toll Free	6	\$300.00	\$1,800.00
Tenant provisioning (per session) 50 or more users per session	5	\$350.00	\$1,750.00
Compliance Recording Configuration	1	\$1,444.00	\$1,444.00
Design/Deploy: Adoption & Change Management	60	\$180.00	\$10,800.00
User Acceptance Testing (per session)	5	\$250.00	\$1,250.00
Ribbon SWe Edge includes vSBC, 10 SIP Sessions, 100 SIP Registrations, and 24x7 Support	1	\$534.14	\$534.14
Grandstream HT813 1-port FXS/1-port FXO Analog Gateway	5	\$65.86	\$329.30

Grandstream HT814 4-port FXS Analog Gateway	1	\$80.86	\$80.86
Grandstream HT818 8-port FXS Analog Gateway	1	\$136.48	\$136.48
Grandstream GXW4216 V2 16-port Analog Gateway	2	\$307.73	\$615.46

Subtotal **\$55,300.47**

*Estimated Tax **\$5,076.58**

Total \$60,377.05

*Travel, shipping, and other similar expenses (for the preparation and performance of Services) are estimates, the actual amount shall be invoiced to Customer separately after the expense is incurred plus 5% administrative fee. Where applicable, travel costs are factored using GSA standard rates. Applicable taxes are an estimate.

Monthly Charges	QTY	Price	Subtotal
Call Path with iPilot includes iPilot and 750 domestic outbound minutes	60	\$19.95	\$1,197.00
Ported DID	1000	\$0.25	\$250.00
E911 services	600	\$0.75	\$450.00
SIP Only with UDP/TCP includes 750 domestic outbound minutes	20	\$14.95	\$299.00
CMS Basic - CP (500-999 Users)	600	\$0.74	\$444.00
CMS Basic - CI (Small SBC/Gateway)	4	\$12.00	\$48.00
Ported Toll-Free Number	10	\$1.00	\$10.00
Compliance Recording CallCabinet Core Recording	30	\$14.95	\$448.50
Compliance Recording Audio Transcription with PCI Redaction Add-on CallCabinet PCI DSS Redaction + AI and Audio Transcription	1	\$30.00	\$30.00

Subtotal	\$3,176.50
*Estimated Tax	\$291.60
Total	\$3,468.10

Payment Schedule

Milestone	Milestone Payment	Price
Deposit	Deposit - Due at Signing	\$27,650.47
Milestone 1	Due at Design Completion	\$16,590.00
Milestone 2	Due at Substantial Completion	\$8,060.00
Milestone 3	Due at Completion	\$3,000.00

Total **\$55,300.47**

Terms & Conditions

1. **Subscription Service.** Any Connect Services ordered through Continuant will be licensed to Customer on a subscription basis with a monthly fee determined in accordance with this SOW and Rate Card.

2. **Connect Service Exclusions.** No 0+ or Operator Assisted Calling; May Not Support x11 Calling. The Service does not support 0+ or operator assisted calling (including, without limitation, collect calls, third party billing calls or calling card calls). The Service may not support 311, 511 and/or other x11 (other than certain specified dialing such as 911 and 411, which are provided for elsewhere in this Agreement) services in one or more (or all) service areas.

The Connect Service is not a telecommunications service and we provide it on a best effort basis. Important distinctions exist between telecommunications service and the Connect Service offering that we provide. The Service is subject to different regulatory treatment than telecommunications service. This treatment may limit or otherwise affect Customer rights of redress before regulatory agencies.

3. **Term.** Connect Service and Coverage is offered on a monthly or multi-month basis as is determined in this SOW. The term begins on the date that Continuant activates Customer Connect Service and ends on the day before the anniversary date of Customer Term. Subsequent terms of this Agreement automatically renew on a monthly basis unless Customer give us written notice of non-renewal at least thirty (30) days before the end of the monthly term in which the notice is given. Customer is purchasing the Service for full monthly terms, meaning that if Customer attempts to terminate Service prior to the end of a monthly term, Customer will be responsible for the full month's charges to the end of the then-current term, including, without limitation, unbilled charges, plus a termination fee, if applicable, all of which will immediately become due and payable. Customer will also be responsible for the next full month's charges in the event that Customer does not provide the requisite thirty-days' notice of termination prior to the expiration of the then-current term. Expiration of the term or termination of Service will not excuse Customer from paying all accrued and unpaid charges due under this Agreement.

4. **Number Transfer on Service Termination.** Upon the termination of Customer Service, we may, in our sole and absolute discretion, release to Customer new service provider the telephone number that Customer ported (transferred or moved over) to us from Customer previous service provider and used in connection with Customer Service if:

- Such new service provider is able to accept such number;
- Customer account has been properly terminated;
- Customer account is completely current, including payment for all charges and applicable termination fees; and
- Customer requests the transfer upon terminating Customer account.

4.1 **Connect Services Termination Fee.** Continuant requires all phone numbers to remain on our network for at least 1 month before they can be ported out. Customer may be charged a termination fee of \$19.99 per standard phone number and at our sole and absolute discretion, up to \$500.00 per vanity number if Customer service is terminated for any reason during the Term following the activation of Customer Service.

5. **Acknowledgements.** Regulated communications services in the applicable Home Territory provided by Nuwave Communications, Inc. (or its affiliate entity) ("**Nuwave Communications**"), in partnership with Continuant. The undersigned acknowledges that they have read, accepted, and agreed to the terms of service at <https://nuwave.com/policies/#Legal>, and understands that all billing will begin upon license/service activation. Continuant shall pass through any additional service fees, billed to Nuwave Communications, or any additional service fees or pass through fees or surcharges billed to or assessed against Nuwave Communications by any third party service provider or governmental agency as a result of the services provided to Customer hereunder, including, but not limited to, any costs or fees attributable to any USF fees or charges to the Customer. Customer shall be the sole and responsible Party for such pass-through fees and surcharges if and as applicable. Any additional fees not disclosed to Customer upon the date of signature, other than fees assessed by a governmental agency relating directly to Services provided to a Customer, must be approved by Customer. Approval will not be unreasonably withheld.

6. **Carrier of Record.** Nuwave Communications, Inc. (either directly or through its affiliate entity) shall be the Carrier of Record for Voice Calling Services provided to Customer in the applicable Home Territory. As the Carrier of Record Nuwave Communications shall be responsible for providing the Voice Calling Plan Services, and has assigned the billing and collection services to Continuant. Continuant shall provide the sourcing and managing service for the Customer for Voice Calling Plan Services which includes: service order arrangement, service provisioning management, trouble reporting referral, dispute resolution, billing, collection and settlement. The application of municipal, State, Federal taxes, surcharges and regulatory assessments for the Voice Calling Plan Services shall be included on the Customer invoices, and the Carrier of Record shall be responsible for the corresponding reporting and remittance of such charges applied to Customer(s) invoices to the proper State and Federal governing bodies.

7. **Emergency Calling Services.**

7.1. **Access to Emergency Calling Services.** The Services provide access to emergency calling services in specific countries, allowing most Voice Service Customers to access Emergency Services (911 in the United States and Canada, 999/112 in the United Kingdom and throughout the European Union, 999/995/993 in Singapore, and any other applicable Emergency Services number). Customer's access may differ depending on the Customer's location or the device(s) the Customer is using, and it works differently than Customer may have experienced using traditional wireline or wireless telephones.

7.2. **Emergency Service Availability Limitations.** Customer acknowledges that the Emergency Services may not be available in the event of a power failure, fraudulent use, non-payment of Services, failure of Customer's equipment, service outage, or network or Internet congestion or outage, and Customer accepts the responsibility of ensuring that it has alternate means to make emergency calls.

7.3. Emergency Services Acknowledgement. Customer expressly acknowledge that Customer is aware and understand the limitations of the Emergency Services calls using the Services(s) as set forth in this Agreement and agrees to the terms as set forth in the attached Emergency Services Policy at <https://nuwave.com/policies/>.

7.4. Notification of End Users or Other Users. Customer agrees to take appropriate action to ensure all End Users and other potential users of the Services have a clear understanding of the limitations of the emergency services calls.

Let's Get Started

Proposal Information

MSA Number: 04122023BB

Term: 36 months

Billing Contact

Full Name:

Phone Number:

Email:

Signer Info

Full Name:

Title:

Entity:

Customer

Signature: _____

Date: _____

Counter Signer

Full Name: Doug Graham

Title: CEO

Entity: Continuant Inc.

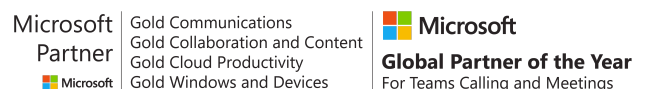
Counter

Signature: _____

Date: _____



This proposal will expire in 30 days.



TEX-AN 2021

Communications Technology Services Agreement

Version 2.0

DIR Contract No DIR-TELE-CTSA-011

Between

**The State of Texas, acting by and through the
Texas Department of Information Resources**

and

Continuant Tech, Inc. (Successful Respondent)

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TEX-AN 2021 Communications Technology Services Agreement

This TEX-AN 2021 Communications Technology Services Agreement (CTSA) is entered into by and between the State of Texas, acting by and through the Texas Department of Information Resources (DIR), with its principal place of business at 300 West 15th Street, Suite 1300, Austin, Texas 78701, and Continuant Tech, Inc. (Successful Respondent), with a principal place of business at 3708 Hilltop, Conroe, TX 77303.

Preamble

WHEREAS, in accordance with the laws of the State, DIR issued the Request for Offer (RFO) for TEX-AN Communications 2021 (TEX-AN 2021) on the Texas Comptroller of Public Accounts' (CPAs) Electronic State Business Daily (ESBD) Website, Request for Offer (RFO) number DIR-CPO-TMP-552 (the RFO);

WHEREAS, in response to the RFO, Successful Respondent submitted Successful Respondent's Response, dated March 25, 2021, as revised, amended and supplemented thereafter (the Response)

WHEREAS, based on the Response, DIR and Successful Respondent have engaged in extensive negotiations, discussions, and due diligence that have culminated in the formation of the contractual relationship described in this TEX-AN 2021 Communications Technology Services Agreement (hereinafter CTSA or Contract); and

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, DIR and Successful Respondent (collectively, the "Parties" and each, a "Party") hereby agree as follows:

1 INTRODUCTION

1.1 Provision, Performance, and Management by Successful Respondent

DIR desires that certain communications technology Services procured in accordance with State law (pursuant to Chapter 2170, Texas Government Code) be provided, performed, and managed by Successful Respondent as and to the extent described in this CTSA. Successful Respondent has carefully reviewed DIR's requirements, has performed all due diligence it deems necessary, has received all information requested and required of DIR, and desires to deploy, perform, and manage such communications technology Services for DIR, the Customers, and, as required, other TEX-AN NG and TEX-AN 2021 Contract Holders. If Successful Respondent later discovers such due diligence was insufficient or lacking certain information, Successful Respondent shall assume any associated costs or expenses.

1.2 Successful Respondent's Experience and Qualifications

The Successful Respondent represents and warrants that it is an established provider of communications technology Services as awarded under this CTSA and has the skills, qualifications, expertise, financial

resources, and experience necessary to provide the communications technology Services, plans, reports, and other deliverables described in this CTSA.

1.3 Definitions

- a) The terms defined in this Agreement include the plural as well as the singular and the derivatives of such terms. Unless otherwise expressly stated, the words "herein," "hereof," and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular article, section, subsection, exhibit, attachment, or other subdivision. Article, section, subsection, exhibit, and attachment references refer to articles, sections and subsections of, and exhibits and attachments to, this Agreement. The words "include" and "including" shall not be construed as terms of limitation. Unless otherwise modified, the words "day," "month," and "year" mean, respectively, calendar day, calendar month, and calendar year. The word "notice" and "notification" and their derivatives mean notice or notification in writing. References in this Agreement to any law shall be to such law in changed or amended form or to a newly adopted law replacing a prior law. All references to this Agreement shall include the exhibits and attachments to this Agreement unless otherwise provided. Other terms used in this Agreement are defined in the context in which they are used and have the meanings there indicated.
- b) Except as otherwise expressly provided in this CTSA, all capitalized terms (including derivatives of such terms) used in this CTSA shall have the meanings ascribed to them in **Exhibit A Definitions**; provided however, that any such defined terms, if not capitalized herein, shall have the same meaning as the defined term unless the context or industry usage require a different meaning. Words having well-known technical or trade meanings shall be accorded such meaning, unless expressly defined otherwise herein. Uncapitalized terms or phrases are to be given their usual meaning.
- c) Global drafting conventions.
 - 1) The terms "include," "includes," and "including" are terms of inclusion, and where used in this CTSA, are deemed to be followed by the words "without limitation."
 - 2) Any references to "sections," "exhibits," or "attachments" are deemed to be references to sections, exhibits, or attachments to this CTSA.
 - 3) Any references to agreements, contracts, statutes, or administrative rules or regulations in this CTSA are deemed references to these documents as amended, modified, or supplemented from time to time during the term of this CTSA.

1.4 Inducements

- a) In executing this CTSA, DIR relies on Successful Respondent's representations, warranties, and covenants regarding the following:
 - 1) Successful Respondent, including its agents and Subcontractors, regularly provide the types of Services described in the RFO to other public or private entities;
 - 2) Successful Respondent, including its agents and Subcontractors, have the skills, qualifications, expertise, financial resources, and experience necessary to perform the Services described in the RFO, Successful Respondent's Response, and this CTSA in an efficient and cost-effective manner with a high degree of quality and responsiveness, and have performed similar Services for other public or private entities;

- 3) Successful Respondent has thoroughly reviewed, analyzed, and understood the RFO, has timely raised all questions or objections to the RFO, and has had the opportunity to review and fully understand the DIR's current TEX-AN NG program, operating environment for the Services, this CTSA, and the needs and requirements of DIR, the Customers, and the State during the Term of the CTSA;
 - 4) Successful Respondent has had the opportunity to review and understand the State's stated objectives in entering into this CTSA and, based on such review and understanding, Successful Respondent has the ability and capability to perform the Services in accordance with the terms and conditions of this CTSA;
 - 5) Successful Respondent also has reviewed and understands all of the risks associated with the TEX-AN 2021 Program as described in the RFO and the CTSA, including the risk of non-appropriation of funds;
 - 6) Successful Respondent shall at all times be capable of and legally authorized to provide the Services; and
 - 7) The Rates to DIR, Prices, and any discounts offered hereunder shall be true and correct.
- b) Accordingly, on the basis of these representations, warranties, and covenants, DIR desires to engage Successful Respondent to perform the Services under the terms and conditions set forth in this CTSA, and Successful Respondent covenants to perform the Services under the terms and conditions set forth in this CTSA.

1.5 Construction of Agreement

1.5.1 Severability

If any provision of this CTSA (or any portion thereof) or the application of any such provision (or portion thereof) to any person, entity, or circumstance is held to be illegal, invalid, or otherwise unenforceable in any respect by a final judgment, order of the State Office of Administrative Hearings, or court of competent jurisdiction, such provision shall be deemed to be void and unenforceable. Notwithstanding the preceding sentence, the remaining provisions of this CTSA, if capable of substantial performance, shall remain in full force and effect. By entering into this CTSA, DIR makes no representations or warranties regarding the enforceability of the terms of this CTSA and DIR does not waive any applicable law that conflicts with the terms of this CTSA.

1.5.2 Survival of Terms

Notwithstanding the expiration or and termination of this CTSA:

- a) any provision of this CTSA that contemplates performance or observance subsequent to any termination or expiration of this CTSA shall survive any termination or expiration of this CTSA and continue in full force and effect;
- b) all provisions of this Agreement shall survive the expiration or termination of this Agreement to the fullest extent necessary to give the Parties the full benefit of the bargain expressed herein
- c) any provisions that the Parties have expressly agreed will survive any termination or expiration shall survive the expiration or any termination of this Agreement;
- d) any terms that remain to be performed or by their nature would be intended to be applicable following any such termination or expiration, including the Administrative Fee, any and all payment obligations invoiced prior to the termination or expiration hereof, and indemnification rights and obligations;

- e) the limitation on use and disclosure of DIR or Customer Data shall survive the expiration or any termination of this Agreement and shall be perpetual;
- f) each party's confidentiality obligations under this CTSA shall continue for any period required by applicable law or until such time as the Confidential Information is publicly known and made generally available through no action or inaction of the receiving Party;
- g) all applicable services, warranties, or service agreements that were entered into between Successful Respondent and a Customer under the terms and conditions of the CTSA shall survive the expiration or termination of the CTSA; and
- h) all Purchase Orders issued and accepted by Successful Respondent shall survive expiration or termination of the CTSA for the term of the Purchase Order unless the Customer terminates the Purchase Order sooner. However, regardless of the term of the Purchase Order, no Purchase Order shall survive the expiration or termination of the CTSA for more than two (2) years, unless Customer makes an express finding and justification for the longer term. The finding and justification must either be included in the Purchase Order, or referenced in it prior to the expiration or termination of the CTSA and maintained in Customer's procurement record.
- i) The Successful Respondent agrees that DIR may require continued performance, not including termination assistance, beyond the initial or any renewal CTSA term, of any of the within described Services at the rates specified in the CTSA. This option may be exercised more than once, but the total extension of performance hereunder shall not exceed four (4) calendar months. Such extension of Services shall be subject to the requirements of the CTSA, with the sole and limited exception that the original date of termination shall be extended pursuant to this provision.

1.5.3 Headings

The article and section headings and the Table of Contents in this CTSA are for reference and convenience only and may not be considered in the interpretation of this CTSA.

1.6 No Implied Authority

- a) The authority delegated to Successful Respondent by DIR is limited to the terms of this CTSA. DIR is the State agency designated by the Texas Legislature to administer the TEX-AN 2021 Program, and no other agency of the State grants Successful Respondent any authority related to this TEX-AN 2021 Program. Successful Respondent may not rely upon implied authority, and specifically is not delegated authority under this CTSA to:
 - 1) make public policy;
 - 2) promulgate, amend, or disregard administrative regulations or program policy decisions made by DIR for administration of the TEX-AN 2021 Program; or
 - 3) unilaterally communicate or negotiate with any Customer or the Texas Legislature on behalf of DIR regarding the TEX-AN 2021 Program.
- b) Successful Respondent may not incur any debts, obligations, expenses, or liabilities of any kind on behalf of the State or DIR.

1.7 Legal Authority

- a) DIR is authorized to enter into this CTSA under Chapter 2170, Texas Government Code. Successful Respondent is authorized to enter into this CTSA pursuant to the authorization of its governing board or controlling owner or officer.

- b) The person or persons signing and executing this CTSA on behalf of the Parties, or representing themselves as signing and executing CTSA on behalf of the Parties, warrant and guarantee that he, she, or they have been duly authorized to execute this CTSA and to validly and legally bind the Parties to all of its terms, performances, and provisions.

2 CTSA DOCUMENTS

2.1 Definition

This CTSA includes each of the exhibits and attachments attached to this CTSA, which are hereby incorporated into and deemed part of this CTSA, and unless otherwise expressly stated all references to this CTSA shall include the exhibits and attachments. A listing of the exhibits and attachments is included in the Table of Contents.

2.2 Compliance with Procurement Laws

This CTSA is the result of compliance with applicable procurement laws of the State. DIR issued a solicitation on the CPA's ESBD, RFO DIR-CPO-TMP-552, on January 4, 2021, for TEX-AN 2021 Communications Technology Services. Successful Respondent responded, and DIR conducted its evaluation. DIR determined that Successful Respondent should be invited into negotiations. DIR and Successful Respondent have engaged in extensive negotiations, discussions, and due diligence that have culminated in the formation of the contractual relationship described in this CTSA. Upon execution of all CTSA's arising from the RFO, a notice of award for RFO DIR-CPO-TMP-552 shall be posted by DIR on the ESBD.

2.3 Order of Precedence

In the event of any conflict or contradiction between or among the various documents comprising the CTSA, the documents will control in the following order of precedence:

- a) Articles 1 through 22 of this CTSA, and all amendments thereto,
- b) Exhibit A Definitions to the CTSA, and all amendments thereto,
- c) All other Exhibits to the CTSA, and all amendments thereto,
- d) Attachments to the CTSA, and all amendments thereto,
- e) Appendices to the CTSA, and all amendments thereto;
- f) The RFO Number DIR-CPO-TMP-552, as amended and clarified by DIR official revisions or addenda, and incorporated by reference herein.
- g) Successful Respondent's final Response dated 12/21/2022, and incorporated by reference herein.

3 TERM

3.1 Initial Term

The Initial Term of this CTSA shall commence on the Effective Date, date of last signature, and continue for four (4) years from the Effective Date, unless this CTSA is terminated earlier as provided herein, in which case the Initial Term of this CTSA shall end at 11:59:59 p.m., Central Time, on the effective date of such termination (the "Initial Term").

3.2 Extension(s)

By giving written notice to Successful Respondent no less than thirty (30) days prior to the expiration date of the Initial Term or the then-current Renewal Term, DIR, in its sole and absolute discretion, shall have the right to extend the Term of the CTSA for up to four (4) years from the expiration of the Initial Term, in any combination of months or years as necessary to complete the purpose of this procurement. DIR, in its sole and absolute discretion, may extend the CTSA more than once up to a total of an additional four-year period (each a "Renewal Term"). The exact period(s) of the extension(s) shall be specified in the DIR notice of extension. The total period of time during which the CTSA is in effect is the Term. No termination charges or penalties shall be applicable to any termination before or after the end of the Initial Term.

4 RELATIONSHIP AMONG DIR, SUCCESSFUL RESPONDENT, OTHER TEX-AN 2021 CONTRACT HOLDERS, AND CUSTOMERS

4.1 DIR as Successful Respondent's Customer

Pursuant to its authority found in Chapter 2170, Texas Government Code, DIR is the single State agency mandated to procure telecommunications services on behalf of Customers. In all interactions under the CTSA, DIR is in the role of Successful Respondent's customer, with the exception of Local Services, Small Office/Home Office (SO/HO) Internet Connectivity Services, wireless voice and Data Services, Technology Based Conferencing Services, and telecommunications managed Services (hereinafter collectively "Direct Sales Transaction Services"). Except as noted below, DIR will issue all Purchase Orders to Successful Respondent on behalf of itself and the Customers. Except as noted below, DIR shall act as the Successful Respondent's billing agent for all Services ordered and consumed by the Customers and shall pay net proceeds from such billings to Successful Respondent.

4.2 Direct Sales Transaction Service Customers for Successful Respondent

- a) If Successful Respondent is awarded any Direct Sales Transaction Services, then Successful Respondent shall receive Purchase Orders for such Direct Sales Transaction Services from the Direct Sales Transaction Service Customer(s). Successful Respondent shall bill Direct Sales Transaction Service Customers for the Services at the Prices allowed by this CTSA (or Statement of Work (SOW) as applicable) that includes the Administrative Fee. Successful Respondent shall remit the associated Administrative Fee to DIR on a monthly basis. Successful Respondent shall also be responsible for sales reports and other administrative duties associated with providing these Services to the Direct Sales Transaction Service Customers.
- b) Successful Respondent agrees to process all Direct Sales Transaction Service Customer orders for Services available under the CTSA through the CTSA. Successful Respondent shall not offer Direct Sales Transaction Services to Customers outside of the CTSA or for rates higher than negotiated herein. Successful Respondent agrees that all discounts offered to DIR are equal to or exceed any discount offered by Successful Respondent to any similarly situated Customer.

4.3 Customers as Authorized End Users of Successful Respondent's Services

As specified in Section 2170.004, Texas Government Code, certain Texas governmental and non-governmental entities are authorized to use the telecommunications services for which DIR contracts in this CTSA. For DIR's purposes, these entities are Customers. From the Successful Respondent's perspective, these entities may be referred to as "Authorized End Users," whether as organizations or

persons employed by such organizations. All references herein to "Customer" include "Authorized End Users." When ordering certain Services from Successful Respondent, non-state agency Customers may enter into a certain TEX-AN 2021 Customer Services Agreement (CSA), with DIR, which sets forth the terms and conditions for the deployment, acceptance, and delivery of such certain Services by Successful Respondent to such Customer. Under each CSA, DIR shall be the billing agent on behalf of Successful Respondent to receive payment for the Services from the Customer. Customers operating under the CSA will ensure funds are committed for the payment of services to DIR where DIR is acting as Successful Respondent's billing agent. In addition, Successful Respondent understands and agrees that if Successful Respondent responds to certain Customer pricing requests or Statements of Work, then, in order to contract with the Customer, Successful Respondent may be required to comply with additional terms and conditions or certifications that an individual Customer may require due to state and federal law (e.g., privacy and security requirements).

4.4 Use of Third Parties

An award from the RFO is not exclusive to the Successful Respondent. Successful Respondent acknowledges that DIR intends to award or has awarded multiple CTSA's for Services out of the RFO to other Successful Respondents (TEX-AN 2021 Contract Holders). Successful Respondent further acknowledges that some of the Services provided by Successful Respondent hereunder may also be provided by other TEX-AN 2021 Contract Holders. Finally, Successful Respondent acknowledges that Successful Respondent may have a dependency on other TEX-AN 2021 Contract Holders to serve a particular Customer in a particular area. Therefore, Successful Respondent warrants and covenants, for itself and its Subcontractors, it shall not discriminate against another TEX-AN 2021 Contract Holder in the deployment and delivery of any Service in any manner to DIR and/or any Customer, or otherwise cause any disruption to Services as deployed and delivered to DIR and/or Customers by any other TEX-AN 2021 Contract Holder.

4.5 DIR (and Customer) Right of Use

- a) Notwithstanding anything to the contrary contained in this CTSA, Successful Respondent acknowledges and agrees that: (i) this is not a requirements CTSA and DIR and Customers shall not be required to obtain their requirements for any of the Services from Successful Respondent; and (ii) Successful Respondent is not the exclusive provider to DIR or the Customers of any of the Services and DIR and the Customers may at any time themselves and/or through third parties (each, a "DIR Contractor") provide and/or obtain any services (including services to supplement, replace, or render unnecessary the Services).
- b) Nothing in this Agreement shall be construed or interpreted as limiting DIR's right or ability to add or delete Customers, or DIR's or any Customer's right or ability during the Term to change requirements, move parts of Services in and out of scope, or to increase or decrease their demand for Services. To the extent DIR or a Customer obtains from Successful Respondent, or provides to itself, any of the Services, the charges, if any, shall be adjusted downward in accordance with **Exhibit B Pricing and Volumes**, to the extent applicable, or equitably adjusted downward in proportion to the portion of the Services that Successful Respondent shall not be providing. Both Successful Respondent and Customer shall approve such adjustments in writing.
- c) DIR may elect to solicit and receive bids from third parties to perform any new services. If DIR elects to use third parties to perform new services: (i) such new services shall not be deemed "Services" under the provisions of this Agreement; and (ii) Successful Respondent shall cooperate with such third parties as provided above.

4.5.1 Successful Respondent Cooperation

Successful Respondent acknowledges that its provision of the Services shall require significant cooperation with third parties, and Successful Respondent shall fully cooperate and work in good faith with third parties as described in this CTSA and to the extent otherwise requested by DIR.

4.5.2 Notice by Successful Respondent

Without limiting its obligations under this CTSA, Successful Respondent shall expeditiously notify DIR when it becomes aware that an act or omission of DIR or Customer personnel or a DIR Contractor shall cause, or has caused, a problem or delay in providing the Services, and shall work with DIR, the Customers, and the DIR Contractor to prevent or circumvent such problem or delay. Successful Respondent shall cooperate with DIR, the Customers, and DIR Contractors to resolve differences and conflicts arising between the Services and other activities undertaken by DIR, the Customers and DIR Contractors.

4.6 Covenant of Cooperation

Successful Respondent hereby agrees and covenants that it shall fully cooperate with other TEX-AN 2021 Contract Holders in fulfilling the terms of this CTSA and/or CSA with DIR and/or Customers. Successful Respondent is required to cooperate to the fullest extent possible to assist DIR in communications and negotiations with all Customers as directed by DIR. Successful Respondent acknowledges that this covenant is material to DIR and that failure to maintain such cooperation may be grounds for termination for cause. Each Customer shall cooperate with its selected Contract Holders and DIR in fulfilling the terms of each CSA to which they are a party.

4.7 Special Covenant to Cooperate with DIR on Internal Business Process Improvements

All TEX-AN 2021 Contract Holders shall interface with DIR's internal service delivery system to support DIR's service delivery processes, including the BMC Helix ITSM platform version 20.08. Network and any subsequent versions to network demarcation points are determined on a case by case basis depending upon type of Service. Successful Respondent shall provide timely, complete, and commercially reasonable cooperation in the implementation and use of the DIR adopted systems at no additional cost to DIR or the Customers. As of the Effective Date, the BMC Helix ITSM platform includes service request management (Service ordering), asset management, performance and service level management, incident management (help desk/trouble tickets), change management, and knowledge management. Other systems in development to support Tex-AN-2021 include DIR enterprise billing and customer relationship management. As of the Effective Date, DIR and Successful Respondent have agreed to the following formats and Data to include detailed data for quotes, orders, trouble tickets, billing, Service Level Agreements, and network monitoring and formats to include email, delimited flat files, and web services XML as documented in **Appendix B Master Vendor Reporting Guide**. DIR will provide reasonable written notice to Successful Respondent as new systems become available for Successful Respondent's use. If Successful Respondent is unable to implement and use the DIR adopted internal systems at no additional cost to DIR or Customers, DIR reserves the right to terminate the CTSA. Successful Respondent shall promptly notify DIR if it encounters an unforeseen challenge to implementing any DIR adopted internal systems. DIR agrees to negotiate in good faith to resolve the Successful Respondent's challenge, reserving the right to terminate the CTSA if no resolution is apparent within thirty (30) days of notification of the challenge.

5 AWARDED SERVICES

5.1 Description

A description of the Services awarded to Successful Respondent under this CTSA are found in Exhibit B to the CTSA. This CTSA is an indefinite quantity contract. DIR has not made and does not make any representations or warranties about the amount or type of Services that Successful Respondent may sell to DIR or the Customers as a result of executing this CTSA.

5.2 Rates, Prices, and Telecommunications Fees and Surcharges

- a) The rates for the Services as set forth in Attachments to Exhibit B to the CTSA are the Rates to DIR, with the exception of the Prices for which Successful Respondent shall directly bill the Customers at the Prices set forth in Attachments to Exhibit B, or as negotiated through the SOW for Telecommunications Managed Services. For all other Services in use, Successful Respondent shall present a Monthly Consolidated Invoice to DIR based on the Rates to DIR. In its role as billing agent for Successful Respondent, DIR shall bill Customers the Rates to DIR, plus an additional percentage as the Administrative Fee, as authorized by Chapter 2170, Texas Government Code. Successful Respondent acknowledges and agrees that DIR shall retain its Administrative Fee from the amounts it collects from Customers.
- b) If the Successful Respondent is awarded Local Services, SO/HO Internet Connectivity Services, wireless Services, and/or Technology Based Conferencing Services, Attachments to Exhibit B also contains the Prices for these Services, which include the Successful Respondent's rate plus the Administrative Fee. Successful Respondent shall bill the Direct Sales Transaction Service Customers for the Price as defined in Exhibit B and shall remit the Administrative Fee to DIR on a monthly basis. Successful Respondent shall provide DIR with monthly Direct Sales Transaction Service Reports.
- c) If the Successful Respondent is awarded Telecommunication Managed Services, Successful Respondent shall work directly with Customers to negotiate an SOW that will include pricing for the Services, which will include the Successful Respondent's rate plus the Administrative Fee. Successful Respondent shall bill the Direct Sales Transaction Service Customer for the Price as defined in the SOW and shall remit the Administrative Fee to DIR on a monthly basis. Successful Respondent shall provide DIR with monthly Direct Sales Transaction Service Reports.
- d) Attachments to Exhibit B also lists for each awarded Service, all applicable telecommunications fees and/or surcharges that are required to be assessed by Successful Respondent against Customers in accordance with federal and/or state law. DIR shall include the listed telecommunications fees and surcharges on bills to Customers and Customers shall be responsible for paying such telecommunications fees and surcharges in full. If applicable to the Direct Sales Transaction Services, Successful Respondent shall include the telecommunications fees and surcharges on its bills to the Direct Sales Transaction Service Customers, and the Direct Sales Transaction Service Customers shall be responsible for paying such telecommunications fees and surcharges in full. No telecommunications fees and surcharges that are not set forth in Attachments to Exhibit B may appear on bills to DIR or Customers. Notwithstanding the foregoing, if federal or state laws and regulations that impose additional fees and/or surcharges become effective after the Effective Date of this CTSA then such new fees and/or surcharges may be assessed by Successful Respondent against DIR Customers; however, such charges shall be implemented through the contract amendment process as outlined in this CTSA. Additionally, Successful Respondent reserves the right to update existing fees and/or surcharges as such

updates are imposed by issuing government entity with notice to DIR and incorporation into the CTSA by compliance with Article 9 of this CTSA. DIR reserves the right to review telecommunications taxes, fees, and surcharges for applicability of payments by public entities and reserves the right to exempt Customers pursuant to federal, state, and/or local exemptions.

5.3 Authorized Changes to Rates to DIR and Prices

Successful Respondent may propose Attachments to Exhibit B changes to lower the Rates to DIR and/or the Prices. DIR shall have reasonable time to review and determine, in its sole and absolute discretion, if the change to the rates to DIR is a best value for the State. If DIR approves the Rates to DIR or Price change, such change shall be implemented using the Electronic Administrative Update (EAU) process defined in CTSA Section 9.5 to amend the CTSA and document the new Rates to DIR and/or Price. The Parties agree to make new Rates to DIR or Prices available to Customers as quickly as possible. Successful Respondent initiated Point of Presence (POP) location changes, or any other changes that have an adverse effect (price increase) on Rates to DIR or Prices must be authorized by an amendment to the CTSA before being billed. Changes that lower pricing will be administered via the EAU process.

6 SUCCESSFUL RESPONDENT PERSONNEL MANAGEMENT

6.1 Qualifications, Retention, and Replacement of Successful Respondent Employees

Successful Respondent agrees to maintain the organizational and administrative capacity and capabilities to carry out all Successful Respondent duties and responsibilities, including providing and supporting the Services, under this CTSA. The personnel Successful Respondent assigns to perform the duties and responsibilities under this CTSA will be properly trained and qualified for the functions they are to perform. Notwithstanding transfer or turnover of its personnel, or of its agents' or Subcontractors' personnel, Successful Respondent remains obligated to perform all duties and responsibilities, including providing and supporting the Services, without degradation and in accordance with the terms of this CTSA.

6.2 Responsibility for Successful Respondent Personnel

- a) Under no circumstances will Successful Respondent Personnel, be considered or deemed employees of DIR or the State, but will be considered Successful Respondent's employees, agents, or Subcontractors for all purposes. Successful Respondent, not the State, DIR, or the Customers, has the right, power, authority, and duty to supervise and direct the activities of the Successful Respondent Personnel and to compensate such Successful Respondent Personnel for any work performed by them hereunder. Successful Respondent, and not the State, DIR, or the Customers, shall be responsible and therefore solely liable for all acts and omissions of Successful Respondent Personnel associated or related in any manner with this CTSA or the related products, equipment, and Services, including acts and omissions constituting negligence, gross negligence, willful misconduct, and/or fraud.
- b) Except as expressly provided in this CTSA, neither Successful Respondent nor any of Successful Respondent Personnel may act in any sense as agents or representatives of DIR or the State of Texas.
- c) Successful Respondent Personnel shall be paid exclusively by Successful Respondent for all Services performed. Successful Respondent is responsible for and must comply with all requirements and obligations related to such Successful Respondent Personnel under local, State,

or federal law, including minimum wage, social security, unemployment insurance, State and federal income tax, and workers' compensation obligations.

- d) Successful Respondent assumes sole and full responsibility for its acts and the acts of Successful Respondent Personnel relating to the performance of this CTSA.
- e) Successful Respondent agrees that any claim on behalf of any person arising out of employment, alleged employment, termination of employment, failing to employ, agency, or Subcontracts (including, but not limited to, claims of discrimination against Successful Respondent, its officers, or its agents or its Subcontractors) are the sole responsibility of Successful Respondent and are not the responsibility of DIR or any Customer, and that Successful Respondent will indemnify and hold harmless the State from any and all such claims asserted against the State, DIR or any Customer. Successful Respondent understands that any person who alleges a claim arising out of employment, alleged employment, termination of employment, failing to employ, agency, or Subcontract by Successful Respondent (including, but not limited to, claims of discrimination against Successful Respondent, its officers, or its agents or its Subcontractors) will not be entitled to any compensation, rights, or benefits from DIR (including, but not limited to, tenure rights, medical and hospital care, sick and annual/vacation leave, severance pay, or retirement benefits).

6.3 Cooperation with DIR, Other Contract Holders, and Customers

6.3.1 General

- a) Successful Respondent shall perform the Services in a manner that shall not: (1) disrupt or have an unnecessary adverse impact on the activities or operations of DIR, the Customers, or another TEX-AN 2021 Contract Holder; (2) degrade the Services then being received by DIR or the Customers; or (3) disrupt or interfere with the ability of DIR or the Customers to obtain the full benefit of the Services.
- b) In performing the Services and using the DIR Facilities, Successful Respondent shall observe and comply with all DIR and Customer policies, rules, and regulations applicable at or to DIR Facilities or the provision of the Services which have been communicated to Successful Respondent or Successful Respondent Personnel in advance in writing (which may include email communications and notices of information contained on web sites or conspicuously posted at DIR Facilities to the extent consistent with the way in which DIR or the Customers disseminate such information to their own employees) or by such means as are generally used by DIR or DIR Customers to disseminate such information to its employees or contractors and those applicable to specific DIR Facilities (collectively, DIR Rules). The Parties acknowledge and agree that, as of the Effective Date, the Successful Respondent is fully informed as to the DIR Rules that have been communicated to it consistent with the foregoing. Successful Respondent shall be responsible for the promulgation and distribution of DIR Rules to Successful Respondent Personnel as and to the extent necessary and appropriate. Additions or modifications to the DIR Rules may be: (i) disclosed to Successful Respondent and Successful Respondent Personnel in writing (which may include email communications and notices of information contained on web sites to the extent consistent with the way in which DIR or Customers disseminate such information to their own employees); (ii) conspicuously posted at a DIR Facility; (iii) electronically posted; or (iv) communicated to Successful Respondent or Successful Respondent Personnel by means generally used by DIR and Customers to disseminate such information to its employees or contractors (including oral communications in immediately applicable or emergency situations). Successful Respondent and Successful Respondent Personnel shall observe and comply with such additional or modified DIR Rules.

6.3.2 DIR Cost Avoidance

As part of the performance measures reported to State leadership, DIR must provide the cost avoidance the State has achieved through the CTSA. Upon request by DIR, Successful Respondent shall provide DIR with a detailed report of a representative sample of products sold under the CTSA. The report shall contain: product part number, product description, list price and price to Customer under the CTSA. Additionally, Successful Respondent shall promptly provide DIR with all other CTSA performance related information that assists DIR in reporting any other performance measures for which it is responsible.

6.3.3 Cooperation with Other TEX-AN 2021 Contract Holders

Successful Respondent agrees to reasonably cooperate with and work with the other TEX-AN 2021 Contract Holders, Subcontractors, and third party representatives as requested by DIR. To the extent permitted by DIR's financial and personnel resources, DIR agrees to reasonably cooperate with Successful Respondent.

6.3.4 Cooperation with Customers

Successful Respondent must ensure that Successful Respondent employees, agents, and Subcontractors will cooperate with DIR and Customers at no charge to DIR or Customers for purposes relating to the administration of the TEX-AN 2021 Program including, but not limited to the following purposes:

- a) The investigation and prosecution of fraud, abuse, and waste in the TEX-AN 2021 Program;
- b) Audit, inspection, or other investigative purposes; and
- c) Testimony in judicial or quasi-judicial proceedings relating to the Services under this CTSA or other delivery of information to DIR or Customers' investigators or legal staff.

6.3.5 Successful Respondent's Subcontractor's Compliance

In all cases where Successful Respondent is required to ensure its Subcontractors' compliance with a section of this CTSA (or must otherwise require compliance by its Subcontractor with the terms of this CTSA, or is responsible for or required to indemnify the State for any taxes, benefits, compliance with law or other responsibilities of its Subcontractors, other than the performance of Services), Successful Respondent shall:

- a) include the necessary language of the section of the CTSA in the applicable Subcontract; and
- b) in consultation with DIR regarding the relative prudence of continuing to use the Subcontractor for Services as opposed to potentially terminating the Subcontract for breach, Successful Respondent shall, using commercially reasonable efforts, exercise contractual remedies upon such Subcontractor's non-compliance.

6.4 Conduct of and Responsibility for Successful Respondent Employees

- a) While performing the Services, Successful Respondent's Personnel must:
 - 1) comply with applicable State, DIR, and Customer policies, procedures, rules, and regulations;
 - 2) comply with requests of DIR or Customers regarding personal and professional conduct generally applicable to the Service locations, including, but not limited to, conforming to all physical security standards and requirements, as required given the Service location;
 - 3) attend workplace training offered by DIR and/or the Customers at DIR's or Customer's request; and

- 4) otherwise conduct themselves in a businesslike and professional manner.
- b) If DIR determines, in its sole and absolute discretion, that a particular employee, agent, or Subcontractor is not conducting him/herself or itself in accordance with this Section 6.4, DIR may provide Successful Respondent with notice and documentation concerning such conduct. Upon receipt of such notice, Successful Respondent must promptly investigate the matter and take appropriate action that may include:
 - 1) Removing the employee, agent, or Subcontractor from Service delivery under this CTSA;
 - 2) Providing DIR with written notice of such removal; and
 - 3) Replacing the employee, agent, or Subcontractor with a similarly qualified individual acceptable to DIR, in its sole and absolute discretion, in the case of personnel and Subcontractors.
- c) Successful Respondent shall replace any employee, agent, or Subcontractor who, as determined by DIR, in its sole and absolute discretion, after consultation with Successful Respondent, is unable to work effectively with DIR staff or Customer staff or is not adequately performing assigned responsibilities. In such event, Successful Respondent shall provide replacement employee(s), agent(s), or Subcontractor(s) with equal or greater skills and qualifications as soon as reasonably practicable. Replacement of personnel shall be subject to DIR prior review and written approval, which approval will not be unreasonably withheld or delayed. The Parties will work together in the event of any such required replacement so as not to disrupt Service delivery under the CTSA. Other than in instances when DIR determines, in its sole and absolute discretion, that removal must be handled immediately to avoid imminent harm to the TEX-AN 2021 Program or safety to others, DIR and Successful Respondent will provide written notice and cooperate with the other Party in a manner intended to minimize staff turnover and the adverse impact any requested removal may have on the Services. Nothing in this CTSA will prevent Successful Respondent from replacing employees. If the Parties have not been able to resolve DIR's concerns within five (5) Business Days of DIR communicating its concerns, Successful Respondent shall not assign the individual to that position and shall propose to DIR the assignment of another individual of suitable ability and qualifications.
- d) Successful Respondent agrees that anyone used by Successful Respondent to fulfill the terms of this CTSA is an employee, agent, or Subcontractor of Successful Respondent and remains under Successful Respondent's sole direction and control.
- e) Successful Respondent agrees to be responsible for the following with respect to Successful Respondent Personnel:
 - 1) Damages incurred by Successful Respondent Personnel in the performance of their duties under this CTSA; and
 - 2) Determination of the hours to be worked and the duties to be performed by Successful Respondent Personnel.
 - 3) Successful Respondent agrees and will inform Successful Respondent Personnel that there is no right of action against DIR or any Customer for any duty owed by Successful Respondent pursuant to this CTSA. Successful Respondent expressly agrees that neither DIR nor any Customer assumes any liability for the actions of, or judgments rendered against, the Successful Respondent, its employees, agents, or Subcontractors. Successful Respondent agrees that it has no right to indemnification or contribution from DIR or any Customer for any judgments rendered against Successful Respondent or Successful

Respondent Personnel. DIR's liability to the Successful Respondent Personnel, if any, will be governed by Chapter 101, Texas Civil Practice & Remedies Code.

6.5 Responsibility for Subcontractors and Third Party Providers

- a) Successful Respondent remains fully responsible for obligations, services, and functions performed by its Subcontractors and third party providers to the same extent as if such obligations, services, and functions were performed by Successful Respondent's employees or agents and, for purposes of this CTSA, such work will be deemed work performed by Successful Respondent. DIR reserves the right to require the replacement of any Subcontractor found by DIR, in its sole and absolute discretion, to be unacceptable in accordance with CTSA Section 6.4.
- b) Successful Respondent must not disclose Confidential Information of DIR, a Customer, or the State to a Subcontractor unless and until such Subcontractor has agreed in writing to protect the confidentiality of such Confidential Information in the manner required of Successful Respondent under this CTSA.
- c) Successful Respondent must identify any Subcontractor that is a newly-formed subsidiary or entity, whether or not an Affiliate of Successful Respondent, substantiate the proposed Subcontractor's ability to perform the subcontracted Services, and certify to DIR that no loss of Service will occur as a result of the performance of such Subcontractor and provide any other information DIR may require. The Successful Respondent hereby assumes responsibility for all contractual responsibilities whether or not the Successful Respondent performs them. The Successful Respondent agrees that it is the sole point of contact for DIR with regard to all matters under this CTSA, including any matters with respect to Successful Respondent's Subcontractors.
- d) Successful Respondent shall not change a Subcontractor prior to submitting for DIR's approval, in its sole and absolute discretion, a revised HUB Subcontracting Plan. Only upon DIR's approval of a revised HUB Subcontracting Plan may Successful Respondent proceed with replacement of a Subcontractor.
- e) All Subcontracts are required to be in writing and signed by the Successful Respondent and Subcontractor

6.6 Security of Premises, Equipment, Data, and Personnel

Successful Respondent may, from time to time during the performance of the CTSA, have access to the premises, Equipment, Software, and other property, including data, files, information, and/or materials (collectively referred to as "Data") belonging to DIR or Customers. Successful Respondent will use its best efforts to preserve the safety, security, and the integrity of the premises, software, Equipment, Data, and other property of DIR or Customer, in accordance with the instruction of DIR or Customers. Successful Respondent will be responsible for damage to DIR or Customer's premises, Software, Equipment, Data, other property, and its contents, when such damage is caused by Successful Respondent Personnel.

6.7 Background and/or Criminal History Investigation

Prior to commencement of any Services, background checks (including national fingerprint record checks and drug testing) and/or criminal history investigation of certain of the Successful Respondent Personnel who will be involved in the provision of Services, may be performed by or at the request of DIR or certain Customers having legislative authority to require such investigations. Should any Successful Respondent Personnel who will be involved in the provision of Services to DIR under the CTSA, or to a

Customer under a CSA, not be acceptable to DIR or Customer, in their sole and absolute discretion, as a result of the background and/or criminal history check, then DIR or Customer, in their sole and absolute discretion, may immediately require replacement of the Successful Respondent Personnel in question.

7 NOTICES

7.1 Delivery of Notice

Any notice or other legal communication required or permitted to be made or given by either Party pursuant to this CTSA, including any demand, will be in writing and deemed to have been duly given:

- a) Three (3) Business Days after the date of mailing if sent by certified U.S. mail, postage prepaid, with return receipt requested; or
- b) When delivered if delivered personally or sent by express courier service.

7.2 Notice

Any notice under this CTSA will be sufficient if delivered to the following persons or their successors:

If to Successful Respondent:

Continuant Tech, Inc.
5050 20th Street East
Fife, WA 98424
Attention: Contracts

If to DIR:

Chief Procurement Officer
Department of Information Resources
300 W. 15th St., Suite 1300
Austin, Texas 78701
Phone: (512) 475-4700

With copies to:

General Counsel
Department of Information Resources
300 W. 15th Street, Suite 1300
Austin, Texas 78701
Phone: (512) 475-4700
Facsimile: (512) 475-4759
DIRLegal@dir.texas.gov

and

Texas Department of Information Resources
300 West 15th Street, Suite 1300
Austin, Texas 78701
Attention: Director of Contract Management
Phone: (512) 475-4700

7.3 Change of Designee

Either Party may change the above-referenced designees or address with five (5) days' prior written notice to the other Party.

7.4 Notification of Problems

Successful Respondent shall provide to DIR written notice of any acts or omissions (whether by DIR, a Customer, Successful Respondent, or any third party), any failure to perform any of each such party's obligations under the CTSA or CSA and any other events that may affect Successful Respondent's performance of Successful Respondent's obligations under the CTSA. Successful Respondent shall provide such written notice promptly after Successful Respondent first knew or should have known of such acts, omissions, or Failures or other events. Such written notice shall describe in reasonable detail such acts, omissions, Failures, or other events and the manner in which the foregoing may affect Successful Respondent's performance.

7.5 Notification of Defaults

DIR and Successful Respondent shall promptly inform the other Party in writing of any breach of, misuse, or fraud in connection with any third party contract, Equipment lease, or third party materials license used in connection with the Services of which it becomes aware and shall cooperate with the other Party to prevent or stay any such breach, misuse, or fraud.

7.6 Notice of Adverse Impact

If Successful Respondent becomes aware of any failure of Successful Respondent to comply with its obligations under this Agreement or any other situation (a) that has impacted or reasonably could impact the maintenance of DIR's or any Customer's financial integrity or internal controls, the accuracy of DIR's or any Customer's financial, accounting or other records and reports, or compliance with DIR Rules, DIR policies or procedures or applicable laws, or (b) that has had or reasonably could have any other material adverse impact on the Services in question or the impacted operations of DIR or the Customers, then, Successful Respondent shall immediately inform DIR in writing of such situation and the impact or expected impact and Successful Respondent and DIR shall meet to formulate an action plan to minimize or eliminate the impact of such situation.

8 GENERAL TERMS AND CONDITIONS

8.1 Delegation of Authority

Whenever, by any provision of this CTSA, any right, power, or duty is imposed or conferred on DIR, the right, power, or duty so imposed or conferred is possessed and exercised by the DIR Executive Director unless any such right, power, or duty is specifically delegated to the duly appointed agents or employees of DIR. The DIR Executive Director will reduce any such delegation of authority to writing and provide a copy to Successful Respondent on request.

8.2 No Waiver of Sovereign Immunity

The Parties expressly agree that no provision of this CTSA shall be construed as or constitute a waiver by DIR or the State of any immunities from suit or from liability that DIR or the State have by operation of law.

8.3 Force Majeure

8.3.1 General

No Party shall be liable for any default or delay in the performance of its obligations under this CTSA if and to the extent such default or delay is caused, directly or indirectly, by fire, flood, earthquake, elements of nature or acts of God, wars, riots, civil disorders, rebellions or revolutions, acts of terrorism, epidemics, or any other similar cause beyond the reasonable control of such Party except to the extent that the non-performing Party is at fault in failing to prevent or causing such default or delay, and provided that such default or delay cannot reasonably be circumvented by the non-performing Party through the use of alternate sources, workaround plans, or other means. A strike, lockout, or labor dispute involving Successful Respondent personnel shall not excuse Successful Respondent from its obligations hereunder.

8.3.2 Duration and Notification

In the event of a Force Majeure Event, the non-performing Party shall be excused from further performance or observance of the obligation(s) so affected for as long as such circumstances prevail and such Party continues to use commercially reasonable efforts to recommence performance or observance whenever and to whatever extent possible without delay. Any Party so prevented, hindered, or delayed in its performance shall, as quickly as practicable under the circumstances, notify the Party to whom performance is due by telephone (to be confirmed in writing within one (1) day of the inception of such delay) and describe at a reasonable level of detail the circumstances of the Force Majeure Event, the steps being taken to address such Force Majeure Event, and the expected duration of such Force Majeure Event.

8.3.3 Substitute Services; Termination

- a) If any Force Majeure Event described above has substantially prevented, hindered, or delayed, or is reasonably expected to substantially prevent, hinder, or delay the performance by Successful Respondent of Services necessary for the performance of critical DIR or Customer functions for longer than twenty-four (24) hours, Successful Respondent shall, unless and until otherwise directed by DIR, use commercially reasonable efforts to procure such Services from an alternate source at Successful Respondent's expense for so long as the delay in performance shall continue, up to the Charges actually paid to Successful Respondent for the Services with respect to the period of nonperformance. If Successful Respondent is unable to procure such substitute Services on an expedited basis or DIR or Customer elects to contract directly for such Services, DIR or Customer may procure such Services from an alternate source at DIR's or Customer's expense.
- b) In addition, if any Force Majeure Event described above substantially prevents, hinders, or delays the performance by Successful Respondent of Services necessary for the performance of critical DIR or Customer functions: (i) for more than seven (7) days, then DIR or Customer may, upon notice to Successful Respondent, terminate all or any portion of the Services so affected (including portions that are no longer required if the impacted portion is terminated) as of the termination date specified in the notice; or (ii) for more than fifteen (15) days, then DIR may, upon notice to Successful Respondent, terminate this Agreement, in whole or in part, as of the termination date specified in the notice. Successful Respondent shall not have the right to

additional payments or increased charges as a result of any Force Majeure Event affecting Successful Respondent's ability to perform.

8.3.4 Payment Obligation

If Successful Respondent fails to provide Services in accordance with this CTSA due to the occurrence of a Force Majeure Event, all amounts payable to Successful Respondent hereunder shall be adjusted downward so that DIR or Customer is not required to pay any amounts for Services that DIR and/or any Customer are not receiving, whether from Successful Respondent or from an alternate source at Successful Respondent's expense pursuant to above.

8.3.5 Allocation of Resources

Without limiting Successful Respondent's obligations under this Agreement, whenever a Force Majeure Event causes Successful Respondent to allocate limited resources between or among Successful Respondent's customers and Affiliates, DIR and Customers shall receive at least the same treatment as comparable Successful Respondent customers.

8.4 Competitive Pricing

- a) Successful Respondent shall only charge Rates to DIR and Prices that are no higher in the aggregate than the charges charged by Successful Respondent directly to substantially similar retail third party customers for the provision of the same or substantially similar Services on substantially similar terms and conditions.
- b) No later than each Contract Anniversary Date, Successful Respondent shall certify to DIR, in writing, that it has been in full compliance with Section 8.4 a) above at all times during the prior twelve (12) month period. Any failure of Successful Respondent to comply with this certification requirement or any certification filed by Successful Respondent that is not true shall constitute a Material Breach. If Successful Respondent has breached Section 3.4 (a) above, then Successful Respondent shall be obligated to award DIR and/or Customer, as appropriate, Credits on the next appropriate Invoice that are equal to the overcharges paid as a result of any such breach.
- c) DIR shall have the right, in its sole and absolute discretion, to conduct an audit of Successful Respondent's compliance with this Section 8.4 pursuant to the procedures set forth in CTSA, Section 13.6.

8.5 Publicity

- a) Except as provided in Subsection (b) below, Successful Respondent must not use the name of DIR, the State, or any other Customer, or refer to DIR or any such Customer(s) directly or indirectly in any media release, or public announcement, relating to this CTSA or its subject matter, including, in any promotional or marketing materials, customer lists, or business presentations (other than proposals or reports submitted to DIR, a Customer, an administrative agency of the State, or the federal government).
- b) Successful Respondent may publish, at its sole expense, any media release or public announcement, relating to this CTSA or its subject matter, including, in any promotional or marketing materials, customer lists, business presentations (other than proposals or reports submitted to DIR or a Customer, an administrative agency of the State, or a governmental agency or unit of another state or the federal government), or results of Successful Respondent performance under this CTSA with DIR's prior review and approval, which DIR may exercise at its sole and absolute discretion. Successful Respondent will provide DIR a copy of any such publication no less than five (5) Business Days prior to its intended public release unless

otherwise agreed by the Parties. Successful Respondent will provide additional copies at the request of DIR. Approval of the annual Marketing Plan will constitute approval by DIR for Successful Respondent to publish all materials approved in connection with such Marketing Plan.

8.6 Assignment

8.6.1 Assignment by Successful Respondent

Successful Respondent will not assign all or any portion of its rights under or interests in this CTSA (including by operation of law) or delegate any of its duties without prior written consent of DIR, which consent may be withheld in DIR's sole discretion. Any written request for assignment or delegation must be accompanied by written acceptance of the assignment by the Assignee, in a form acceptable to DIR in its sole and absolute discretion. Except where otherwise specifically agreed in writing by DIR, DIR's acceptance of any assignment or delegation does not release Successful Respondent from its obligations pursuant to this CTSA. The requirements of this Section 8.6.1 shall not apply in connection with Successful Respondent's assignment to (i) any Affiliate, or (ii) any person acquiring all or substantially all the assets of Successful Respondent or all or substantially all the assets of an Affiliate to which this CTSA, or any of the interests, rights, and obligations of Successful Respondent hereunder, previously has been assigned. DIR's consent to any assignment under this CTSA shall not constitute DIR's consent to further assignment.

8.6.2 Assignment by DIR

DIR may, without the approval of Successful Respondent, assign or transfer its rights or obligations under this CTSA, in whole or in part, to any other State agency as directed by the State Legislature or as otherwise required under law. Successful Respondent understands and agrees DIR may in one (1) or more transactions assign or transfer this CTSA. DIR will provide written notification of such assignment to Successful Respondent.

8.6.3 Amendment

Each Party agrees to cooperate to amend the CTSA as necessary to maintain an accurate record of the contracting Parties.

8.6.4 Assumption

Each Party to whom an assignment or transfer is made (an "Assignee") must assume all or any part of Successful Respondent's or DIR's interests in this CTSA, the Services, and any documents executed with respect to this CTSA, including, without limitation, its obligation for all or any portion of the payments due hereunder.

8.6.5 Impermissible Assignment

Any attempted assignment that does not comply with the terms of this section shall be null and void ab initio; provided, however, that if Successful Respondent assigns this CTSA in contravention of this section by operation of law, such assignment shall be voidable at the option of DIR.

8.7 RFO Errors and/or Omissions

Successful Respondent will not take advantage of or exploit any errors and/or omissions in the RFO or the resulting CTSA. Successful Respondent must promptly notify DIR of any such errors and/or omissions that are discovered.

8.8 Abandonment or Default

Abandon means to relinquish or renounce the CTSA for any reason other than for a Force Majeure Event. If the Successful Respondent abandons the CTSA, DIR reserves the right to cancel the CTSA without notice and either re-solicit and re-award the CTSA or take such further action or no action in the best interest of the State.

8.9 Time is of the Essence

In consideration of the need to ensure uninterrupted and continuous Services, the Parties agree that time is of the essence in the performance of this CTSA.

8.10 Place of Performance

Unless otherwise agreed to in writing, all Services performed by Successful Respondent, its Subcontractors, and agents under the CTSA must be performed in the contiguous United States.

8.11 Education Department General Administrative Regulations (EDGAR)

The Education Department of General Administrative Regulations (EDGAR) are the federal regulations that govern all federal grants awarded by the U.S. Department of Education on or after December 26, 2014. EDGAR encourages the use of cooperative agreements for procurement or use of common or share goods and services in order to foster greater economy and efficiency. DIR uses an open market competitive procurement process to award contracts as required by State law, including Texas Government Code Chapters 2054 and 2157. If Successful Respondent provides evidence of its EDGAR compliance to DIR's satisfaction, DIR may identify Successful Respondent as certifying that all or a portion of Successful Respondent's listings are EDGAR eligible, and DIR may then permit Successful Respondent to so identify all or part of its offerings on Successful Respondent's DIR website. In such cases, upon request from eligible Customer(s), Successful Respondent must complete EDGAR certification affirmation forms to satisfy Customer requirement(s).

9 AMENDMENTS, MODIFICATIONS, AND PROCEDURES

9.1 General Amendments and Modifications

The Parties developed appropriate procedures for amending or modifying the CTSA in this Section 9. Except for the amendments subject to the below subsections, this CTSA may be amended by mutual written agreement. Amendments may be made for changes in law, circumstances affecting performance of the Services, or as otherwise agreed to by the Parties.

9.2 Amendments and Modifications Resulting from Changes in Law or Contract and as Mutually Agreed

Except for changes subject to Section 9.1 above, this CTSA may be amended by mutual written agreement of the Parties if changes in federal or State laws, rules, regulations, policies, guidelines, or circumstances affect the performance of the Services, provisions need to be added or amended within the CTSA, or as otherwise agreed to in writing by the Parties.

9.3 Required Compliance with Amendment and Modification Procedures

No different or additional Services will be authorized or performed except pursuant to amendment or modification of this CTSA that is executed in compliance with the CTSA. No waiver of any term, covenant, or condition of this CTSA will be valid unless executed by both Parties. Successful Respondent shall not be entitled to payment for any Services that are not authorized by this CTSA or a properly executed amendment or modification to the CTSA.

9.4 Modifications Resulting from Imposition of Remedies

This CTSA may be modified under the terms of CTSA Article 17 Remedies and Disputes.

9.5 Adjustments to *Exhibit B, Attachment B-1* Initiated by Either Party.

- a) The Successful Respondent may propose changes in the contents of **Exhibit B** for Services of this CTSA.
- b) The process for submitting, reviewing, and approving/disapproving and appealing proposed adjustments or recommendations for changes to any element contained in Exhibit B, or the Attachments, shall be in accordance with this Section and Article 3 of Exhibit B to the CTSA. The Parties desire to develop and implement efficiency updates to the Electronic Administrative Update (EAU) fast-track system process for the continuous improvement of the Rates to DIR and Prices available to the Customers under the CTSA, and other non-substantive administrative updates, without reliance on a formal amendment process. An approved change to the contents of Attachments to Exhibit B, approved in accordance with this Section and Article 3 of Exhibit B, shall be considered an approved amendment of the CTSA for all purposes.

9.6 Benchmarking

DIR reserves the right to benchmark pricing of Services offered by Successful Respondent throughout the Term of the Contract, and to request price reductions to Successful Respondent Services that benchmarking may show to be outside industry standard pricing. Successful Respondent agrees to work in good faith with DIR to bring pricing into alignment in the best interest of the State.

9.7 All Other Changes

All other modifications to the CTSA must be accomplished through a formal written amendment executed by an authorized representative of DIR and Successful Respondent. DIR reserves the right to require periodic updates of the CTSA hereto, to maintain alignment with new and changed legislation, legal requirements, rules, and regulatory requirements relevant to the performance by Successful Respondent of this CTSA.

9.8 Mutual Covenant of Cooperation

For all such CTSA amendments, the Parties covenant to cooperate in the good faith and timely negotiation of such matters and to proceed to execution of necessary instruments without delay.

10 AVAILABILITY OF APPROPRIATED FUNDS AND STATUTORY AUTHORITY

- a) This CTSA is expressly conditioned on the availability of State and local government appropriated funds. Successful Respondent will have no right of action against DIR in the event

that DIR is unable to perform its obligations under this CTSA as a result of the suspension, termination, withdrawal, or failure of funding to DIR or lack of sufficient funding of DIR, or, by extension, failure or lack of funding from Customers, including non-appropriation or exercise of emergency budget execution authority for any Services, activities, or functions contained within the scope of this CTSA. DIR will negotiate in good faith with Successful Respondent to resolve any Successful Respondent claims for payment for Accepted Services that are pending at the time funds become unavailable. DIR will make reasonable efforts to provide written advance notice to Successful Respondent upon learning that funding for this CTSA may be changed or discontinued as set forth above.

- b) If DIR, any Customer(s), and/or the subject matter of this CTSA become subject to a legislative or regulatory change or the revocation of statutory or regulatory authority that would (1) render the continued provision of the Services impossible or unnecessary, (2) render this CTSA invalid, illegal, or otherwise unenforceable, (3) substantially decrease the amount and types of the Services, or (4) terminate the appropriations for this CTSA, then DIR may, upon notice to Successful Respondent, terminate this Agreement, in whole or in part, as of the termination date specified in the notice.

11 GOVERNING LAW AND REGULATIONS

11.1 Governing Law and Venue

This CTSA and the rights and obligations of the Parties under this CTSA is governed by and construed in accordance with the laws of the State of Texas without regard to conflict of laws principles. Provided Successful Respondent first complies with the procedures set forth in Section 17.11 Dispute Resolution, proper venue for a claim arising from this CTSA will be in a State court in Travis County, Texas. Nothing in this CTSA shall be construed to waive the State's sovereign immunity.

11.2 Successful Respondent Responsibility for Compliance with Laws and Regulations

- a) Successful Respondent represents, warrants, and covenants that, with respect to the provision of the Services and the performance of any of Successful Respondent's other legal and contractual obligations hereunder, Successful Respondent is and shall be in compliance in all material respects with all applicable laws and shall remain in compliance with such laws during the Term, including, but not limited to, all State and federal telecommunications laws, tax laws, State and federal employment and immigration laws, State and federal regulatory requirements, licensing provisions, and identifying and procuring applicable permits, certificates, approvals, and inspections required under such laws.
- b) Successful Respondent is responsible for ensuring each of its Successful Respondent Personnel who are involved in the provision of Services under this CTSA are legally eligible to work in the State and the United States, properly licensed, certified, and/or have proper permits to perform any activity related to the Services.
- c) If any charge of non-compliance by Successful Respondent with any such laws occurs or Successful Respondent is aware that it is not in compliance with such laws that could have a material adverse impact on the performance, receipt, or use of the Services, Successful Respondent shall promptly notify DIR of such charge or non-compliance, as applicable. Successful Respondent warrants that the Services comply with all applicable federal, State, county, and municipal laws, regulations, codes, ordinances, guidelines, and policies. Successful Respondent will indemnify DIR and any Customer from and against any losses, liability, claims,

damages, penalties, costs, fees, or expenses arising from or in connection with Successful Respondent's (including Successful Respondent Personnel, third party providers, or Subcontractors) failure to comply with or violation of any federal, State, county, and/or municipal law, regulation, code, ordinance, or policy.

- d) At no additional charge, Successful Respondent shall provide DIR with data and reports in Successful Respondent's possession as reasonably necessary for DIR to comply with all laws applicable to the Services (including the Equipment, materials, and other resources it provides or has assumed operational responsibility hereunder).
- e) Successful Respondent represents, warrants, and covenants that the materials, Equipment, and systems owned, developed, implemented, provided, or used by Successful Respondent in providing the Services are in compliance with all applicable laws and shall remain in compliance with such laws during the Term.
- f) In the event of any changes in laws (including laws other than applicable to the provision of the Services and the performance of any of Successful Respondent's other legal and contractual obligations hereunder), Successful Respondent shall implement any necessary modifications to the Services, materials, Equipment, and systems prior to the deadline imposed by the regulatory or governmental body having jurisdiction for such requirement or change. Successful Respondent shall bear the costs associated with compliance with laws.

11.3 Compliance with Immigration Laws

Successful Respondent shall comply with the requirements related to federal immigration laws and regulations, including but not limited to the Immigration and Reform Act of 1986, the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 ("IIRIRA"), and the Immigration Act of 1990 (8 U.S.C.1101, et seq.) regarding employment verification and retention of verification forms for any individual(s) hired on or after the effective date of the IIRIRA, who will perform any labor or services under this CTSA. Nothing herein is intended to exclude compliance by Successful Respondent with all other relevant federal immigration statutes and regulations promulgated pursuant thereto.

11.4 Equal Opportunity Compliance

Successful Respondent represents, warrants, and covenants that it shall abide by all applicable laws, regulations, and executive orders pertaining to equal employment opportunity, including federal or State laws and the laws of the state in which its primary place of business is located. In accordance with such laws, regulations, and executive orders, the Successful Respondent agrees that no person in the United States will, on the grounds of race, color, religion, national origin, sex, age, veteran status, or disability, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subjected to discrimination under any Services or activity performed by Successful Respondent under this CTSA. If Successful Respondent is found by DIR, in its sole and absolute discretion, any regulator with jurisdiction over Successful Respondent's Services, or a court of competent jurisdiction to not be in compliance with these requirements during the Term of this CTSA, Successful Respondent agrees to take appropriate steps to correct these deficiencies. Upon request, Successful Respondent will furnish to DIR information regarding its non-discriminatory hiring and promotion policies, as well as specific information on the composition of its principals and staff, including the identification of minorities and women in management or other positions with discretionary or decision-making authority.

11.5 Historically Underutilized Business (HUB) Program

Successful Respondent shall comply with Chapter 2161, Texas Government Code, in the provision of Services under this CTSA. Successful Respondent's HUB Subcontracting Plan is incorporated into the CTSA. Successful Respondent shall comply with DIR's then-current Policy on Utilization of Historically Underutilized Businesses for reporting HUB subcontractor participation in the CTSA and for changing the HUB Subcontracting Plan throughout the Term.

12 PERFORMANCE MEASUREMENT

Successful Respondent performance of this CTSA will be measured by:

- a) Adherence to this CTSA, including all representations, warranties, certifications, and covenants;
- b) Delivery of the Services in accordance with the Service Level Agreements agreed to in Exhibit C Performance Management;
- c) Results of audits performed by DIR or its representatives in accordance with Article 13;
- d) Timeliness, completeness, and accuracy of required reports agreed to in this CTSA and as stated in the Master Vendor Reporting Guide; and
- e) Achievement of other performance measures developed and agreed to by Successful Respondent and DIR and as modified from time to time by written agreement.

13 AUDIT AND FINANCIAL COMPLIANCE

13.1 CTSA Record Retention and Audit

Successful Respondent agrees, and shall cause its agents and its Subcontractors to agree, to maintain complete and accurate records of, and supporting documentation for, all charges, transactions, authorizations, changes, implementations, reports, filings, returns, analyses, procedures, controls, records, data or information created, generates, collected, processed, or stored by Successful Respondent in the performance of its obligations this CTSA or any CSA, and are sufficient to ensure the accuracy and validity of Monthly Consolidated Invoices to DIR and direct billing to Customers for certain Direct Sales Transaction Services (collectively "CTSA Records"). Successful Respondent agrees, and shall cause its agents and Subcontractors to agree, to maintain and retain CTSA Records, including all original forms, records, and associated documentation, for a period of seven (7) years after the date of submission of the final billing or until the resolution of all litigation, claims, financial management reviews, or audits pertaining to this CTSA, whichever is longer.

13.2 Access to Records, Books, and Documents

- a) Upon notice by DIR, Successful Respondent must provide, and cause its agents and its Subcontractors to provide, the officials and/or entities identified in this Section 13.2 with prompt, reasonable, and adequate access to any requested CTSA Records.
- b) Successful Respondent and its agents and its Subcontractors must provide the access described in this Section 13.2 upon DIR's request. This request may be for, but is not limited to, the following purposes:
 - 1) Examination;
 - 2) Audit;

- 3) Investigation;
 - 4) CTSA administration;
 - 5) Compliance with the Texas Public Information Act; or
 - 6) The making of copies, excerpts, or transcripts.
- c) The access required must be provided to the following officials and/or entities:
- 1) Any Independent Verification and Validation contractor or quality assurance contractor, when acting on behalf of DIR;
 - 2) The Office of the State Auditor, the CPA Claims Division, or their designee;
 - 3) A State or federal agency;
 - 4) A special or general investigating committee of the Texas Legislature or its designee; and
 - 5) Any auditor or other entity identified by DIR.
- d) Successful Respondent agrees, and will require its agents and its Subcontractors to agree, to provide the access described wherever Successful Respondent maintains such books, records, and supporting documentation. Successful Respondent further agrees, and will require its agents and its Subcontractors to agree, to provide such access in reasonable comfort and to provide any furnishings, Equipment, or other conveniences deemed reasonably necessary to fulfill the purposes described in this Section 13.2.

13.3 Audits by Governmental Authorities

Acceptance of funds under the CTSA by Successful Respondent acts as acceptance of the authority of the State Auditor's Office, the CPA Claims Division, and any successor governmental authorities, to conduct audits and investigations in connection with those funds. The State Auditor's Office and the CPA Claims Division shall at any time have access to and rights to examine, audit, excerpt, and transcribe any pertinent books, documents, working papers, and records of Successful Respondent relating to this CTSA, notwithstanding any other provision of this CTSA. Successful Respondent, and its agents and its Subcontractors, agree to cooperate fully with and provide all assistance requested by the State Auditor's Office or the CPA Claims Division or its successor in the conduct of such audits or investigations, including providing all records requested. In addition to and without limitation on the other audit provisions of this CTSA, pursuant to Section 2262.154, Texas Government Code, the State Auditor's Office may conduct an audit or investigation of Successful Respondent or any other entity or person receiving funds from the State directly through this CTSA or indirectly through a subcontract under this CTSA. The acceptance of funds by Successful Respondent or any other entity or person directly under this Agreement or indirectly through a subcontract under this CTSA acts as acceptance of the authority of the State Auditor's Office, under the direction of the Legislative Audit Committee, to conduct an audit or investigation in connection with those funds. This CTSA may be unilaterally amended by DIR upon notice to Successful Respondent to bring this CTSA into compliance with any rules and procedures of the State Auditor's Office in the implementation and enforcement of Section 2262.154, Texas Government Code. Successful Respondent will ensure that this clause concerning the authority to audit funds received indirectly by Subcontractors through Successful Respondent and the requirement to cooperate is included in any subcontract it awards pertaining to the CTSA. Under the direction of the Legislative Audit Committee, a Successful Respondent that is the subject of an audit or investigation by the State Auditor's Office must provide the State Auditor's Office with access to any information the State Auditor's Office considers relevant to the investigation or audit.

13.4 Audits of Services, Deliverables, and Inspections

- a) Upon notice from DIR, Successful Respondent will provide, and will cause its agents and its Subcontractors to provide, such auditors and inspectors as DIR may from time to time designate, with access to:
 - 1) Successful Respondent, agent, and Subcontractor Service locations, facilities, or installations; and
 - 2) Successful Respondent, agent, and Subcontractor Software and Equipment.
- b) Successful Respondent must provide, and shall cause its agents and its Subcontractors to provide, as part of the Services, any assistance that such auditors and inspectors may require to complete such audits or inspections.

13.5 Response/Compliance with Audit or Inspection Findings

- a) If an audit by a governmental body, standards organization, or regulatory authority having jurisdiction over DIR, a Customer, or Successful Respondent results in a finding that Successful Respondent is not in compliance with any applicable law or standard, including any generally accepted accounting principle or other audit requirement relating to the performance of its obligations under this CTSA, Successful Respondent shall, if and to the extent such audit deficiency or finding of non-compliance results from Successful Respondent's failure to comply with its obligations under this CTSA, at its own expense and within the time period specified by such auditor, address and resolve the deficiency(ies) identified by such audit governmental body, standards organization, or regulatory authority, in the manner approved by DIR, to the extent necessary to comply with Successful Respondent's obligations under this CTSA.
- b) Successful Respondent must take action to ensure its employees', agents', or Subcontractors' compliance with or correction of any finding of non-compliance with any law, regulation, audit requirement, or generally accepted accounting principle relating to the Services or any other Deficiency contained in any audit, review, or inspection conducted under this Article 13. This action will include Successful Respondent's delivery to DIR, for DIR's approval, a Corrective Action Plan in accordance with Section 17.2 that addresses deficiencies identified in any audit(s), review(s), or inspection(s) within ten (10) days of the close of the audit(s), review(s), or inspection(s).
- c) As part of the Services, Successful Respondent must disclose to DIR, upon DIR's request, and will include in its Subcontracts a requirement that each of its Subcontractors will disclose upon request, a copy of those portions of its internal audit reports relating to the Services. If Successful Respondent determines as a result of its own internal audit that it has overcharged DIR or Customer, then Successful Respondent shall promptly pay to DIR or Customer the amount of such overcharge, together with interest at the rate specified by the CPA in accordance with Section 2251.025(b), Texas Government Code, from the date of receipt by Successful Respondent of the overcharged amount until the date of payment to DIR or Customer. In the event such an audit results in a determination that Successful Respondent has undercharged DIR or Customer, then, subject to DIR's right to dispute the amount of such undercharge, Successful Respondent shall promptly report such undercharge to DIR and may invoice DIR for such undercharged amounts.

13.6 Audit of Telecommunications Fees and Surcharges, Rates to DIR, Prices, and Assessments Conducted Pursuant to Section 13.3 of the CTSA

- a) Successful Respondent will provide, and will cause its agents and its Subcontractors to provide, to DIR and its designees access to such financial records and supporting documentation requested by DIR to audit telecommunications fees and surcharges, Rates to DIR, Prices, and any assessment conducted pursuant to Section 13.3 of the CTSA. Successful Respondent's obligations hereunder with respect to its Subcontractors shall be fulfilled by complying with the Subcontractor Compliance Obligations.
- b) In addition to its monthly review and payment of Monthly Consolidated Invoices under the CTSA, DIR may audit the applicable telecommunications fees and surcharges, Rates to DIR, Prices, and any assessments conducted under Section 13.3 of the CTSA to determine that such telecommunications fees and surcharges, Rates to DIR, Prices to Direct Sales Transaction Service Customers, and any assessments conducted pursuant to Section 13.3 of the CTSA are accurate and in accordance with this CTSA.
- c) If, as a result of such audit, DIR determines that Successful Respondent has overcharged the State, DIR will notify Successful Respondent in writing of the amount of such overcharge, and provide to the Successful Respondent the work papers supporting such position. Successful Respondent will promptly pay to DIR the undisputed amount of the overcharge, plus interest as calculated in accordance with Chapter 2251, Texas Government Code, for late payments, and the Parties will use good faith efforts to resolve any disputed amounts as soon as practicable. In the event such audit reveals an overcharge of five percent (5%) or more to DIR which is not disputed and is in excess of five percent (5%) of the total invoiced amounts for such period, Successful Respondent will reimburse DIR for the reasonable cost of this audit.

14 TERMS AND CONDITIONS OF SUCCESSFUL RESPONDENT BILLING AND DIR AND CUSTOMER PAYMENT

14.1 Monthly Consolidated Invoice to DIR

The Successful Respondent shall provide DIR with a Monthly Consolidated Invoice for all Services whereby DIR acts as the Successful Respondent's billing agent provided by the Successful Respondent, at the Rates to DIR and with any applicable telecommunications fees and surcharges as allowed by this CTSA, in electronic format, with the ability to batch load. All such Monthly Consolidated Invoices shall conform to the standards as set forth in Appendix B, the Master Vendor Reporting Guide and Exhibit D, Billing Plan.

14.2 Invoices for Direct Sales Transaction to Customers

The Successful Respondent shall provide to each Direct Sales Transaction Service Customer a monthly Invoice for the Direct Sales Transaction Service Services provided to such Customer, in electronic format, at the Prices (Rates to DIR plus Administrative Fee) and with any applicable telecommunications fees and surcharges as allowed by this CTSA.

14.3 Limitations on the Right to Bill

The Successful Respondent shall not bill for any Services prior to the Service Order Completion Notice (SOCN) date for new Orders, and for disconnect Orders, the billing end date shall equal the disconnect date on a SOCN.

14.4 Telecommunications Fees, Surcharges, and Taxes

- a) All applicable Federal Communication Commission (FCC), Texas Public Utilities Commission (PUC), or other authorized telecommunications fees and surcharges in effect as of the date of this CTSA which may appear on billings to Customers are disclosed in the appropriate section per Service in Exhibit B to the CTSA. Any additional FCC, PUC, or other authorized telecommunications fees or surcharges applicable to any Service may only be imposed during the Term, upon a written amendment of the CTSA to authorize such imposition under the CTSA. Successful Respondent acknowledges that certain Customers that are political subdivisions of the State, are exempt from the imposition and collection of certain State telecommunications fees, including the Texas Universal Service Fund charge and the Texas Infrastructure Fund assessment. In addition, State agency Customers have additional exemptions from State telecommunications fees, including the 9-1-1 emergency service fee, 9-1-1 equalization surcharge, poison control surcharge, and late charges imposed under Section 55.010, Texas Utilities Code. Successful Respondent agrees to not bill for any items which are not mandated by the FCC, PUC, or other proper authority and which are otherwise not applicable to the Services and for which Successful Respondent has requested and received valid exemption certificates from Customers. Successful Respondent agrees to promptly correct any incorrect billings of telecommunications fees and surcharges that occur. Successful Respondent acknowledges that DIR makes no representation about the exemption status of any Customers. Successful Respondent must request and receive any exemption certificates that may apply from each assistance organization directly.
- b) During the Term, all changes in the law or fee structures, which creates or authorizes Successful Respondent to impose an unlisted telecommunications fee or surcharge on the Services, which Successful Respondent desires to impose, shall require an amendment in order to be effective against the State, DIR, and Customers. In the event of a change in the law or telecommunications fees and surcharges structures, which results in an exemption from payment in favor of the State, DIR, and/or Customers, Successful Respondent shall give effect to the exemption without the necessity of an amendment hereto.
- c) Successful Respondent acknowledges that certain Government Entity Customers are exempt from State sales, use, and excise taxes, Section 151.309, Texas Tax Code, and federal excise tax, 26 USC Sections 4253 (i) and (j). Successful Respondent further acknowledges that State agency Customers are exempt from the assessment and collection of sales taxes imposed by political subdivisions of the State, in accordance with Sections 321.208 (municipalities) and 323.207 (counties), Texas Tax Code. The Government Entity Customers shall issue a tax exemption certificate upon request to Successful Respondent. Successful Respondent acknowledges that DIR makes no representation about the exemption status of any Customers. Successful Respondent must request and receive any exemption certificates that may apply from each assistance organizations directly.

14.5 No Rights of Set-off

There is no general right of set-off for Successful Respondent against amounts owed to DIR under this CTSA. To collect Credits under Article 17, Remedies and Disputes, DIR may set-off the amount of

assessed Credits from amounts otherwise owed to Successful Respondent in accordance with the terms of Section 17.10. There is no general right of set-off for Successful Respondent against amounts owed by a Customer under any CSA.

14.6 Expenses

Except as provided in this CTSA with respect to Rates to DIR, Prices, and authorized telecommunications fees and surcharges, all other expenses incurred by Successful Respondent in connection with its provision of the Services (including management; travel and lodging; document reproduction and shipping; Equipment, Software required by Successful Respondent Personnel; and long-distance telephone) will not be paid by DIR or Customer unless agreed upon by DIR or Customer in writing. Successful Respondent hereby waives any and all claims for additional compensation related to the Services except as set forth in Exhibit B hereto.

14.7 Dispute Handling and Adjustments

- a) A Billing Inquiry is any question or issue about a Monthly Consolidated Invoice that may lead to a Billing Dispute. It is DIR's responsibility to validate Successful Respondent Monthly Consolidated Invoices each month. During that process, Billing Inquiries will arise, and the Successful Respondent shall timely answer or respond to billing inquiries. The Successful Respondent shall respond within one (1) Business Day of receipt of the Billing Inquiry.
- b) DIR may withhold any amount of any Invoice in dispute as provided in and in accordance with Chapter 2251, Texas Government Code. DIR shall comply with Chapter 2251, Texas Government Code, with respect to timely notice of such disputed amounts.
- c) For Invoice amounts that have been paid by DIR that become the subject of a Billing Dispute, in addition to any amounts that Successful Respondent may subsequently credit to DIR arising from resolution of such dispute, Successful Respondent shall include interest on the reimbursed amounts accrued monthly at the rate specified by the CPA in accordance with Section 2251.025(b), Texas Government Code, calculated from the ninetieth (90th) day following the date of DIR's Billing Dispute.
- d) DIR and Customer have the right to file a Billing Dispute. The Successful Respondent shall promptly resolve Billing Disputes that involve amounts less than or equal to \$15,000 no later than sixty (60) calendar days from the date DIR or Customer notifies Successful Respondent of the Billing Dispute and, for Billing Disputes that involve amounts greater than \$15,000, no later than ninety (90) calendar days from the date DIR or Customer notifies Successful Respondent of the Billing Dispute. This time frame starts with the notification of the Billing Dispute by DIR and ends with the satisfactory resolution of the Billing Dispute. Billing Disputes not resolved within one-hundred twenty (120) days of submission of the Billing Dispute will automatically resolve in favor of DIR or Customer. Successful Respondent shall issue Adjustment(s) within thirty (30) calendar days of resolution. DIR may require a revised Monthly Consolidated Invoice that does not contain the disputed item(s). Successful Respondent shall allow non-payment by DIR for the disputed amount until there is a dispute resolution, as allowed by Chapter 2251, Texas Government Code.
- e) Direct Sales Transaction Service Customers shall have the same rights as DIR under Section 14.7, Subsection (a) and (b) above, for the Invoices they receive for Direct Sales Transaction Services.
- f) If DIR or a Direct Sales Transaction Service Customer disputes payment of all or any portion of an Invoice from the Successful Respondent, DIR or the Direct Sales Transaction Service Customer, respectively, will notify Successful Respondent of such Billing Dispute and the

Parties, either DIR and Successful Respondent or the Direct Sales Transaction Service Customer and Successful Respondent, as appropriate, will attempt in good faith to resolve the Billing Dispute in conformance with Chapter 2251, Texas Government Code. DIR and the Direct Sales Transaction Service Customer will not be required to pay any disputed portion of a Successful Respondent Invoice. Notwithstanding any such Billing Dispute, the Successful Respondent must continue to perform the Services in compliance with the terms of this CTSA pending resolution of Billing Disputes so long as all undisputed amounts continue to be paid to Successful Respondent.

14.8 Billing Adjustments

- a) A billing Adjustment is a modification or correction of a billing amount of an element of a Service or a Service Level Agreement (SLA) Credit. Billing Adjustments may be made on both recurring and non-recurring charges, and are used to settle Disputes and financial discrepancies.
- b) Successful Respondent shall include in its Monthly Consolidated Invoice to DIR or its Invoices to Direct Sales Transaction Service Customers, the following minimum items as billing Adjustments:
 - 1) Correction of a billing error and any related interest discovered by Successful Respondent, DIR, or the Direct Sales Transaction Service Customer, as appropriate;
 - 2) Back-billing, as discussed below;
 - 3) SLA Credits; and
 - 4) Any other elements Successful Respondent considers Adjustments as set forth in its Billing Plan, Exhibit D hereto.
- c) The Successful Respondent shall resolve all Billing Disputes by any one of the three following approaches:
 - 1) Issue a proposed dispute resolution for the full amount;
 - 2) Provide evidence acceptable to DIR or the Direct Sales Transaction Service Customer, as appropriate that the disputed amount will be reduced; or
 - 3) Provide evidence acceptable to DIR or the Direct Sales Transaction Service Customer, as appropriate, that the Billing Dispute is not valid.
- d) For all Billing Disputes, Successful Respondent shall receive agreement or denial from DIR or the Direct Sales Transaction Service Customer, in their sole and absolute discretion, as appropriate, on the proposed resolution before issuing a billing Adjustment.

14.9 Back-billing and POP Moves

- a) Rates to DIR or Prices for Services inadvertently left off previous Monthly Consolidated Invoices or direct Invoices by the Successful Respondent shall be back-billed no more than ninety (90) calendar days for usage and one-hundred twenty (120) calendar days for circuits (however, in no case may the back-billing include a time period prior to the delivery of the SOCN). Pursuant to PUC Rule, 16 Texas Administrative Code 26.27, a six (6) month limit from the date of discovery of an error applies to back-billing of all billed Services. Back-billing shall be included in the Adjustments.
- b) Successful Respondent Initiated POP location moves shall not adversely affect the existing Rates to DIR and/or Prices to Direct Sales Transaction Service Customers for a Service.

14.10 Liability for Taxes, Insurance, and Indemnification

- a) SUCCESSFUL RESPONDENT AGREES AND ACKNOWLEDGES THAT DURING THE EXISTENCE OF THIS CTSA, SUCCESSFUL RESPONDENT WILL BE ENTIRELY RESPONSIBLE FOR THE LIABILITY AND PAYMENT OF SUCCESSFUL RESPONDENT PERSONNEL'S TAXES OF WHATEVER KIND, ARISING OUT OF THE PERFORMANCES IN THIS CTSA. SUCCESSFUL RESPONDENT AGREES TO COMPLY WITH ALL STATE AND FEDERAL LAWS APPLICABLE TO ANY SUCH PERSONS, INCLUDING LAWS REGARDING WAGES, TAXES, INSURANCE, AND WORKERS' COMPENSATION. SUCCESSFUL RESPONDENT AGREES AND ACKNOWLEDGES THAT SUCCESSFUL RESPONDENT'S PERSONNEL WILL NOT BE ENTITLED TO ANY STATE BENEFIT OR BENEFIT OF ANOTHER GOVERNMENTAL ENTITY CUSTOMER. DIR AND/OR THE STATE WILL NOT BE LIABLE TO THE SUCCESSFUL RESPONDENT, SUCCESSFUL RESPONDENT PERSONNEL, OR OTHERS FOR THE PAYMENT OF TAXES OR THE PROVISION OF UNEMPLOYMENT INSURANCE AND/OR WORKERS' COMPENSATION OR ANY BENEFIT AVAILABLE TO A STATE EMPLOYEE OR EMPLOYEE OF ANOTHER GOVERNMENTAL ENTITY CUSTOMER.
- b) SUCCESSFUL RESPONDENT AGREES TO INDEMNIFY AND HOLD HARMLESS DIR, ALL CUSTOMERS, THE STATE, AND/OR EACH OF THEIR EMPLOYEES, AGENTS, REPRESENTATIVES, CONTRACTORS, ASSIGNEES, AND/OR DESIGNEES FROM ANY AND ALL LIABILITY, ACTIONS, CLAIMS, DEMANDS, OR SUITS, AND ALL RELATED COSTS, ATTORNEY FEES, AND EXPENSES, RELATING TO TAX LIABILITY, UNEMPLOYMENT INSURANCE, AND/OR WORKERS' COMPENSATION OR EXPECTATIONS OF BENEFITS BY SUCCESSFUL RESPONDENT OR SUCCESSFUL RESPONDENT PERSONNEL IN THEIR PERFORMANCE UNDER THIS CTSA. SUCCESSFUL RESPONDENT WILL BE LIABLE TO PAY ALL COSTS OF DEFENSE INCLUDING ATTORNEYS' FEES AND OUT OF POCKET EXPENSES. THE DEFENSE WILL BE COORDINATED BY THE OFFICE OF THE ATTORNEY GENERAL FOR TEXAS STATE AGENCY CUSTOMERS AND BY CUSTOMER'S LEGAL COUNSEL FOR NON-STATE AGENCY CUSTOMERS.
- c) NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, THE PARTIES AGREE THAT TO THE EXTENT THE FOREGOING PROVISIONS IMPOSE OBLIGATIONS WITH RESPECT TO SUBCONTRACTORS UPON SUCCESSFUL RESPONDENT, SUCCESSFUL RESPONDENT'S OBLIGATIONS WILL BE MET BY FULFILLMENT OF THE SUBCONTRACTOR COMPLIANCE OBLIGATIONS. AFTER COMPLIANCE WITH THE SAME, SUCCESSFUL RESPONDENT SHALL HAVE NO LIABILITY TO ANYONE UNDER THIS PROVISION WITH RESPECT TO ITS SUBCONTRACTORS.

14.11 Independent Contractor Status

Successful Respondent, in furnishing Services hereunder, is acting as an independent contractor, and Successful Respondent has the sole obligation to supervise, manage, contract, direct, procure, perform, or cause to be performed, all work to be performed by Successful Respondent under this CTSA. The relationship of the Parties under this CTSA shall not constitute a partnership or joint venture for any purpose. Successful Respondent is not an agent of DIR or the Customers and has no right, power, or authority, expressly or impliedly, to represent or bind DIR or any Customer as to any matters.

14.12 No Additional Consideration

Successful Respondent, its agents, its Subcontractors, and Successful Respondent Personnel will not be entitled to nor receive from DIR any additional consideration, compensation, salary, wages, or any other type of remuneration for Services rendered under this CTSA, except as set forth in Exhibit B.

Specifically, Successful Respondent will not be entitled by virtue of this CTSA to any consideration in the form of overtime, health insurance benefits, retirement benefits, disability retirement benefits, sick leave, vacation time, paid holidays, or other paid leaves of absence of any type or kind whatsoever. In addition, all costs associated with transportation, delivery, and insurance relating to the Successful Respondent's, agents', Subcontractors', or Successful Respondent Personnel's performance of this CTSA will be paid for by the Successful Respondent.

14.13 Prompt Payment Act

When payments by DIR or Customers are necessary under this CTSA, or a CSA, payment by Government Entities will be made in accordance with the Texas Prompt Payment law, Chapter 2251, Texas Government Code. Non-governmental entities shall follow Chapter 2251, Texas Government Code, in making payments due hereunder.

14.14 Payments for Services

During the term of this CTSA, Successful Respondent will receive funds in consideration for the Services, calculated in accordance with Exhibit B. Payment for Disentanglement Services will be in accordance with a written agreement between the Parties.

14.15 DIR Administrative Fee and Direct Sales Transaction Services Reporting

14.15.1 DIR Administrative Fee

DIR's TEX-AN 2021 Program is a cost recovery program. The Successful Respondent shall pay an Administrative Fee to DIR to defray the DIR costs of operating and administering the TEX-AN 2021 Program.

- a) DIR, in its discretion with DIR Board approval, formulates the Administrative Fee per Service designed to fulfill its program needs, as authorized in Chapter 2170, Texas Government Code. Such Administrative Fee may change over time, and DIR may change the amount of the Administrative Fee upon thirty (30) calendar days written notice to Successful Respondent without the need for a formal CTSA amendment.
- b) With the exception of Direct Sales Transaction Services, DIR shall bill for such Administrative Fee and collect same from the Customers.
- c) Successful Respondent shall include the applicable Direct Sales Transaction Service Administrative Fee, as a component of its Price, in its bills to the Direct Sales Transaction Service Customers and shall remit the Administrative Fee to DIR on a monthly basis. See Section 14.15.2(b), Reporting of Direct Sales Transactions and Payment of Administrative Fees, below.
- d) Successful Respondent consents to DIR retaining the Administrative Fee portion of receipts received from Direct Sales Transaction Service Customers and consents to receiving the net proceeds as payment in full for its non-Direct Sales Transaction Service sold hereunder. Such payment shall be made as long as the net amount received by Successful Respondent is equal to the undisputed billed amount.

14.15.2 Direct Sales Transaction Service Reporting

- a) Successful Respondent shall be responsible for reporting all Direct Sales Transaction Services purchased under the CTSA. Successful Respondent shall file the monthly reports and Subcontract reports in accordance with the due dates specified in this Section 14.15.
- b) Successful Respondent shall electronically provide DIR with a detailed monthly report in the format required by DIR showing the dollar volume of any and all sales under the CTSA for the previous calendar month period. Reports are due on the fifteenth (15th) calendar day of the month following the month of the sale. If the fifteenth (15th) calendar day falls on a weekend or State or federal holiday, the report shall be due on the next Business Day. The monthly report shall include, per transaction: the detailed sales for the period, Customer name, Invoice date, Invoice number, description, quantity, MSRP or List Price, unit price, extended price, Customer Purchase Order number, contact name, Customer's complete billing address, the estimated Administrative Fee for the reporting period, Subcontractor name, the electronic product environmental assessment Tool (EPEAT) designation (if applicable), configuration (if applicable), CTSA discount percentage, actual discount percentage, negotiated CTSA price (if fixed price is offered instead of discount off of MSRP), and other information as required by DIR. Each report must contain all information listed above per transaction or the report will be rejected and returned to the Successful Respondent for correction in accordance with this section. Successful Respondent shall report in a manner required by DIR which is subject to change dependent upon DIR's business needs. Failure to do so may result in CTSA termination.
- c) DIR shall have the right to verify required reports and to take any actions necessary to enforce its rights under this Section, including but not limited to, audits and investigations in accordance with terms and conditions of Article 13.
- d) DIR will review monthly vendor sales reports (VSR), close the sales period, and notify the Successful Respondent of the Administrative Fee due to DIR. The monthly VSR is due the fifteenth (15th) of the month following the reporting month, or the next business day if the 15th falls on a weekend or State holiday. DIR will send notification of the final Administrative Fee and any late fees by the fourteenth (14th) calendar day in the second month following the reporting month. Successful Respondent shall pay the total fee by the twenty-fifth (25th) calendar day in the second month following the reporting month. For example, vendor sales reports for invoiced sales during the month of January is due by February 15. DIR reviews and closes January sales reports and notifies Successful Respondent of final Administrative Fees by March 14th and Successful Respondent must submit payment by March 25th.
- e) Successful Respondent shall reference the DIR Contract number, reporting period, and Administrative Fee amount on any remittance instruments.
- f) Successful Respondent shall correct any inaccurate reports or Administrative Fee payments and deliver such corrected reports and Administrative Fee payments within three (3) Business Days upon written notification by DIR. If Successful Respondent is unable to correct inaccurate reports or Administrative Fee payments within three (3) Business Days or delivers late reports or Administrative Fee payments, Successful Respondent must contact DIR and provide a Corrective Action Plan, including the timeline for completion of fee payments correction. The Corrective Action Plan shall be subject to DIR approval and discretion.
- g) Should Successful Respondent fail to correct inaccurate reports or cure the delay in timely delivery of reports and payments within the Corrective Action Plan timeline, DIR reserves the right to require an independent third party audit of the Successful Respondent's records as specified in CTSA Section 13.5, at Successful Respondent's expense.

15 DISCLOSURE AND CONFIDENTIALITY OF INFORMATION

15.1 Confidentiality

- a) Confidential Information.
 - 1) Successful Respondent and DIR each acknowledge that the other possesses and shall continue to possess information that has been developed or received by it, has commercial, proprietary, or other value in its or its constituents' or customers' activities or operations, and is not generally available to the public, subject, however to the applicability of the Texas Public Information Act (Chapter 552, Texas Government Code) and other applicable law. Except as otherwise specifically agreed in writing by the Parties, "Confidential Information" means:
 - i. all information marked confidential, restricted, or proprietary by either Party and
 - ii. any other information that is treated as confidential by the disclosing Party and would reasonably be understood to be confidential, whether or not so marked.
 - 2) In the case of DIR and the Customers, Confidential Information also shall include developed materials, DIR or Customer Data, Customer information, attorney-client privileged materials, attorney work product, research information, information that contains trade secrets, human resources and personnel information, or other information or data obtained, received, transmitted, processed, stored, archived, or maintained by Successful Respondent under this CTSA. Successful Respondent's Confidential Information shall not include Confidential Information of DIR or Customers, and provided further, however characterization of information as Confidential Information of Successful Respondent shall not limit or restrict the rights of DIR or Customers to exercise their rights (including rights related to auditing and benchmarking) provided for under this CTSA.
 - 3) Successful Respondent shall cause its agents and Subcontractors to treat all information that is obtained through performance of the Services under this CTSA, including information relating to DIR and Customers as Confidential Information to the extent that confidential treatment is provided under State and federal law, regulations, or administrative rules.
- b) Successful Respondent is responsible for understanding and causing its agents and Subcontractors to understand the degree to which information obtained through performance of this CTSA is confidential under State and federal law, regulations, or administrative rules.
- c) Successful Respondent shall not and shall cause its agents and Subcontractors to not use or access any information obtained through performance of this CTSA in any manner except as is necessary for the fulfillment of requested Services under this CTSA.
- d) Successful Respondent shall securely store DIR's and Customer's Confidential Information until such Confidential Information is returned or destroyed in accordance with this section. Successful Respondent must have systems in effect to protect all records and all other documents deemed Confidential Information that are maintained in connection with the Services. Any disclosure or transfer of Confidential Information by Successful Respondent, including information required by DIR, will be in accordance with applicable State and federal law, regulations, or administrative rules. If the Successful Respondent receives a request for information deemed to be Confidential Information, the Successful Respondent shall immediately notify DIR of such request, and shall make best efforts to protect such information from public disclosure.

- e) In addition to the requirements expressly stated in this Section 15.1, Successful Respondent must comply with any policy, rule, or requirement of DIR that relates to the safeguarding or disclosure of information relating to the TEX-AN 2021 Program recipients, Successful Respondent's operations, or Successful Respondent's performance of this CTSA.
- f) Within thirty (30) days of the expiration or termination of this CTSA for any reason, all Confidential Information of a Party, disclosed to another Party, including all copies made by the other Party, will be returned to the disclosing Party or, and to the extent authorized by applicable record retention laws and policies, at the disclosing Party's option, erased or destroyed. The recipient of the Confidential Information will provide the disclosing Party certificates evidencing such erasure or destruction. Notwithstanding anything in this CTSA to the contrary, the Successful Respondent may retain, for the duration of the seven (7) year audit period, safeguarded (and encrypted if Sensitive Personal Information as defined under the laws of the State is included) copies of the following records and Data it receives or prepares during or in connection with the TEX-AN 2021 Program and CTSA, to comply with the record keeping requirements of Section 13.1 and for archival and defense purposes:
 - 1) Supporting financial information and documents that are adequate to ensure CTSA compliance and are sufficient to ensure the accuracy and validity of Successful Respondent Invoices;
 - 2) Financial information, records and reports;
 - 3) Transaction logs;
 - 4) Successful Respondent's customer database data files;
 - 5) Successful Respondent human resources documentation;
 - 6) Audit reports;
 - 7) Operational reporting (e.g., security logs, security metrics reporting/audits, and relevant network reports/logs); and
 - 8) Data for the TEX-AN 2021 Program and CTSA and its applications, including maintenance log files, uptime log files, relevant network access log files, and other required analytics.
- g) With the exception of Confidential Information of Customers, Confidential Information of a Party will not be afforded the protection of this CTSA if such data:
 - 1) is, at the time of disclosure, generally available to the public other than through a breach of the receiving Party's or a third party's confidentiality obligations;
 - 2) after disclosure, is published by the disclosing Party or otherwise becomes generally available to the public other than through a breach of the receiving Party's or a third party's confidentiality obligations;
 - 3) was lawfully in the possession of the receiving Party immediately prior to the time of disclosure to it;
 - 4) is received from a third party having a lawful right to disclose such information; or
 - 5) is independently developed by the receiving Party without reference to the disclosing Party's Confidential Information. The exclusions in this section shall not apply to sensitive or regulated Data such as personal health information and personal identifying information
- h) DIR will require its agents, Subcontractors, and Successful Respondent Personnel to comply with the terms of this Section 15.1 as it relates to Successful Respondent Confidential Information. Prior to disclosing Successful Respondent Confidential Information to other Contract Holders, DIR will obtain an executed confidentiality agreement in a form acceptable to Successful Respondent, whose consent to use will not be unreasonably withheld or delayed.

15.2 Disclosure or Loss of DIR's and Customers' Confidential Information

- a) Successful Respondent shall immediately report to DIR and the affected Customer any and all unauthorized disclosures, exposures, uses, or losses of DIR's and/or the Customer's Confidential Information, including Security Incidents, of which it or Successful Respondent Personnel is aware or has knowledge, including the Successful Respondent's reasonable belief that the Confidential Information may have been disclosed or exposed in an unauthorized manner. Successful Respondent acknowledges that any publication, exposure, loss, or disclosure of DIR's and/or Customer's Confidential Information may cause immediate and irreparable harm to DIR and /or the Customer and may constitute a violation of State or federal laws.
- b) In the event Successful Respondent discovers or is notified of a breach, potential breach, exposure, loss, or inappropriate disclosure of Confidential Information, including Security Incidents, Successful Respondent shall, in addition to its other obligations in this CTSA, immediately once Successful Respondent knows or should have known such a breach, potential breach, exposure, loss, or inappropriate disclosure has occurred:
 - 1) notify DIR of such breach, potential breach, exposure, loss, or inappropriate disclosure;
 - 2) investigate (with DIR's participation if so desired by DIR) such breach, potential breach, exposure, loss, or inappropriate disclosure and perform a risk assessment, root cause analysis, and Corrective Action Plan thereon;
 - 3) provide a written report to DIR of such risk assessment, root cause analysis, and Corrective Action Plan;
 - 4) remediate the effects of such breach, potential breach, exposure, loss, or inappropriate disclosure as soon as practicable or coordinate such remediation if Successful Respondent does not have responsibility for the matters which are the source of the breach, potential breach, exposure, loss or inappropriate disclosure; and
 - 5) provide DIR with reasonable assurances that such breach, potential breach, exposure, loss, or inappropriate disclosure shall not recur.
- c) If Successful Respondent or Successful Respondent Personnel should publish, expose, lose, or disclose such Confidential Information without authorization, DIR and/or the affected Customer will immediately be entitled to seek injunctive relief or any other remedies to which it is, or they are, entitled under law or equity without requiring a cure period as described in Article 17. DIR and/or Customers will have the right to recover from Successful Respondent all damages and liabilities caused by or arising from Successful Respondent's, its agent(s) and/or its Subcontractors', failure to protect DIR's and Customers' Confidential Information, including but not limited to the cost of providing notice to affected individuals, the cost of providing thirty-six (36) months of credit-monitoring services, the cost of creating a call center to support affected individuals for thirty (30) days past notification, any related governmental fees or fines assessed against DIR or Customers, any damages assessed by a court of competent jurisdiction against DIR or Customer(s) related to such event, and any other losses related to such event. Successful Respondent will defend with counsel approved by DIR and/or the affected Customer, indemnify and hold harmless DIR and the affected Customer from all damages, costs, liabilities, and expenses as described above (including without limitation reasonable attorneys' fees and costs) caused by or arising from Successful Respondent Personnel's failure to protect DIR's and/or Customers' Confidential Information. Defense and settlement matters shall be coordinated by the Texas Office of the Attorney General for State agency Customers and by counsel of Customer's choice for non-State agency Customers.

- d) Successful Respondent will require its agent(s) and/or its Subcontractor(s), to comply with the terms of this Article 15.

15.3 Public Information

- a) Successful Respondent acknowledges that DIR and some of the Customers are subject to the Texas Public Information Act (Chapter 552, Texas Government Code). Notwithstanding the provisions of this article, Successful Respondent also acknowledges that DIR will comply with the Texas Public Information Act, and with all opinions of the Texas Office of the Attorney General concerning the Public Information Act. DIR agrees that it will promptly notify Successful Respondent of each request for disclosure of public information filed in accordance with the Texas Public Information Act that requests any of the Successful Respondent's Confidential Information, including data to which Successful Respondent has a proprietary or commercial interest. DIR will deliver all copies of such requests for public information to Successful Respondent in accordance with Chapter 552, Texas Government Code.
- b) With respect to any information that is subject to the Texas Public Information Act, Successful Respondent is solely responsible for demonstrating to the Texas Office of the Attorney General, the specific reasons why the requested information is confidential or otherwise exempted from required public disclosure under the Texas Public Information Act. Successful Respondent will provide DIR with copies of all such communications.
- c) Under the terms of the CTSA, DIR may provide Successful Respondent with information related to Customers and/or the TEX-AN 2021 Program. Successful Respondent will not re-sell or otherwise distribute or release any such information to any party in any manner without DIR's or the Customer's, as appropriate, express written consent (which consent shall be in their sole and absolute discretion), unless such disclosure is required by law or pursuant to Section 15.1(g) herein.

15.4 Unauthorized Acts

Each Party agrees to:

- a) Notify the other Party promptly of any unauthorized exposure, disclosure, possession, use, or knowledge, or any unauthorized attempt to possess, use, or gain knowledge, of any Confidential Information by any person or entity that may become known to it;
- b) Promptly furnish to the other Party full details of the unauthorized exposure, disclosure, possession, use, or knowledge, or any unauthorized attempt to possess, use or gain knowledge, and use reasonable efforts to assist the other Party in investigating or preventing the recurrence of any unauthorized possession, use, or knowledge, or attempt thereof, of Confidential Information. For DIR the reasonable efforts to assist Successful Respondent shall be subject to and limited by the Texas Public Information Act and any other applicable laws; and
- c) Cooperate with the other Party in any litigation and investigation against third parties deemed necessary by such Party to protect its proprietary rights. For DIR the reasonable efforts to assist the Successful Respondent shall be subject to and limited by the Texas Public Information Act and any other applicable laws.

15.5 Legal Action

Successful Respondent may not commence any legal action or proceeding in respect to any unauthorized possession, use, or knowledge, or any unauthorized attempt to possess, use, or gain knowledge, of

Confidential Information by any person or entity, which action or proceeding identifies DIR and/or the Customers or their Confidential Information without consent from DIR and/or Customers, which consent shall be in their sole and absolute discretion.

16 LIABILITY

16.1 Property Damage

- a) Successful Respondent will protect DIR's and Customers' real and personal property from damage arising from Successful Respondent's, Successful Respondent Personnel's, and its Subcontractors' performance of this CTSA, and Successful Respondent will be responsible for any loss, destruction, or damage to DIR's and Customers' property that results from or is caused by Successful Respondent's, Successful Respondent Personnel's, or its Subcontractors' negligent or wrongful acts or omissions. Upon the loss of, destruction of, or damage to any property of DIR and Customers, Successful Respondent will notify DIR and the applicable Customer promptly and, subject to direction from DIR and the applicable Customer, will take all steps to protect that property from further damage.
- b) Successful Respondent agrees to observe and require Successful Respondent Personnel and Subcontractors to observe no less than industry standard safety measures and proper operating procedures at DIR's and Customers' sites at all times and otherwise to comply with the procedures and safety standards imposed by DIR and Customers, whichever is the more rigorous standard.
- c) Successful Respondent will distribute a policy statement to all of Successful Respondent Personnel and Subcontractors that directs the Successful Respondent Personnel or Subcontractor to immediately report to DIR and the applicable Customer and Successful Respondent the existence of any special defect or unsafe condition encountered while on DIR's or Customers' premises. Successful Respondent shall immediately report to DIR and the applicable Customer the existence of any special defect or an unsafe condition it encounters or otherwise learns about.

16.2 Risk of Loss

As applicable to any Equipment used in the performance of Services by Successful Respondent, during the period such Equipment is in possession of Successful Respondent, its carriers, or DIR or Customers, prior to being Accepted by DIR and/or the applicable Customer, Successful Respondent will insure and bear the risk of loss or damage thereto, unless such loss or damage is caused by the negligence or intentional misconduct of DIR or the applicable Customer.

16.3 Limitation of Liability

- a) For any claim or cause of action arising under or related to the CTSA, neither Party will be liable to the other Party for indirect, punitive, special, or consequential damages, even if it is advised of the possibility of such damages.
- b) Items Not Considered as Damages. The following will not be considered damages subject to, and will not be counted toward the liability exclusion or cap specified herein:
 - 1) SLA Credits assessed against Successful Respondent pursuant to this CTSA.

- 2) Amounts withheld by DIR in accordance with this CTSA due to incorrect charges or Services not provided.
 - 3) Amounts paid by DIR but subsequently recovered from Successful Respondent due to incorrect charges or services not provided.
 - 4) Successful Respondent Invoiced Rates to DIR, Prices, telecommunications fees and surcharges and other amounts that are due and owing to Successful Respondent for Services under this CTSA.
- c) Duty to Mitigate. Each Party shall use appropriate efforts to mitigate its damages to the extent within its reasonable control and consistent with the Parties' respective performance obligations under this Agreement; provided, however, this provision is not intended to expand or diminish a Party's rights or obligations under this Agreement, alter the plain meaning of the provisions contained herein, or limit a Party's rights to act in its own self-interest.

17 REMEDIES AND DISPUTES

17.1 Understanding and Expectations

DIR can choose any and all remedies including all others afforded by law at its own discretion.

17.2 Tailored Remedies

17.2.1 Understanding of the Parties

Successful Respondent agrees and understands that DIR may pursue tailored contractual remedies for noncompliance with this CTSA. At any time and at its sole and absolute discretion, DIR may impose or pursue one or more remedies for each item of noncompliance and will determine remedies on a case-by-case basis. DIR's pursuit or non-pursuit of a tailored remedy does not constitute a waiver of any other remedy that DIR may have at law or equity, including, but not limited to, the remedies set forth in Section 17.3 below. Prior to imposing any remedies, DIR will provide notice to the Successful Respondent of the non-compliance, and such notice shall include a reasonable cure period in accordance with Section 17.2.2.2 a) 5) ii, or as specified elsewhere in this CTSA. In all instances under which DIR may pursue multiple remedies, DIR has the option, in its sole and absolute discretion, to collect either Credits or actual damages.

17.2.2 Notice and Opportunity to Cure for Deficiencies

- a) In the event that DIR reasonably determines that Successful Respondent has failed or is reasonably likely to fail to meet performance expectations, standards, SLAs, or schedules (a Deficiency), but that, in the determination of DIR, in its sole and absolute discretion, do not result in a Material Breach or delay in the delivery or operation of the Services, DIR shall notify Successful Respondent in writing. If Successful Respondent has determined that it has failed or is reasonably likely to fail to meet performance expectations, standards, SLAs, or schedules, Successful Respondent shall notify DIR.
- b) Upon notice or discovery, Successful Respondent will take immediate steps to mitigate any harmful effects of such Deficiency and promptly perform a root cause analysis. Successful Respondent will, within ten (10) calendar days (or another date approved in writing by DIR) of receipt of written notice of a Deficiency from DIR or delivery of such notification to DIR, provide DIR a written response that:
 - 1) Explains the reasons for the Deficiency, Successful Respondent's plan to address or cure the Deficiency, and the date and time by which the Deficiency will be cured; or

- 2) If Successful Respondent disagrees with DIR's findings, its reasons for disagreeing with DIR's findings.
- c) Successful Respondent's proposed cure of a Deficiency is subject to the approval of DIR, in its sole and absolute discretion. Successful Respondent's repeated commission of Deficiencies or failure to resolve any Deficiencies may be regarded by DIR as a Material Breach and entitle DIR to pursue any other remedy provided in this CTSA or any other appropriate remedy DIR may have at law or equity. At any time, DIR may, in its own discretion and based on the passage of time and information discovered by DIR or provided by Successful Respondent, determine that a Deficiency is a Material Breach. In that instance, DIR will notify Successful Respondent in accordance with the below requirements.

17.2.2.1 Notice and Opportunity to Cure for Material Breach

- a) DIR will notify Successful Respondent in writing of specific areas of Successful Respondent performance that fail to meet performance expectations, standards, SLAs, or schedules, and that, in the determination of DIR, in its sole and absolute discretion, do constitute a Material Breach in the delivery or operation of the Services or a Material Breach of the CTSA. Successful Respondent may also commit a Material Breach if it attempts or threatens to commit a Material Breach
- b) Upon notice or discovery of a Material Breach, Successful Respondent will take immediate steps to mitigate any harmful effects of such Material Breach and promptly perform a root cause analysis. Successful Respondent will, within ten (10) calendar days (or another date approved by DIR) of receipt of written notice of a Material Breach, provide DIR a detailed written Corrective Action Plan to correct or resolve a Material Breach of this CTSA.
- c) The Corrective Action Plan must provide:
 - 1) A detailed explanation of the reasons for the cited Material Breach as determined by the root cause analysis;
 - 2) A specific proposal to cure or resolve the Material Breach promptly and completely.
- d) The Corrective Action Plan is subject to approval or modification by DIR, in its sole and absolute discretion.
- e) DIR will notify Successful Respondent in writing of DIR's final disposition of the Corrective Action Plan. If DIR accepts Successful Respondent's proposed Corrective Action Plan, DIR may:
 - 1) Condition such approval on completion of tasks in the order or priority that DIR may prescribe;
 - 2) Disapprove portions of Successful Respondent's proposed Corrective Action Plan; or
 - 3) Require additional or different Corrective Action Plan(s).
- f) At any time during this process, DIR reserves the right, in its sole and absolute discretion, to:
 - 1) Suspend all, or part of, this CTSA; or
 - 2) Issue a written Stop Marketing Order which prohibits Successful Respondent or any of its agents, or Subcontractors, third party providers or from further marketing the Services during investigation of the alleged Material Breach and pending corrective action, if necessary, by Successful Respondent, or a decision by DIR to terminate the CTSA for Cause. DIR may delay the implementation of the Stop Marketing Order if it

affects the completion of any of the Services in accordance with a Customer's approved schedule under a CSA.

- g) DIR's acceptance of a Corrective Action Plan under this Section 17.2 will not:
- 1) Excuse Successful Respondent's prior Material Breach(es);
 - 2) Relieve Successful Respondent of its duty to comply with performance standards; or
 - 3) Prohibit DIR from assessing additional tailored remedies or pursuing other appropriate remedies for continued Deficiencies or Material Breaches.

17.2.2.2 Administrative Remedies

- a) At its sole and absolute discretion, DIR may impose one or more of the following remedies for each item of non-compliance, both Deficiencies and Material Breaches, and will determine the scope and severity of the remedy on a case-by-case basis:
- 1) Assess Credits in accordance with the terms of this CTSA;
 - 2) Conduct accelerated monitoring of Successful Respondent including more frequent or more extensive monitoring by DIR or its agents;
 - 3) Require additional, more detailed, marketing, and/or performance reports to be submitted by Successful Respondent;
 - 4) Decline to extend this CTSA; and/or
 - 5) Terminate this CTSA, in its entirety or in part, in accordance with Section 17.3, provided, however, that the right to terminate hereunder shall be limited to those instances where:
 - i. The non-compliance constitutes a Material Breach;
 - ii. DIR gives Successful Respondent written notice of such Material Breach and a thirty (30) calendar day cure period, or other cure period that DIR in its sole discretion agrees to in writing; and
 - iii. Successful Respondent does not cure the Material Breach within the applicable cure period.
- b) For purposes of this CTSA, an item of non-compliance, both Deficiencies and Material Breaches, means a specific action of Successful Respondent that:
- 1) Violates a provision of this CTSA and/or a TEX-AN 2021 Customer Service Agreement;
 - 2) Fails to meet an agreed SLA; or
 - 3) Represents a failure of Successful Respondent to be responsive to a request of DIR and/or a Customer relating to the Services for information, assistance, or support within the timeframe specified by DIR and/or the Customer provided that such request for information, assistance, or support is within the Services specified to be provided in this CTSA and/or CSA, as amended from time to time.
- c) DIR will provide notice to Successful Respondent of the imposition of an administrative remedy in accordance with this Section 17.2, with the exception of accelerated monitoring, which may be unannounced. DIR may require Successful Respondent to file a written response in accordance with this Section.

17.2.2.3 Damages

- a) DIR will be entitled to actual damages resulting from the Successful Respondent's failure to comply with any of the terms of this CTSA. In some cases, the actual damage to DIR or the Customers as a result of Successful Respondent's failure to meet any provision of, or obligation under, this CTSA and/or to meet specific SLAs or performance standards set forth in this CTSA are difficult or impossible to determine with precise accuracy. Therefore, agreed Credits may be assessed in writing against and in such event will be paid by Successful Respondent for failure to meet any aspect of Successful Respondent's responsibilities under this CTSA and/or to meet the specific performance standards identified in Exhibit C Performance Management. Credits will be assessed if DIR determines, in its sole and absolute discretion, such failure is the fault of Successful Respondent (including the Successful Respondent Personnel) and is not materially caused or contributed to by DIR, Customers, or their agents. If at any time, DIR determines, in its sole and absolute discretion, that Successful Respondent has not met a provision of, or has not fulfilled an obligation under this CTSA and/or the specific performance standards due to mitigating circumstances, DIR reserves the right to waive all or part of the Credits. All such waivers must be in writing, contain the reasons for the waiver, and must be signed by the appropriate executive of DIR.
- b) The Credits prescribed in this Section 17.2 are not intended to be in the nature of a penalty, but are intended to be reasonable estimates of DIR's projected financial loss and damage resulting from the Successful Respondent's nonperformance, including financial loss as a result of Service delivery delays to DIR and/or the Customers. Accordingly, in the event Successful Respondent fails to perform in accordance with this CTSA, DIR may assess Credits as provided in this Section 17.2.
- c) If Successful Respondent fails to perform any of the Services as ordered by DIR or the Customers, DIR may assess Credits for each occurrence of such failure, to the extent consistent with DIR's tailored approach to remedies and State law.
- d) In accordance with Exhibit C Performance Management, DIR may elect, in its sole and absolute discretion, to collect Credits:
 - 1) Through direct assessment and demand for payment; or
 - 2) By deduction of amounts assessed as Credits as set-off against payments then due to Successful Respondent for the Services or that become due at any time after assessment of the Credits. DIR will make deductions until the full amount payable by the Successful Respondent is received by DIR or Customer.
- e) Credits and actual damages imposed under any provision of this CTSA will be limited to the amounts and triggering events specified in this CTSA.
- f) **Acknowledgment of Actual Damages**

The absence of actual damages listed in this section shall not be construed or interpreted as an agreement to exclude it as an actual damage under this CTSA. For the avoidance of doubt, the following shall be considered actual damages and Successful Respondent shall not assert that they are indirect, incidental, collateral, consequential, or special damages, or lost profits to the extent they result directly from the Successful Respondent's failure to perform in accordance with this CTSA:

 - 1) Costs and expenses of restoring or reloading any lost, stolen, or damaged Data;
 - 2) Costs and expenses of implementing a work-around in respect of a failure to provide the Services or any part thereof;

- 3) Costs and expenses of replacing lost, stolen, or damaged Equipment and materials;
 - 4) Cover damages, including the costs and expenses incurred to procure the Services or corrected Services from an alternate source;
 - 5) Costs and expenses incurred to bring the Services in-house or to contract to obtain the Services from an alternate source;
 - 6) Straight time, overtime, or related expenses incurred by DIR or Customer in performing 1) through 5) above, including overhead allocations for employees, wages, and salaries of additional employees, travel expenses, overtime expenses, telecommunication charges, and similar charges;
 - 7) Fines, penalties, sanctions, interest, or other monetary remedies incurred as a result of a failure to comply with applicable laws;
 - 8) Credits assessed against Successful Respondent in accordance with this CTSA; and
 - 9) Costs and expenses of protecting and compensating the State and its constituents after a Security Incident, including but not limited to notifications, fines and penalties, damages established by a court of law, costs to establish a call center, and thirty-six (36) months of credit monitoring for effected individuals.
- g) Liquidated Damages [Requirements regarding Liquidated Damages will be negotiated per contract.]

17.2.2.4 Equitable Remedies

- a) Successful Respondent acknowledges that, if Successful Respondent commits a Material Breach (or attempts or threatens to commit a Material Breach) of its obligations under this CTSA, DIR, the Customers, and the State will be irreparably harmed. In such a circumstance, DIR, for and on behalf of its Customers and the State, may proceed directly to court.
- b) If a court of competent jurisdiction finds that Successful Respondent has committed an uncured Material Breach (or attempted or threatened to commit a Material Breach), Successful Respondent agrees that, without any additional findings of irreparable injury or other conditions to injunctive relief, it will not oppose the entry of an appropriate injunctive order compelling performance by Successful Respondent and restraining it from committing any further Material Breaches (or attempted or threatened Material Breaches).

17.2.2.5 Suspension of CTSA

- a) DIR may suspend performance of all or any part of this CTSA if:
 - 1) DIR determines that Successful Respondent has committed a Material Breach of this CTSA and, after written notice from DIR, such Material Breach is not cured by Successful Respondent during the cure period as further described in Section 17.2.2.2 a) 5) ii of the CTSA; provided however, if no specific cure period is specified under this CTSA, such cure period will be not less than ten (10) calendar days.
 - 2) DIR has reason to believe that Successful Respondent, Successful Respondent Personnel, and/or Successful Respondent's Subcontractors, have committed, assisted in the commission of, or failed to take appropriate action concerning fraud, malfeasance, or misfeasance concerning this CTSA and if DIR, in its sole and

absolute discretion, believes that the suspension is necessary to prevent a material loss or material damages to the State, and the portion of the CTSA being suspended has a direct relationship to the alleged fraud, malfeasance, or misfeasance concerning this CTSA.

- 3) DIR determines that suspension of this CTSA in whole or in part is convenient or in the best interests of the State or the TEX-AN 2021 Program.
- b) DIR will notify Successful Respondent in writing of its intention to suspend this CTSA in whole or in part. Such notice will:
 - 1) Be delivered in writing to Successful Respondent; and
 - 2) Include a concise description of the facts or matter leading to DIR's decision.

17.3 Termination of CTSA

In addition to other provisions of this Article 17 allowing termination, this CTSA will terminate upon the Expiration Date unless extended in accordance with the terms of this CTSA, or terminated sooner under the terms of this CTSA. Prior to completion of the Term, all or a part of this CTSA may be terminated for any of the following reasons:

17.3.1 Termination by Mutual Agreement of the Parties.

This CTSA may be terminated by mutual agreement of the Parties. Such agreement must be in writing.

17.3.2 Termination in the Best Interest of the State.

DIR may terminate this CTSA, in whole or in part, without penalty to or other liability on DIR, at any time when, in its sole discretion, DIR determines that termination is in the best interests of the State. The termination will be effective on the date specified in DIR's notice of termination.

17.3.3 Termination for Cause

Subject to the applicable notice and cure provisions in Section 17.2, DIR reserves the right to terminate this CTSA, in whole or in part, without recourse, upon the following conditions (each a Cause):

17.3.3.1 Successful Respondent Insolvency

Subject to relevant law, DIR may terminate this CTSA if Successful Respondent:

- a) makes an assignment for the benefit of all or substantially all of its creditors;
- b) admits in writing its inability to pay its debts generally as they become due, including passing a resolution for voluntary liquidation;
- c) consents to or is subject to the appointment of a receiver, trustee, manager, or liquidator over all or any part of its property;
- d) becomes or is declared insolvent or is the subject of any bona fide proceedings related to its liquidation, administration, provisional liquidation, insolvency, or the appointment of a receiver or similar officer for it; or
- e) enters into an agreement or arrangement for the composition, extension, or readjustment of substantially all of its obligations or any class of such obligations.

17.3.3.2 Failure to Adhere to Laws, Rules, Ordinances, or Orders

- a) DIR may terminate this CTSA upon making a determination, in its sole and absolute discretion, that Successful Respondent failed to adhere to any laws, ordinances, rules,

regulations, or orders of any public authority having jurisdiction and such violation prevents or substantially impairs performance of Successful Respondent's duties under this CTSA.

- b) DIR may terminate this CTSA if a court of competent jurisdiction finds Successful Respondent failed to adhere to any laws, ordinances, rules, regulations, or orders of any public authority having jurisdiction and such violation prevents or substantially impairs performance of Successful Respondent's duties under this CTSA.

17.3.3.3 Breach of Confidentiality

DIR may terminate this CTSA if DIR determines, in its sole and absolute discretion, that Successful Respondent breached Article 15 or any confidentiality or privacy laws with respect to the Services provided under this CTSA and related Data.

17.3.3.4 Failure to Maintain Adequate Personnel or Resources

DIR may terminate this CTSA if, after providing notice and an opportunity to cure, DIR determines, in its sole and absolute discretion, that Successful Respondent has failed to supply sufficient personnel or resources and such failure results in Successful Respondent's inability to fulfill its duties to provide Services in any way under this CTSA.

17.3.3.5 Termination for Gifts and Gratuities

- a) DIR may terminate this CTSA following its determination that Successful Respondent, Successful Respondent Personnel, or Successful Respondent's Subcontractors have either offered or given any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service (collectively "Thing of Value") to an officer or employee of DIR, a Customer, or the State in violation of State law. DIR may terminate this CTSA following a determination by a competent judicial or quasi-judicial authority and Successful Respondent's exhaustion of all legal remedies that Successful Respondent, Successful Respondent Personnel, or Successful Respondent's Subcontractors have either offered or given a Thing of Value to an officer or employee of DIR, a Customer, or the State in violation of State law.
- b) Termination of a Subcontract by Successful Respondent pursuant to this provision will not be a cause for termination of this CTSA unless:
 - 1) Successful Respondent fails to replace such terminated Subcontractor within a reasonable time; and
 - 2) Such Failure constitutes Cause as described in this Section 17.3.

17.3.3.6 Material Adverse Change in Successful Respondent's Financial Condition

If (1) Successful Respondent receives a "going concern" qualification from its external auditor or (2) Standard & Poor's lowers Successful Respondent's long term credit rating to lower than BB- and in the reasonable opinion of DIR such change in the financial condition of Successful Respondent may impair or otherwise compromise the ability of Successful Respondent to perform its obligations under this Agreement, then DIR may, in its sole discretion, terminate this Agreement by giving Successful Respondent at least thirty (30) calendar days prior notice. With respect to the events described in (2) above, prior to exercising its right to terminate, DIR shall meet with Successful Respondent within ten (10) calendar days following notification (or awareness) of such event and permit Successful Respondent to submit to DIR within fifteen (15) calendar days of such meeting a plan that comprehensively addresses DIR's concerns related to Successful Respondent's ability to perform its obligations under this Agreement (the "Service Delivery Plan"). DIR shall not unreasonably withhold its approval of such Service Delivery Plan.

If DIR does not approve the initial Service Delivery Plan it shall inform the Successful Respondent of its reasons and the Successful Respondent shall take those reasons into account in the preparation of a further Service Delivery Plan, which shall be resubmitted to DIR within ten (10) calendar days. If in DIR's reasonable discretion the updated Service Delivery Plan does not address DIR's concerns related to Successful Respondent's ability to continue delivering the Services, then DIR will have the right to terminate this Agreement as described above.

17.3.3.7 Termination for Successful Respondent's Material Breach of this CTSA

DIR has the right to terminate this CTSA, in whole or in part, if DIR determines, in its sole and absolute discretion, that Successful Respondent has committed a Material Breach. Prior to exercising its right to terminate all or a part of this CTSA, DIR will provide the Successful Respondent written notice and an opportunity to cure the Material Breach in accordance with Section 17.2, and if such cure is made and accepted by DIR, in its sole and absolute discretion, DIR will not terminate the CTSA.

17.3.3.8 Prohibited Vendor's List

DIR has the absolute right to terminate this CTSA, without recourse, in the event that:

- a) Successful Respondent becomes listed on the prohibited vendors list authorized by Executive Order #13224, "Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism," published by the United States Department of the Treasury, Office of Foreign Assets Control, or
- b) Successful Respondent becomes suspended or debarred from doing business with the federal government as listed in the Excluded Parties List System (EPLS) maintained by the General Services Administration, or
- c) Successful Respondent is found by DIR to be ineligible to hold this CTSA under Section 2155.006(b), Texas Government Code.

17.4 DIR Rights Upon Successful Respondent's Bankruptcy

17.4.1 General Rights

In the event of Successful Respondent's bankruptcy or other formal procedure or of the filing of any petition under bankruptcy laws affecting the rights of Successful Respondent which is not stayed or dismissed within thirty (30) days of filing, in addition to the other rights and remedies set forth herein, to the maximum extent permitted by law, DIR and Customers shall have the immediate right to retain and take possession for safekeeping all DIR and Customer Data, DIR and Customer Confidential Information, DIR and Customer licensed third party materials, DIR and Customer owned Equipment, DIR and Customer owned Materials, DIR and Customer owned developed materials, and all other materials, Equipment, or systems to which DIR and/or the Customers are or would be entitled during the Term or upon the expiration or any termination of this CTSA. Successful Respondent shall cooperate fully with DIR and the Customers and assist DIR and the Customers in identifying and taking possession of the items listed in the preceding sentence. DIR and Customers shall have the right to hold such Data, Confidential Information, materials, Equipment, and systems until such time as the trustee or receiver in bankruptcy or other appropriate insolvency office holder can provide adequate assurances and evidence to DIR and Customer that they shall be protected from sale, release, inspection, publication, or inclusion in any publicly accessible record, document, material, or filing. Successful Respondent and DIR agree that without this material provision, DIR would not have entered into this CTSA or provided any right to the possession or use of such Data, Confidential Information, or materials covered by this CTSA.

17.4.2 DIR Rights in Event of Bankruptcy Rejection

Notwithstanding any other provision of this CTSA to the contrary and to the maximum extent permitted by applicable laws, in the event that Successful Respondent becomes a debtor under the United States Bankruptcy Code (11 U.S.C. §101 et. seq. or any similar Law in any other country (the "Bankruptcy Code")) and rejects this Agreement pursuant to Section 365 of the Bankruptcy Code (a "Bankruptcy Rejection"):

- a) any and all of the licensee and sublicensee rights of DIR and the Customers arising under or otherwise set forth in this CTSA, including the rights of DIR and the Customers shall be deemed fully retained by and vested in DIR and the Customers as protected intellectual property rights under Section 365(n)(1)(B) of the Bankruptcy Code and further shall be deemed to exist immediately before the commencement of the bankruptcy case in which Successful Respondent is the debtor;
- b) DIR and the Customers shall have all of the rights afforded to non-debtor licensees and sublicensees under Section 365(n) of the Bankruptcy Code; and
- c) to the extent any rights of DIR and the Customers under this CTSA which arise after the expiration or any termination of this CTSA are determined by a bankruptcy court not to be "intellectual property rights" for purposes of Section 365(n),

all of such rights shall remain vested in and fully retained by DIR and/or the Customers after any bankruptcy rejection as though this CTSA were terminated or expired. DIR shall under no circumstances be required to terminate this CTSA, in whole or in part, after a bankruptcy rejection in order to enjoy or acquire any of its rights under this CTSA, including any of the rights of DIR or the Customers unless and to the extent required by applicable law.

17.5 Effective Date of Termination

Termination will be effective as of the date specified in the notice of termination.

17.6 Extension of Termination Effective Date

Any termination date may be extended upon the mutual agreement of the Parties; however, such date shall not be extended beyond the Expiration Date of this CTSA.

17.7 Payment and Other Provisions at CTSA Termination

- a) DIR further agrees to negotiate in good faith with Successful Respondent to equitably adjust and settle any accrued or outstanding liabilities for a Service which has not been Accepted that:
 - 1) Is due or delivered prior to or upon termination of this CTSA; and
 - 2) Benefits DIR, a Customer, or the State, notwithstanding its status as not having been Accepted.
- b) Successful Respondent agrees to negotiate in good faith with DIR and/or Customer to equitably adjust and settle any outstanding disputes currently on file between the parties.
- c) Successful Respondent must provide DIR access to records, facilities, and documentation as is required to efficiently and expeditiously close out the Services under this CTSA.
- d) Successful Respondent must prepare a Disentanglement Plan, upon notice of termination and within ten (10) Business Days, which is acceptable to and approved by DIR, in its sole and

absolute discretion. Such Disentanglement Plan will be implemented during the time period between DIR's Acceptance of the Disentanglement Plan and the termination date.

- e) Subsections 17.7 a) and 17.7 b) shall only be applicable to time and materials work performed under the CTSA and/or CSAs or as otherwise allowed hereunder.
- f) For all other Rates to DIR and Prices set forth in Exhibit B, DIR or Direct Sales Transaction Service Customers, as appropriate, will pay for all Services provided as of the effective termination date. Article 14 Terms and Conditions of Successful Respondent Billing and DIR and Customer Payment, shall govern the billing and payment for Services under this Section 17.7.

17.8 Amendment of CTSA in the Event of Remedies

DIR may propose an amendment of this CTSA in response to the imposition of a remedy under this Article 17. Any amendments offered pursuant to this Section 17.8 must be limited to the matters causing the exercise of a remedy and in writing. Successful Respondent must negotiate such proposed amendments in good faith.

17.9 Disentanglement Assistance

Upon receipt of notice of full or partial termination of this CTSA by DIR, Successful Respondent shall provide all Disentanglement assistance necessary to enable DIR and/or its designee to effectively close out this CTSA and transition the Services and Customers to another TEX-AN 2021 Contract Holder as provided in the Disentanglement Plan (see Article 21. Transition Plan for Expiration).

17.10 Successful Respondent Responsibility for Associated Costs

If DIR terminates this CTSA for Cause, the Successful Respondent will be responsible to DIR for all costs incurred by DIR, the State, or any of its Customers to replace the Successful Respondent. These costs include, but are not limited to, the costs of transitioning all Customers to a new TEX-AN 2021 Contract Holder or procuring a substitute, and the cost of any claim or litigation that is attributable to Successful Respondent's failure to perform the Services in accordance with the terms of this CTSA. For purposes of clarity, the Successful Respondent's liability for State's costs of transitioning all Customers to a new TEX-AN 2021 Contract Holder will be limited to the total charges incurred by DIR and the Customers from the new TEX-AN 2021 Contract Holder in transitioning.

17.11 Dispute Resolution

17.11.1 General Agreement of the Parties

The Parties mutually agree that the interests of fairness, efficiency, and good business practices are best served when the Parties employ all reasonable and informal means to resolve any Dispute under this CTSA. The Parties express their mutual commitment to using all reasonable and informal means of resolving Disputes prior to invoking a remedy provided elsewhere in this Article 17.

17.11.2 Duty to Negotiate in Good Faith.

Any Dispute that in the judgment of any Party to this CTSA may materially or substantially affect the performance of any Party will be reduced to writing and delivered to the other Party per the formal notice procedures discussed above. The Parties must then negotiate in good faith and use reasonable efforts to resolve such dispute and the Parties will not resort to pursuing further remedies unless they have reasonably determined that a negotiated resolution is not possible. The resolution of any dispute disposed

of by agreement between the Parties will be reduced to writing and delivered to all Parties within ten (10) Business Days.

17.11.3 Claims for Breach of CTSA

17.11.3.1 General Requirement

As required by and in accordance with Chapter 2260, Texas Government Code, Successful Respondent's claim for breach of this CTSA must be resolved in accordance with the dispute resolution process established by DIR.

17.11.3.2 Negotiation of Claims

- a) The Parties expressly agree that the Successful Respondent's claim for breach of this CTSA that the Parties cannot resolve in the ordinary course of business or through the use of all reasonable and informal means will be submitted to the negotiation process provided in Chapter 2260, Subchapter B, Texas Government Code.
- b) The Parties expressly agree that the Successful Respondent's compliance with Chapter 2260, Subchapter B, Texas Government Code, is a condition precedent to the filing of a contested case proceeding under Chapter 2260, Subchapter C, Texas Government Code.

17.11.3.3 Contested Case Proceedings

The contested case process provided in Chapter 2260, Subchapter C, Texas Government Code, will be Successful Respondent's sole and exclusive process for seeking a remedy for any and all alleged breaches of the CTSA by DIR if the Parties are unable to resolve their disputes under Subsection 17.11.3.2 of this section. The Parties expressly agree that compliance with the contested case process provided in Chapter 2260, Subchapter C, Texas Government Code, is a condition precedent to seeking consent to sue from the Texas Legislature under Chapter 107, Texas Civil Practices & Remedies Code. Neither the execution of this CTSA by DIR nor any other conduct of any representative of DIR relating to this CTSA shall be construed as or be considered a waiver of the State's sovereign immunity.

17.11.3.4 DIR Rules

The submission, processing, and resolution of Successful Respondent's claim is governed by the rules adopted by DIR pursuant to Chapter 2260, Texas Government Code, found at Title 1, Chapter 201, Texas Administrative Code.

17.11.3.5 Successful Respondent's Duty to Perform

Neither the occurrence of an event constituting an alleged breach of CTSA nor the pending status of any claim for breach of CTSA is grounds for the suspension of performance, in whole or in part, by Successful Respondent of any duty or obligation with respect to the performance of Services under this CTSA and all CSAs. Any changes to this CTSA as a result of a dispute resolution will be implemented in accordance with Article 9.

17.12 Liability of Successful Respondent

- a) Successful Respondent bears all risk of loss or damage due to:
 - 1) Defects in Services;
 - 2) Unfitness or obsolescence of Services; and
 - 3) The negligence or intentional misconduct of Successful Respondent or its employees, agents, or Subcontractors;

- b) Successful Respondent shall defend, indemnify and hold harmless the State, DIR and Customers, and/or their employees, agents, representatives, contractors, Assignees, officers, directors, successors, and/or designees from any and all liability, actions, claims, demands, or suits and all related costs, attorney fees, and expenses arising out of, or resulting from any acts or omissions of the Successful Respondent, Successful Respondent Personnel, Successful Respondent's Subcontractors, or suppliers of Subcontractors in the execution or performance of the CTSA, a CSA and any Purchase Orders issued under the CTSA regardless of the negligence of the Customer, the State, DIR, and/or their employees, agents, representatives, contractors, Assignees, officers, directors, successors, and/or designees. The defense shall be coordinated by the Texas Office of the Attorney General for State agency Customers and by Customer's legal counsel for non-State agency Customers.
- c) Successful Respondent will ship all Equipment, if any, related to the provision of Services under this CTSA and any CSAs entered into pursuant hereto, freight prepaid, freight on board (FOB) DIR's or Customer's destination or other designated location. The method of shipment will be consistent with the nature of the Equipment and hazards of transportation. Regardless of FOB point, Successful Respondent agrees to carry adequate freight insurance and bear all risks of loss, damage, or destruction of Equipment, in whole or in part, ordered hereunder that occurs prior to written Acceptance, except loss or damage attributable to DIR's or Customer's fault or negligence; and such loss, damage, or destruction will not release Successful Respondent from any obligation hereunder. After written Acceptance, the risk of loss or damage will be borne by DIR or the Customer, as appropriate, except loss or damage attributable to Successful Respondent's fault or negligence.

18 ASSURANCES AND CERTIFICATIONS

18.1 Conflicts of Interest

18.1.1 Representation

Successful Respondent agrees to comply with applicable State and federal laws, rules, and regulations regarding conflicts of interest in the performance of its duties under this CTSA. Successful Respondent warrants that it has no interest and will not acquire any direct or indirect interest that would conflict in any manner or degree with its performance under this CTSA.

18.1.2 General Duty Regarding Conflicts of Interest

- a) Successful Respondent will establish safeguards to prohibit Successful Respondent Personnel and Subcontractors from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain. Successful Respondent shall, and Successful Respondent shall cause its Successful Respondent Personnel and Subcontractors, to operate with complete independence and objectivity without actual, potential, or apparent conflict of interest with respect to the activities conducted under this CTSA. Successful Respondent has disclosed, in its Response to the RFO, any existing conflicts of interest, including any situations that create an appearance of a conflict of interest. Successful Respondent has also disclosed the current or past employment of former state employees within two (2) years of the date of its Response to the RFO, under the terms of the disclosure requirement contained in the RFO.
- b) Successful Respondent shall for itself and on behalf of its Subcontractors, has identified (and will identify for the duration of the Term): A. all current or former employees of the State assigned or proposed to work on the CTSA twenty percent (20%) or more of their time and has disclosed

them to DIR and has disclosed or does not employ any relative of a current or former State employee within two (2) degrees of consanguinity or affinity, and, if these facts change during the course of the CTSA, Successful Respondent certifies for itself and on behalf of its Subcontractors, it shall disclose the name and other pertinent information about the employment of current and former employees and their relatives within two (2) degrees of consanguinity or affinity, and B. any former executive head of a State agency employed by Successful Respondent;

19 REPRESENTATIONS, WARRANTIES, AND COVENANTS

19.1 Authorization

Successful Respondent hereby represents and warrants the following:

- a) The execution, delivery, and performance of this CTSA has been duly authorized by Successful Respondent and no approval, authorization, or consent of any governmental or regulatory agency is required to be obtained in order for Successful Respondent to enter into this CTSA and perform its obligations under this CTSA.
- b) Successful Respondent has obtained all licenses, assignments, certifications, permits, and authorizations necessary to perform the Services under this CTSA and currently is in good standing with all regulatory agencies that regulate any or all aspects of Successful Respondent's performance of Services under this CTSA. Successful Respondent will maintain all required certifications, licenses, permits, and authorizations during the term of this CTSA.

19.2 Ability to Perform

Successful Respondent warrants that it has the financial resources to fund the expenditures required to provide the Services under this CTSA without advances by DIR or assignment of any payments by DIR to a financing source.

19.3 Successful Respondent Certifications

Successful Respondent certifies, for itself, its agents, and on behalf of Subcontractors, as follows (all references within this section to Successful Respondent include Successful Respondent's agents and Subcontractors):

- a) Successful Respondent has not given, offered to give, and does not intend to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with the CTSA;
- b) Successful Respondent is not currently delinquent in the payment of any franchise tax owed the State and is not ineligible to receive payment under Section 231.006 of the Texas Family Code and acknowledges the CTSA may be terminated and payment withheld if this certification is inaccurate;
- c) neither Successful Respondent, nor anyone acting for it, has violated the antitrust laws of the United States or the State, nor communicated directly or indirectly to any competitor or any other person engaged in such line of business for the purpose of obtaining an unfair price advantage;
- d) Successful Respondent has not received payment from DIR or any of its employees for participating in the preparation of the CTSA;

- e) under Sections 2155.004, 2155.006, and 2261.053, Texas Government Code, Successful Respondent is not ineligible to receive the specified Contract and acknowledges that this CTSA may be terminated and payment withheld if this certification is inaccurate;
- f) to the best of its knowledge and belief, Successful Respondent knows there are no suits or proceedings pending or threatened against or affecting it, which if determined adversely to it will have a material adverse effect on the ability to fulfill its obligations under the CTSA;
- g) Successful Respondent and its principals are not suspended or debarred from doing business with the federal government as listed in the System for Award Management (SAM) maintained by the General Services Administration;
- h) as of the Effective Date of the CTSA, Successful Respondent is not listed in any of the divestment statute lists published on the CPA's website (<https://comptroller.texas.gov/purchasing/publications/divestment.php>);
- i) as of the Effective Date, Successful Respondent is not listed in the prohibited vendors list authorized by Executive Order #13224, "Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism," published by the United States Department of the Treasury, Office of Foreign Assets Control;
- j) Successful Respondent has identified (and will identify for the duration of the Term):
 - 1) all current or former employees of the State assigned or proposed to work on the CTSA twenty percent (20%) or more of their time and has disclosed them to DIR and has disclosed or does not employ any relative of a current or former state employee within two (2) degrees of consanguinity or affinity, and, if these facts change during the course of the Agreement, Successful Respondent certifies for itself and on behalf of its Subcontractors, it shall disclose the name and other pertinent information about the employment of current and former employees and their relatives within two (2) degrees of consanguinity or affinity, and
 - 2) any former executive head of a State agency employed by Successful Respondent;
- k) that, for its performance of this CTSA, Successful Respondent shall purchase products and materials produced in the State when available at the price and time comparable to products and materials produced outside the State, to the extent that such is required under Section 2155.4441, Texas Government Code;
- l) Successful Respondent agrees that all equipment and materials used in fulfilling the requirements of this CTSA are of high-quality and consistent with or better than applicable industry standards, if any. All work and Services performed pursuant to this CTSA shall be of high professional quality and workmanship and according consistent with or better than applicable industry standards, if any;
- m) to the extent applicable to this scope of this CTSA, Successful Respondent is in compliance with Subchapter Y, Chapter 361, Health and Safety Code, related to the Computer Equipment Recycling Program and its rules, 30 Texas Administrative Code Chapter 328;
- n) Successful Respondent agrees that any payments due under this CTSA will be applied towards any debt, including but not limited to delinquent taxes and child support that is owed to the State;
- o) Successful Respondent is in compliance Section 669.003, Texas Government Code, relating to contracting with executive head of a State agency;
- p) the provision of goods and services or other performance under the CTSA will not constitute an actual or potential conflict of interest, Successful Respondent will not create the appearance of

impropriety, and, if these facts change during the course of the CTSA, Successful Respondent certifies it shall disclose the actual or potential conflict of interest and any circumstances that create the appearance of impropriety;

- q) Successful Respondent has complied with the Section 556.0055, Texas Government Code, restriction on lobbying expenditures.
- r) Successful Respondent understands and acknowledges the applicability of Sections 2155.444 and 2155.4441, Texas Government Code, in fulfilling the terms of the CTSA;
- s) DIR's or the Customer's payment to Successful Respondent and Successful Respondent's receipt of appropriated or other funds under this CTSA are not prohibited by Sections 556.005 or 556.008, Texas Government Code;
- t) to the extent applicable to this scope of this CTSA, Successful Respondent is authorized to sell and provide warranty support for all products and Services listed in Exhibit B of this CTSA;
- u) in accordance with Section 2271.002 of the Texas Government Code, by signature hereon, Successful Respondent does not boycott Israel and will not boycott Israel during the term of this CTSA. Successful Respondent agrees to take all necessary steps to ensure this certification remains true during the Term of this CTSA;
- v) Successful Respondent represents and warrants that it is not engaged in business with Iran, Sudan, or a foreign terrorist organization, as prohibited by Section 2252.152 of the Texas Government Code.
- w) that in accordance with Section 2155.0061, Texas Government Code, the individual or business entity named in this CTSA is not ineligible to receive the specified contract and acknowledges that this CTSA may be terminated and payment withheld if this certification is inaccurate; and
- x) during the Term, Successful Respondent shall promptly disclose to DIR all changes that occur to the foregoing certifications, representations, and warranties. Successful Respondent covenants to fully cooperate in the development and execution of resulting documentation necessary to maintain an accurate record of the certifications, representations, and warranties.

19.4 Workmanship and Performance

- a) All Services provided under this CTSA will be provided in a manner consistent with the standards of quality as outlined in this CTSA.
- b) All Services must meet or exceed the required levels of performance specified in or pursuant to this CTSA, and will meet or exceed DIR's Goals and Objectives, as set forth in the RFO, Section 1.3.
- c) Successful Respondent shall, and it shall cause Successful Respondent Personnel and Subcontractors, to perform the Services in a workmanlike manner, in accordance with best practices and high professional standards consistent with applicable industry standards used in well-managed operations performing Services similar to the Services awarded in this CTSA.

19.5 Compliance with Agreement

Successful Respondent represents, warrants, and covenants that it will not take any action inconsistent with any of the terms and conditions set forth in this CTSA without the express, prior written approval of DIR, in DIR's sole and absolute discretion.

19.6 Infringement and Misappropriation

- a) Successful Respondent represents, warrants, and covenants that all Services provided by Successful Respondent will not infringe or misappropriate any right of, and will be free of any claim of, any third person or entity based on copyright, patent, trade secret, or other Intellectual Property rights. Successful Respondent agrees that it shall include the indemnity provision provided in Section [14.10 b\)](#) into its Subcontracts, in which Subcontractors participate in the development or delivery of the Services or Software.
- b) As of the Effective Date, there is, to Successful Respondent's knowledge, no pending claim, suit, or proceeding against or affecting Successful Respondent or any of its Affiliates or Subcontractors that would reasonably be expected to adversely affect Successful Respondent's ability to perform and fulfill its obligations under this CTSA including, without limitation, actions pertaining to the proprietary rights to the relevant intellectual property. Successful Respondent shall notify DIR within fifteen (15) days of Successful Respondent's knowledge of any such claim, suit, or proceeding. Successful Respondent shall notify DIR, within forty-eight (48) hours, if process is served on Successful Respondent in connection with this CTSA where such matter may affect the Services or a Party's rights including any subpoena for Successful Respondent's records, and shall send a written notice of the service together with a copy of the same to DIR within seventy-two (72) hours of such service.

19.7 Organizational Conflicts of Interest

19.7.1 Definition

An organizational conflict of interest is a set of facts or circumstances, a relationship, or other situation under which Successful Respondent, agent or Subcontractor has past, present, or currently planned personal or financial activities or interests that either directly or indirectly:

- a) Impairs or diminishes Successful Respondent's, agent's, or Subcontractor's ability to render impartial or non-discriminatory Services to DIR and the Customers; or
- b) Provides the Successful Respondent, agent, or Subcontractor an unfair competitive advantage in the Procurement and future DIR procurements.

19.7.2 Warranty

Except as otherwise disclosed and approved by DIR prior to the Effective Date of this CTSA, Successful Respondent warrants that, as of the Effective Date and to the best of its knowledge and belief, there are no relevant facts or circumstances that could give rise to an organizational conflict of interest affecting this CTSA. Successful Respondent affirms that it has neither given, nor shall give, at any time hereafter, any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant or any employee or representative of same, at any time during the procurement process or in connection with the procurement process except as allowed under relevant State and federal law.

19.7.3 Continuing Duty to Disclose

- a) Successful Respondent agrees that, if after the Effective Date, Successful Respondent discovers or is made aware of an organizational conflict of interest, Successful Respondent will immediately and fully disclose such interest in writing to DIR. In addition, Successful Respondent must promptly disclose any relationship that might be perceived or represented as a conflict after its discovery by Successful Respondent or by DIR as a potential conflict. DIR reserves the right, in its sole and absolute discretion, to make a final determination regarding the existence of conflicts of interest, and Successful Respondent agrees to abide by DIR's decision.

- b) The disclosure will include a description of the action(s) that Successful Respondent has taken or proposes to take to avoid or mitigate such organizational conflicts of interest.

19.7.4 Remedy

If DIR determines that an organizational conflict of interest exists, DIR may, at its sole discretion, terminate the CTSA. If DIR determines that Successful Respondent was aware of an organizational conflict of interest before the award of this CTSA and did not disclose the conflict in its Response to the RFO, such nondisclosure will be considered a Material Breach. Furthermore, the facts and circumstances related to such Material Breach may be submitted to the Texas Office of the Attorney General, Texas Ethics Commission, or appropriate State or federal law enforcement officials for further action.

19.7.5 Flow Down Obligation

Successful Respondent must include the provisions of CTSA Section 19.7 in all agent agreements and Subcontracts for work to be performed similar to the Services provided by Successful Respondent under this CTSA to preserve the State's rights against such agents and Subcontractors.

19.8 DIR Personnel Recruitment Prohibition

- a) Successful Respondent has not retained or promised to retain any agent, Subcontractor, person, or company, or utilized or promised to utilize an agent, or a Subcontractor that participated in DIR's development of specific criteria of this CTSA or who participated in the procurement that resulted in the selection of the Successful Respondent for this CTSA.
- b) Successful Respondent will not recruit or employ any DIR professional or technical personnel who have worked on Projects relating to the subject matter of this CTSA, or who have had any influence on decisions affecting the subject matter of this CTSA, for two (2) years following the expiration and/or termination of this CTSA.

19.9 Anti-kickback Provision

Successful Respondent certifies that it will comply with the Anti-Kickback Act of 1986, 41 USC §§51-58 and Federal Acquisition Regulation 52.203-7.

19.10 Debt or Back Taxes Owed to the State

In accordance with Section 403.055, Texas Government Code, Successful Respondent agrees that any payments due to Successful Respondent under this CTSA will be first applied toward any debt and/or back taxes Successful Respondent owes the State. Successful Respondent further agrees that payments will be so applied until such debts and back taxes are paid in full.

19.11 Outstanding Debts and Judgments

Successful Respondent certifies that it is not presently indebted to the State, and that Successful Respondent is not subject to an outstanding judgment in a suit by the State against Successful Respondent for collection of the balance. For purposes of this Section, an indebtedness is any amount sum of money that is due and owing to the State and is not currently under dispute. A false statement regarding Successful Respondent's status will be treated as a Material Breach.

19.12 Antitrust

In submitting a Response, and in executing this CTSA, Successful Respondent certifies and agrees as follows:

- a) Neither Successful Respondent, nor agent, nor Subcontractor, nor the person represented by the Successful Respondent, nor any person acting for the represented person has:
 - 1) violated the antitrust laws codified by Sections 15.01, et seq., Texas Business & Commerce Code or the federal antitrust laws; or
 - 2) directly or indirectly communicated the Response associated with this CTSA to a competitor or other person engaged in the same line of business.
- b) Successful Respondent hereby assigns to DIR any and all claims for overcharges associated with this CTSA arising under the antitrust laws of the United States, 15 U.S.C. Section 1, et seq. (1973), as amended, and the antitrust laws of the State, Sections 15.01, et seq., Texas Business & Commerce Code.

19.13 Agency Executive

Under Section 669.003, Texas Government Code, relating to contracting with an executive of a State agency, Successful Respondent represents that no employee, consultant, officer, or director of Successful Respondent, or any other person involved with Successful Respondent, has, in the past four (4) years, served as an executive of DIR, or any other State agency, was involved with or has any interest in the RFO or any CTSA resulting from the RFO. If Successful Respondent employs or has used the services of a former executive head of DIR or other State agency, then Successful Respondent shall provide DIR the following information concerning such individual: Name of former executive, name of State agency, date of separation from State agency, position with Successful Respondent, and date of employment with Successful Respondent.

19.14 Deceptive Trade Practices; Unfair Business Practices

Successful Respondent represents and warrants that it has not been the subject of allegations of deceptive trade practices violations under Chapter 17, Texas Business & Commerce Code, or allegations of any unfair business practice in any administrative hearing or litigation and that Successful Respondent has not been found to be liable for such practices in such proceedings. Successful Respondent certifies that it has no officers who have served as officers of other entities who have been the subject allegations of deceptive trade practices violations or allegations of any unfair business practices in an administrative hearing or court suit and that such officers have not been found to be liable for such practices in such proceedings.

19.15 Cybersecurity Training

In accordance with Section 2054.5192, Texas Government Code, for any contract with a State agency or institution of higher education, if Successful Respondent, or a Subcontractor, officer, or Successful Respondent Personnel, will have access to a State computer system or database, then Successful Respondent shall ensure that such Successful Respondent Personnel, officer, or Subcontractor shall complete a cybersecurity training program certified under Section 2054.519, Texas Government Code, as selected by the State agency Customer. The cybersecurity training program must be completed by such Successful Respondent Personnel, officer, or Subcontractor during the Term of the CTSA and during any renewal period. Successful Respondent shall verify to the Customer state agency or institution of higher

education completion of the program by each such Successful Respondent Personnel, officer, or Subcontractor.

19.16 Drug Free Workplace Policy

Successful Respondent shall comply with the applicable provisions of the Drug-Free Work Place Act of 1988 (41 U.S.C. §§8101-8106) and maintain a drug-free work environment; and the final rule, government-wide requirements for drug-free work place (Financial Assistance), issued by the Office of Management and Budget (2 C.F.R. Part 182) to implement the provisions of the Drug Free Work Place Act of 1988 is incorporated by reference and the Successful Respondent shall comply with the relevant provisions thereof, including any amendments to the final rule that may hereafter be issued.

19.17 Preservation of Records

In accordance with Section 552.372 of the Texas Government Code, Respondent agrees to (1) preserve all contracting information related to the contract as provided by the records retention requirements applicable to the Agency for the duration of the contract, (2) promptly provide to the Agency any contracting information related to the contract that is in the custody or possession of the Respondent on request of the Agency, and (3) on termination or expiration of the contract, either provide at no cost to the Agency all contracting information related to the contract that is in the custody or possession of the Respondent or preserve the contracting information related to the contract as provided by the records retention requirements applicable to the Agency. Except as provided by Section 552.374(c) of the Texas Government Code, the requirements of Subchapter J, Chapter 552, Government Code, may apply to the contract and the Respondent agrees that the contract can be terminated if the Respondent knowingly or intentionally fails to comply with a requirement of that subchapter.

20 INTELLECTUAL PROPERTY

20.1 Infringement Indemnification

- a) Successful Respondent will, at its expense, indemnify, and hold harmless DIR and the Customers, their respective employees, officers, directors, contractors, and agents from and against any losses, liabilities, damages, penalties, costs, and fees, including without limitation attorneys' fees and expenses, from any claim or action against DIR and/or Customers that is based on a claim of breach of the warranty set forth in SECTION 19.7.2 OF THE CTSA, DIR and/or Customer will promptly notify Successful Respondent in writing of the claim, provide Successful Respondent a copy of all information received by DIR and/or Customers with respect to the claim, and cooperate with Successful Respondent in defending or settling the claim. The defense will be coordinated by the Texas Office of the Attorney General for Texas State agencies and by Customer's legal counsel for non-State agency Customers.
- b) If any Service, or part thereof, that is the subject of an action described in Section 19.1(a), is held to constitute an infringement or misappropriation, or the use thereof is enjoined or restricted or if a proceeding appears to Successful Respondent to be likely to be brought with respect there to, Successful Respondent will, at its own expense, either:
 - 1) Procure for DIR and/or the affected Customer the right to continue using the Services; or
 - 2) Modify or replace the Services to comply with the specifications in the CTSA, if any, and to not violate any Intellectual Property rights.

20.2 Exceptions

Successful Respondent is not responsible for any claimed breaches of the warranties set forth in Section 19.1 to the extent caused by:

- a) Modifications made to the Service in question by any party other than Successful Respondent or its agents or Subcontractors, or by DIR and/or Customer and/or their agents working at Successful Respondent's direction and in accordance with another vendors' specifications; or
- b) The combination, operation, or use of the Service with other items if Successful Respondent did not supply or approve for use with the item; or
- c) DIR's and/or Customer's failure to use any new or corrected versions of the Service made available or provided by Successful Respondent.

20.3 Rights in Data

- a) DIR or Customers will be and remain the owner of all Data made available by DIR or Customers to Successful Respondent or its agents, its Subcontractors or representatives pursuant to the CTSA. Successful Respondent and Successful Respondent Personnel will not use DIR or Customer Data for any purpose other than providing the Services, nor will any part of DIR or Customer Data be disclosed, sold, assigned, leased, or otherwise disposed of to the general public or to specific third parties (other than with respect to providing the Services) or commercially exploited by or on behalf of Successful Respondent, nor will any Successful Respondent Personnel other than those on a strictly need to know basis have access to DIR or Customer Data. Successful Respondent will not possess or assert any lien or other right against DIR or Customer Data. Without limiting the generality of this Section 20.3, Successful Respondent will only use personally identifiable information as strictly necessary to provide the Services and will disclose such information only to its employees who have a strict need to know such information, provided Successful Respondent obtains such employees' written agreement to keep such information confidential and to use it only as required in the performance of Services. Successful Respondent will comply at all times with all State and federal laws and regulations applicable to such personally identifiable information. Additionally, Successful Respondent may disclose such information to its Subcontractors who have a need to know in connection with the performance of Services, provided Successful Respondent obtains such Subcontractors' written agreement to keep such information confidential and to use it only as required in the performance of Services.
- b) DIR or Customer is and will remain the owner of all DIR or Customer Data pursuant to the CTSA. Except as otherwise provided in this CTSA, or as otherwise restricted by law, and excluding Successful Respondent Confidential Information, DIR and Customer may use the data provided by the Successful Respondent for any purpose relating to the operation and enhancement of TEX-AN 2021 Program. DIR or Customer will not possess or assert any lien or other right against the Successful Respondent's data.

20.4 Ownership of Pre-existing Materials

DIR or Customers and Successful Respondent will continue to own their respective proprietary technologies and information developed before entering into the CTSA. Any Software licensed through the Successful Respondent and sold to DIR or Customers as a part of a Service, will be licensed directly to DIR or Customers, as appropriate.

20.5 Third party Commercial Software

If applicable and necessary, all third party commercial Software used in performing the Services will be provided to DIR or Customers under a separate license agreement between DIR or Customers and the owner (or authorized licensor) of such software.

20.6 Pre-existing Materials for Custom Software Deliverables Related to Services

Neither Successful Respondent nor any of its agents, representatives, or Subcontractors will incorporate any pre-existing materials (including third party commercial software) into Services or use any pre-existing materials to produce Services if such pre-existing materials will be needed by DIR or Customer in order to use the Services unless:

- a) Such pre-existing materials and their owners are identified to DIR or Customer in writing prior to implementation or installation, and
- b) Such pre-existing materials are either readily commercially available products for which Successful Respondent or its Subcontractor, as the case may be, has obtained a license (in form and substance approved by DIR, in its sole and absolute discretion) in the name of DIR or Customer, or are materials that Successful Respondent or its Subcontractor, as the case may be, has the right to license to DIR or Customer and has agreed to license to DIR or Customer on terms and conditions approved by DIR, in its sole and absolute discretion, prior to using such pre-existing materials to perform the Services. Successful Respondent represents, warrants, and covenants that it shall not, during the term of the CTSA or any time afterwards, assert any ownership rights, in any DIR-owned or Customer-owned Software, source code, and other materials.

20.7 Ownership of Work Product by DIR or Customer

The Services shall not be considered “work for hire” for DIR or Customers; however, the same shall be subject to licensing, on the same terms and provisions, as provided for herein, as reasonable, necessary, or required.

20.8 License to Intellectual Property

- a) If necessary to the performance of Services hereunder, upon notice from Successful Respondent, DIR and/or Customers shall enter into good faith negotiations to license to Successful Respondent any Intellectual Property owned by DIR and/or Customers.
- b) In the event the Successful Respondent makes or has made any modifications or configurations to any Software owned by DIR and/or a Customer under this CTSA, DIR and/or the Customer, as appropriate, shall own the modifications or configurations and the related scripts, processes, and documentation, and Successful Respondent hereby assigns all of its rights, titles and interests (including Intellectual Property rights) to such modifications or configurations and the related scripts, processes, and documentation to the appropriate party, either DIR or the Customer. Upon the request of DIR or the Customer, Successful Respondent will give a written assignment of the modifications or configurations and the related scripts, processes, and documentation to the requesting party. During the Term, Successful Respondent retains a terminable, non-transferable, non-exclusive and paid-up license to use the modifications in performing Services under this CTSA, and to use the modifications to provide Services to other Customers, including the right to sub-license or further license those modifications only to Customers.

- c) The Successful Respondent shall own all modifications to the Successful Respondent owned Software made by the Successful Respondent and any modifications to the Successful Respondent Proprietary Software made on behalf of DIR and/or a Customer. DIR and/or the affected Customer hereby assign its rights, titles, and interests (including Intellectual Property rights) to such modifications to the Successful Respondent. Successful Respondent shall provide DIR and/or Customer with a nonexclusive, non-transferable, royalty-free limited right and license during the Term to use the modifications for purposes of receiving Services. Successful Respondent's license to DIR and/or the Customer to use Successful Respondent Proprietary Software shall extend to such modifications; provided, however, Successful Respondent's warranties and indemnities with respect to Successful Respondent Proprietary Software do not extend to any modifications made on behalf of DIR and/or a Customer by contractors other than Successful Respondent and its Subcontractors.

21 TRANSITION PLAN FOR EXPIRATION OF THE CTSA

Refer to Section 9, Termination Assistance, of the TEX-AN 2021 Statement of Work (SOW).

21.1 Scope

This transition plan for expiration of the CTSA addresses the orderly Transition to DIR, or the successor service provider, of all Services provided by Successful Respondent to DIR and/or Customers pursuant to a CSA through the CTSA, that has an expiration date beyond the Expiration Date of the CTSA (the Transition Effective Date), including planning activities which will be conducted prior to the Transition Effective Date. This transition plan does not apply to other contracts that Successful Respondent may hold with DIR outside the scope of this CTSA. Successful Respondent agrees that all references in this Article 21 to DIR, includes all employees of the agency and all designated contractors or consultants that may assist DIR in the Transition. DIR and Successful Respondent agree that the term "Transition" as used in this Article 21 means disposition from Successful Respondent to DIR, or the successor service provider, by any lawful method, including by sale and purchase, assumption, transfer, assignment, or other method.

21.2 General Statement for Transition

No later than twelve (12) months before the Transition Effective Date (commencement of Transition Period), Successful Respondent shall commence planning for the orderly Transition of all of the Services that have an expiration date beyond the Transition Effective Date under this CTSA to DIR or the successor service provider, in accordance with the terms of this Article, as the same may be amended from time to time. DIR and Successful Respondent desire to provide for the Transition of all things and matters comprising the Services, which have expiration dates beyond the Transition Effective Date. This Article shall not be construed narrowly, but broadly, to ensure the Transition of all Services with expiration dates beyond the Transition Effective Date occurs on or by that date. The parties do not intend for there to be residual Service-related matters that do not Transition on or by the Transition Effective Date.

21.3 Agreement for Transition Assistance Services

Transition Assistance Services, as specified in this Article 21, shall be provided from the commencement of the Transition Period and for up to twelve (12) months after the Transition Effective Date, unless further extended by the Parties. DIR will provide Successful Respondent with written notice of its intent to have Transition Assistance Services, in whole or in part, provided by Successful Respondent after the

Transition Effective Date, by giving at least sixty (60) calendar days advance notice. Such notice shall contain a list of the specific Transition Assistance Services required and the duration for each of the Transition Assistance Services sought. Successful Respondent shall review the notice and provide a written proposal response for the specific services sought, as more particularly described in Section 21.04(b)(5), within thirty (30) calendar days of receipt of DIR's notice. The parties agree to negotiate in good faith to conclude a written agreement for the required Transition Assistance Services no later than one-hundred twenty (120) calendar days prior to the Transition Effective Date.

21.4 Transition Assistance Services

Transition Assistance Services shall include:

- a) Full cooperation and participation in the Transition planning process, as more particularly described in Section 21.6, which shall commence no later than the commencement of the Transition Period, at DIR's sole and absolute discretion, and shall involve a series of meetings among the representatives of DIR, Vendor, the successor service provider, if known, representatives of Successful Respondent's current State agency Customers and other parties whose participation would enhance the planning process, which process is more fully described in Phase Four (4) set forth in this Section 21.4; and
- b) Successful Respondent providing to DIR, or the successor Service Provider, all of the items and matters called out for in this Article 21, and other items or information reasonably necessary to complete the transition of the Services under the CTSA. Without limiting the foregoing, the Transition Assistance Services shall occur in five (5) phases:
 - 1) Phase 1 – Initial Reporting of Services Subject to Transition. On or by December 31st two (2) years prior to the Transition Effective Date, Successful Respondent shall provide a written report, in the form required by DIR, disclosing all Services, as of December 1st of the same year, that have expiration dates beyond the applicable Transition Effective Date under the CTSA. Without limiting the foregoing, Successful Respondent shall report on and include:
 - i. All Software that Successful Respondent uses to perform its Services with each Customer under each of the Services, including complete source and machine readable data, associated manuals, procedures, processes, documentation, descriptions, data files, specifications, configurations, and other such items as available in accordance with existing third party licensing agreements. For each item of Software listed, Successful Respondent shall provide a copy of the associated Software license held by Successful Respondent. Successful Respondent shall ensure the transferability of the associated licenses to a successor entity under conditions similar to that of this Transition with no fees or costs for Transition to DIR or the successor service provider, if any;
 - ii. All hardware and other Equipment, including all hardware leases for Equipment used to perform each Service, including leases which have a term beyond the Transition Effective Date. Successful Respondent shall provide a copy of the assignment/transfer and early termination clauses for each lease with a term beyond the Transition Effective Date and report on the status of transferability and any costs for transfer or early termination, if any. Successful Respondent shall report all known costs for transfer or termination of such leases, including the existing leases or as the same may be amended prior to the Transition Effective Date;

- iii. All maintenance agreements for Software, hardware, or other Equipment and assets, including copies of their assignment/transfer and early termination clauses, a status report on transferability to DIR or its designee and the costs for transfer or early termination, if any;
 - iv. All third party supplier agreements, which have an effective date beyond the Transition Effective Date, including copies of their assignment/transfer and early termination clauses, a status report on transferability to DIR or its designee and the costs for transfer or early termination, if any;
 - v. Copies of the CSAs with the Customers for Services.
- 2) Phase 2 – Ongoing Reports on Services through the Transition Effective Date. Phase 2 is composed of five (5) activities, as listed below:
- i. Follow Up Reporting. For each item reported in Phase I, Successful Respondent shall update DIR on a semi-annual basis up to the Transition Effective Date. The first such update after December 31st shall be due on or by June 30th of the following year.
 - ii. New TEX-AN 2021 CSA. For every CSA issued by Successful Respondent to a Customer between the initiation of the reporting period two (2) years out from the Transition Effective Date and the Transition Effective Date, Successful Respondent shall seek and receive DIR's approval prior to entering into any CSA. DIR shall be provided no less than five (5) Business Days in which to review the documentation for each proposed CSA, in substantially final form. In each instance Successful Respondent shall provide that the CSA contains: 1) a complete assignment or transfer to DIR, or its successor service provider, on or by the Transition Effective Date, preferably at no cost to DIR or its designee, and 2) a termination for convenience clause in favor of Successful Respondent and DIR in all such CSAs. Successful Respondent shall use commercially reasonable efforts to minimize the fee for assignment or transfer to DIR, or its successor service provider.
 - iii. Equipment Condition Report. Successful Respondent will develop a checklist and conduct checks/reviews of the installed Equipment and produce a report on or by six (6) months prior to the Transition Effective Date. Such report shall detail, at a minimum, the then-current condition of each piece of installed Equipment and the preventative maintenance needed within the next six (6) months after the report is issued. For all items, Successful Respondent shall provide details about existing maintenance contracts.
 - iv. Subcontractor Report. On or by January 1st two (2) years prior to the Transition Effective Date, and semi-annually thereafter up to the Transition Effective Date, Successful Respondent shall identify all then-current Subcontracts that provide Services under any CSA issued pursuant to the CTSA, in a form and level of detail approved by DIR, in its sole and absolute discretion.
 - v. Notwithstanding any other provision in this Article 21, Successful Respondent agrees to provide another updated report for all CSAs on or by August 31st, one (1) year prior to the Transition Effective Date, and six (6) months prior to the Transition Effective Date.
- 3) Phase 3 – Completion of all documentation for Transition
- i. DIR, or the successor service provider and Successful Respondent shall complete Transition associated documentation necessary to effect the Transition of all CSAs

- under the CTSA in a timely manner, including, at a minimum, the Transition of all CSAs reported to DIR under Subsections (1) and (2) hereof. Successful Respondent shall facilitate interactions and necessary documentation with third party vendors, its Subcontractors, lessors, and other providers, at the request of DIR, or at the request of the successor service provider. DIR reserves the right, in its sole and absolute discretion, to require that DIR, the successor service provider, and Successful Respondent conduct a formal closing for the Transition, in order to ensure the completion of all necessary documentation.
- ii. DIR, or the successor service provider, shall cause each Transition document to provide the complete transfer of all right, title, and interest in and to the CSAs, including any related lease or third party contract related to the underlying Equipment, from Successful Respondent to DIR, or the successor service provider, effective as of the Transition Effective Date. Each Transition document shall also provide that from and after the Transition Effective Date, Successful Respondent shall have no obligation or liability to any third party vendor or lessor whatsoever related to the underlying Equipment. Successful Respondent shall ensure that the granting of such license, sublicense, assignment, and other relevant rights is not subject to third party approval or payment by DIR, Customer, or the successor service provider of license, assignment, or transfer fees or penalties. Successful Respondent shall have no responsibility to pay any third party vendor or lessor from and after the Transition Effective Date.
- 4) Phase 4 – Planning Phase for Transition from the CTSA to an Agreement with a successor service provider. Successful Respondent shall fully and completely participate in all meetings called by DIR for the purpose of planning and implementing the transition of CSAs from the CTSA to the successor service provider. The goal of this planning phase is to provide an orderly transition of CSA operations under the CTSA to the operations with a successor service provider. Such planning activities shall commence no later than January 1st of the year of the Transition Effective Date, at DIR’s direction and shall continue until all transition activities are complete. These Transition activities shall include, but not be limited to, the following:
- i. Pre-planning no later than January 1st to March 31st of the year of the Transition Effective Date. These DIR meetings will include the Successful Respondent’s current Customers, as determined by DIR, the successor service provider, Successful Respondent, and DIR. The scope of the pre-planning is to plan for the transfers of the current Customers' CSA operations, scheduling of all necessary activities, development of roles and responsibilities matrix related to Transition of the CSA, and planning for all the other steps of the Transition process, as listed below. The goal of this pre-planning phase is to produce a mutually acceptable Transition Plan document that defines roles and responsibilities for accomplishing each step in the Transition among the participating parties.
 - ii. Turnover of CSA operations to the successor service provider. In each step in the Transition planning and execution process, Successful Respondent is required to provide information as requested by DIR, the successor service provider and /or the current Successful Respondent’s Customers in accordance with the agreed upon Transition Plan. Such information shall include, but not be limited to the following tangible items and matters of inherent knowledge:

- A. Assets Lists (hardware, Software, schematics, maintenance agreements, third party agreements)
 - B. Procedures
 - C. Policies
 - D. Practices
 - E. Protocols
 - F. Customer biographies
 - G. Organization charts
 - H. Customer and Successful Respondent (including Subcontractors) decision makers; authorized Successful Respondent Personnel
 - I. Institutional knowledge; unwritten rules; operational personnel; client background information; authorization lists;
 - J. Operational details
 - K. and
 - L. Quick reference manuals.
- 5) Phase 5 – Post-Transition Effective Date Services by Successful Respondent. At DIR’s option, DIR will request and Successful Respondent shall respond with a proposal for Successful Respondent to provide assistance for continuing management and operation of the CSA as conducted under the CTSA for a period beyond Transition Effective Date up to one (1) year after the Transition Effective Date, but only upon the execution of an appropriate contract for such services, on terms and conditions as agreed by DIR, or the successor service provider, and Successful Respondent. In the event that DIR, or the successor service provider, requires the services of Successful Respondent during the Post-Transition Effective Date period, then DIR shall execute a separate agreement with Successful Respondent to provide services on a time and material basis.

21.5 Covenant of Cooperation

During the period of time from the commencement of the Transition, as defined, to the completion of Transition Assistance Services, Successful Respondent agrees to fully cooperate with DIR, and as appropriate, with the successor service provider, to fulfill the terms of the CTSA. DIR and Successful Respondent agree to fulfill the terms of this Article 21 in a manner that is the least disruptive to the Customers under the CSA. DIR and Successful Respondent agree to notify the other Party in the event either discovers a condition, contract, or other matter that would benefit or adversely affect performance of the CSA, if generally known. In the event it is determined that amendment to this Article 21 is in the best interest of the State, Successful Respondent agrees to negotiate amendments to this Article 21 in good faith with DIR. In all events, the Parties agree to cooperate in the negotiation and execution of such other and further documents as necessary to fulfill the terms of this Article 21.

21.6 Other Successful Respondent Agreements with Customers

DIR and Successful Respondent agree that this Article does not apply to any other contracts that Successful Respondent has, or may have in the future, with Customer that are separate transactions from the CSA authorized under the CTSA.

22 MISCELLANEOUS

22.1 Entire Agreement

This CTSA, including with any documents, attachments, and exhibits specifically referred to herein or attached hereto, each of which is incorporated herein for all purposes, constitutes the entire agreement with respect to the subject matter hereof between the Parties. On execution of this CTSA, all prior agreements and understandings between the Parties relating to the subject matter hereof shall be null and void. The Parties specifically acknowledge that there are no unwritten side agreements or oral agreements between them which alter, amend, modify, or supplement this CTSA as of the Effective Date.

22.2 Counterparts

This CTSA may be executed in one (1) or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same single agreement. Electronic signatures shall be deemed original signatures.

22.3 Authority to Execute

IN WITNESS WHEREOF, the Parties have executed this TEX-AN 2021 Communications Technology Services Agreement in their capacities as stated below with authority to bind their organizations on the dates set forth by their signatures. This Agreement shall be effective from the date of the last signature thereto (the Effective Date).

Department of Information Resources

**Continuant Tech, Inc.
(Successful Respondent)**

Signature on File

Amanda Crawford
Executive Director

Signature on File

Doug Graham
Chief Executive Officer

1/25/2022

Date

1/20/2022

Date

M.H.

Legal

Exhibit A To TEX-AN 2021 Communications Technology Services Agreement

Between

**The State of Texas, acting by and through the
Texas Department of Information Resources**

and

Continuant Tech, Inc. (Successful Respondent)

EXHIBIT A. DEFINITIONS

1 INTRODUCTION

The purpose of *Exhibit A Definitions* is to define certain terms used for the CTSA. This only contains definitions for words or phrases to which DIR is ascribing a special meaning. Words and phrases not listed here are to be given their usual definition within the context of the sentence in which they are used.

2 DEFINITIONS AND ACRONYMS

Term	Definition
ADA	Americans with Disabilities Act.
ADC	Austin Data Center.
Acceptance	Agreement from DIR and/or its Customer(s) that Service installations, moves, or changes have been successfully completed.
Adjustment	Correction to an Invoice resulting from a billing error or as a result of Billing Dispute reconciliation.
Administrative Fee	In general, the fee paid to DIR to defray the DIR costs of operating and administering the TEX-AN 2021 Program. The fee is a percentage applied to Successful Respondent's Service costs.
Affiliate	(i) Any person or entity directly or indirectly owning, controlling or holding, with power to vote, fifty percent (50%) or more of the outstanding voting securities of Successful Respondent; (ii) any person or entity for which fifty percent (50%) or more of the outstanding voting securities are directly or indirectly owned, controlled or held, with power to vote by Successful Respondent; or (iii) any person, or entity directly or indirectly controlling, controlled by, or under common control with, Successful Respondent.
Assignee	An individual or organization that receives an assignment of all or part of the interests of one of the Party's to the CTSA, and that undertakes to assume the responsibilities of that original Party.
Assurance	Set of processes used to maintain and guarantee the required performance of a Service.
Attachment	A form or document appended to an exhibit to the CTSA.
Authorized End Users or Authorized User	Individuals or organizations that are eligible to use the Services by statute, also known as Customers .
Availability	The ratio of the time when a Service is functional and available to the user for the performance of prescribed functions (e.g., to originate and terminate Calls) to the total amount of time in the reporting interval, minus scheduled maintenance Downtime. Availability is expressed as a decimal between 0 and 1 and is normally calculated for one (1) calendar month.
Bill	A formal statement of charges. See also Invoice.
Billing Dispute	A Billing Inquiry may lead to a written notice from the DIR or Customer to the Successful Respondent regarding an error in data or billing element requiring an adjustment or correction to the Monthly Consolidated Invoice which may include any applicable Credits.

Term	Definition
Billing Inquiry	Question or inquiry submitted by DIR or Customer to the Successful Respondent regarding billing which, if not satisfactorily resolved by DIR and the Successful Respondent, may result in a Billing Dispute.
Billing Plan	A plan submitted with Successful Respondent's Response demonstrating compliance with the RFO for billing matters. The final Billing Plan, as approved by DIR per Exhibit D, Billing Plan.
BMIC	Basic Maintenance of Internal Connections.
Business Day	Monday through Friday, excluding State holidays, 7:30 a.m. to 5:00 p.m. local time. State holidays will include all holidays with the status "All Agencies closed" as designated by the State Auditor's Office. State holidays will not include State optional holidays or holidays that require skeleton crews. If the CTSA calls for performance on a day that is not a Business Day, then performance is intended to occur on the next Business Day.
Cause	Has the meaning as provided in Section 17.3 of this CTSA.
CFO	Chief Financial Office.
Change(s)	Any planned modification to a Service Instance or to a Successful Respondent's network. Changes may include corrections, enhancements, modifications, additions, and replacements.
Commercially Available	As applied to a Service in a geographic area, a Service or related Service feature provided legally by a Successful Respondent to one (1) or more entities, which as independent entities from such Successful Respondent, use the Services for its legal commercial business purposes.
Comptroller of Public Accounts (CPA)	A State agency. The State's chief tax collector, accountant, revenue estimator and treasurer. CPA includes the Texas State Treasury.
Confidential Information	Is defined in CTSA Section 15.1(a).
Consolidated State Network	Means the consolidated telecommunications system as defined by Section 2170.001(a)(2), Texas Government Code, as the network of telecommunications services serving the State government. This Consolidated State Network is composed of DIR, Customer, and Successful Respondent Network segments as defined herein.
Contract (or CTSA)	Means the TEX-AN 2021 Communications Technology Services Agreement, or (CTSA) – The final version of this contractually binding agreement between the Texas Department of Information Resources and the Successful Respondent awarded pursuant to the RFO, including all exhibits and attachments thereto.
Contract Anniversary Date	The date marking the end of the period commencing on the Effective Date and ending one (1) year later and for each year in the Term thereafter.
Contract Holder(s)	Other Successful Respondents awarded a Contract pursuant to RFO DIR-CPO-TMP-552 and part of the TEX-AN 2021 Program.
Corrective Action Plan	Has the meaning assigned in Section 17.2 , Tailored Remedies.
COTS	Commercial off-the shelf.
Credit(s)	Monetary assessments against amounts owed.
CTCD	Certified Texas Contract Developer.
CTCM	Certified Texas Contract Manager.

Term	Definition
CTS	Communication Technology Services.
Current Service Area	The geographic area where the Successful Respondent is currently providing Commercially Available services.
Customer	Any eligible purchaser of Services. Customers are defined in accordance with Section 2170.004, Texas Government Code.
Customer Circuit Record Code (CKR)	DIR internal tracking number based on the agency/division of the Customer and the type of Service ordered.
Customer Facilities	Building and infrastructure owned or operated by Customer.
Customer Network	Customer networks are built and maintained by the Customer. Customer Networks may or may not connect to the DIR Network or a Successful Respondent Network, depending upon whether the Customer needs access to Services provided by the DIR Network or a Successful Respondent Network. Network to network demarcation points are determined on a case by case basis depending upon type of Service.
Customer Premises Equipment (CPE)	All communications terminal Equipment that is located on the Customer's premises.
Data	Information available in physical and/or electronic form.
Data Destruction	Handling, securing and disposing of data in both physical and electronic form, in compliance with, federal and State Laws that include, but are not limited to: 1 Texas Administrative Code Chapter 202; Section 403.278, Texas Government Code; Chapter 2175, Texas Government Code; the Internal Revenue Code; the Fair and Accurate Credit Transactions Act; the Family Educational Rights and Privacy Act; the Health Insurance Portability and Accountability Act of 1996; and the Gramm-Leach-Bliley Act.
Deficiency(ies)	Has the meaning as used in Section 17.2.2 of this CTSA.
Deliverable	A report or item that must be completed and delivered under the terms of the CTSA or a CSA. The measurable result or output of a process prepared, developed, or procured by Successful Respondent as part of the Services under the CTSA or a CSA.
Department of Information Resources (DIR)	State agency that oversees and assists in managing the information resource assets of the State pursuant to Chapters 2054, 2059, and 2170, Texas Government Code, as the same may be amended from time to time.
Descriptions	The description(s) of the awarded Services set forth in Exhibit B.
Developing Technologies	Includes technologies Respondents currently have and those that are in work and soon to become available.
DIR Contractor	Has the meaning as defined in Section 4.5 of this CTSA.
DIR Cooperative (Coop) Contracts Program	A streamlined cooperative purchasing program for state, local, public education, and other public entities within and outside the State of Texas, administered by the CPO of DIR.
DIR Facilities	Building and infrastructure owned or operated by DIR.
DIR Network(s)	The DIR Network provides connectivity for primarily State government agencies but also includes educational institutions, political subdivisions, and assistance organizations. Customer and Contract Holder Networks connect to the DIR Network for interconnectivity and for enterprise services such as connectivity to the State data centers and internet service.
DIR Rules	Rules and procedures promulgated by DIR in accordance with the Texas Administrative Procedures Act and Texas Administrative Code.

Term	Definition
Direct Sales Transaction Services	Direct Sales Transaction Services – Refer to Section <u>4.1</u> of this CTSA Services that are direct billed as determined by DIR.
Disentanglement	The process of winding up all issues in the business relationship between DIR, Customer, and Successful Respondent in the event of any termination of the CTSA. See Section <u>17.7, Payment and Other Provisions at CTSA Termination.</u>
Disentanglement Plan	The plan developed and submitted by Successful Respondent and approved by DIR, in its sole and absolute discretion, to provide for the orderly and efficient winding up of the issues of the business relationship between Successful Respondent, Customer, and DIR in the event of any termination of the CTSA. See Section <u>17.7, Payment and Other Provisions at CTSA Termination.</u>
Disputes	A Billing Dispute is a disagreement over the accuracy of charges in an Invoice either to DIR or a Customer. Other Disputes may be disagreements over actions taken or not taken pursuant to the CTSA or a CSA, which are subject to the provisions of Section 17.10 Dispute Resolution of the CTSA.
Downtime	Period of time when the system is unavailable, in whole or in part. Downtime may be scheduled or unscheduled.
DWDM	Dense wave division multiplexing.
Effective Date	The commencement date for the CTSA, which is the date on which the last Party signs the CTSA.
Electronic Administrative Update (EAU)	An electronic fast-track system process for the continuous improvement of the Rates to DIR and Prices available to the Customers under the CTSA, and other non-substantive administrative updates, without reliance on a formal amendment process.
Electronic State Business Daily	A web portal operated by the CPA, to which all State agencies must post procurement opportunities, in compliance with Section 2155.083, Texas Government Code.
Emerging Technologies	Any technology within scope of the RFO currently not available from a Successful Respondent that may become available during the term of the CTSA.
EPLS	Excluded Persons List System.
Equipment	Computer hardware, routers, telecommunication devices, peripherals, and similar materials (and all modifications, replacements, upgrades, enhancements, documentation, materials, and media related thereto) that are used or provided in connection with this CTSA or Services related to this CTSA.
ESBD	Electronic State Business Daily.
Executive Leadership Team	A committee of DIR executives tasked with helping resolve issues that may arise between DIR and Successful Respondent.
Expiration Date	As defined in CTSA Section 3.1.
Failure	A detected cessation of capability to perform a specified function or functions within previously established limits, which is beyond adjustment by the operator through means of controls normally accessible during routine operations of the system.
FCC	The Federal Communication Commission, with regulatory authority over the telecommunications industry, including certain telecommunications carriers.

Term	Definition
Feature	Additional capability beyond the basic Service that may be selected at the Customer's option. Features normally are separately priced, although some Features have been defined to be Not Separately Priced.
Force Majeure Event	An event experienced by a Party that is within the scope of the CTSA clause found at Section 8.3.2.
Government Entity or Entities	Has the meaning provided in Texas Government Code § 2170.004.
Grade of Service	A number of network design variables used to provide a measure of adequacy for a group of resources under specified conditions.
HUB	Historically Underutilized Business.
HSP	HUB Subcontracting Plan.
HVAC	Heating, ventilation, and air conditioning.
IC	Internal connections.
ID	Identification.
Independent Verification and Validation contractors	A third party provider of independent assessment and testing methodologies for quality assurance or performance verification purposes.
Initial Term	Has the meaning provided in Section 3.1 of the CTSA.
Intellectual Property	Any trademarks, patents, inventions, copyrights, trade secrets, or domain names created prior to, on, or after the Effective Date.
Invoice	Depending on the context in which used, may mean the Monthly Consolidated Invoice issued by Successful Respondent to DIR, or an Invoice issued to a Direct Sales Transaction Service Customer for Direct Sales Transaction Services. In the proper context, Invoice may refer to both types of Invoices.
Invoice File	Summarized Invoice data that are delivered by the Successful Respondent to DIR, or a Customer, in a machine-readable format.
IT	Information technology.
IVR	Interactive voice response.
Key Performance Indicator (KPI)	Measurable Service attribute that is critical to its proper functioning and delivery to the Customer.
LAN	Local area network.
Local Services	A type of Service as discussed in Section 11.2 e) of the SOW, which may be directly sold to Customers by Successful Respondent as set forth in Article 4 of the CTSA, if awarded to Successful Respondent under this CTSA.
Managed Network Services	Has the meaning set forth in RFO Section 2.1.a) including facility, power, and HVAC solutions.
Managed Services	Has the meaning set forth in RFO Section 2.1.
Management Plan(s)	Has the meaning provided in Section 2.3 and in the CTSA's Exhibit named Plans.
Marketing Plan	A plan submitted with Successful Respondent's Response to demonstrate Successful Respondent's resources and activities to promote the CTSA and gain Customers. The Marketing Plan, as approved by DIR, in its sole and absolute discretion, shall become an attachment to the CTSA.
Material Breach	Has the meaning set forth in Section 16.2 Tailored Remedies.
MIBS	Managed internal broadband services.
MPLS	Multiple protocol label switching.

Term	Definition
Monthly Consolidated Invoice	A formal, single statement of charges provided by Successful Respondent to DIR, which includes the Invoice file, Detailed Billing File, Adjustment file, and monthly informational memorandum for all Services provided by Successful Respondent.
Monthly Recurring Charge (MRC)	Regular fees repeatedly billed each month by Successful Respondents for Services performed. See also Non-Recurring Charge (NRC).
Move, Add, Change, or Delete (MACD)	Term describing a variance to Services.
Network Access	Has the meaning set forth in RFO Section 2.1.a) and 2.1.b).
Network Power Management Services	Has the meaning set forth in Section 4.3 of the SOW addressing Network Power Management Services and Section 11.11 of the SOW addressing Network Power Management Services Response Instructions.
Network Security Operations Center (NSOC)	The NSOC, which is owned by DIR, protects TEX-AN 2021 computer systems and information assets from unauthorized external intervention or improper use, in accordance with Chapter 2059, Texas Government Code.
Next Generation 911 (also NextGen 911)	Has the meaning set forth in Section 4.1 of the SOW addressing 911 Services to a 911 Administrative Entity and Section 11.9 addressing 911 Services to a 911 Administrative Entity Response Instructions.
Non-Recurring Charge (NRC)	Extraordinary or unusual fees that are unlikely to occur again in the normal course of performing Services. They include fees for facilities, Services, or products that occurred one time or infrequently. Examples include expedite fees, installations, or special construction.
Not Separately Priced (NSP)	The price and or cost for a particular cost or fee element which includes another cost or fee element.
NSOC	Network and security operations center.
Order	A request or authorization by DIR or Customer, as applicable, to acquire a Service.
Parties or Party	Has the meaning given in the Preamble to CTSA.
PBX	Private branch exchange.
Performance Data	Measured and recorded data that reflect resource utilization.
Performance Management	Has the meaning given in the Performance Management Exhibit.
Point of Presence (POP)	Successful Respondent-owned or controlled physical location (1) where Successful Respondent-owned or controlled network facilities used to provide Services are located and (2) where access to or from on-net locations is connected to the Successful Respondent's Network.
Prices	Are the values for Direct Sales Transaction Services as reflected in Exhibit B to the CTSA which Successful Respondent is allowed to directly bill to Customers and are composed of the Successful Respondent's price plus the Administrative Fee, and also includes the values billed to Customers by DIR acting as the Successful Respondent's billing agent.
Project	A transaction that requires special, custom, or unique treatment by the Successful Respondent due to size, complexity, or importance of the Services ordered.
Public Information	As defined by the Texas Public Information Act, Texas Government Code, Chapter 552.

Term	Definition
Public Safety	Has the meaning as describe in Section 4.1 of the SOW addressing 911 Services to a 911 Administrative Entity and in Section 11.9 of the SOW addressing 911 Services to a 911 Administrative Entity Response Instructions.
PUC	The Texas Public Utility Commission.
Purchase Order	DIR's or Customer's fiscal form or format, which is used when making a purchase of Services (e.g., formal written Purchase Order, Procurement Card, Electronic Purchase Order, or another authorized instrument).
Rates to DIR	The Successful Respondent's charges to DIR for Services, as established and agreed to between DIR and the Successful Respondent in the CTSA. Rates to DIR do not include the Administrative Fee.
Renewal Term(s)	Has the meaning set forth in Section 3.2 of the CTSA.
Request for Offer (RFO)	Has the meaning given in the Preamble to the CTSA.
Respondent	A firm, company, entity or individual that responds to the solicitation. Unless the Contract clearly indicates otherwise, all terms and conditions of the Contract that refer to Respondent apply with equal force to Successful Respondent.
Response	Has the meaning given in the Preamble to the CTSA.
RFO	Request for offer.
RFRO	Request for revised offer.
SAM	System for Award Management.
SD WAN	Software defined wide area network.
SDC	San Angelo Data Center.
SDN	Software defined networking.
Security Incident	An event which results in accidental or deliberate unauthorized access, exposure, loss, disclosure, modification, disruption, or destruction of information resources, including DIR or Customer data.
Service Level Agreement(s) (SLA(s))	Agreement between DIR and Successful Respondent which establishes the minimum standard of performance for Services by the Successful Respondent under the CTSA. Compliance with SLAs is determined by measurement of KPIs and AQLs. The SLA(s) also specifies the amount of Credit to which DIR or the Customer is entitled if the Successful Respondent fails to meet the applicable AQL.
Service Instance	Has the meaning as used in Section 2.4 of the CTSA's Performance Management Exhibit.
Service Order Completion Notice (SOCN)	Written notice from Successful Respondent that contains data elements notifying DIR and/or the Customer that the Service for a given Order has been fully installed and is ready for Acceptance.
Service(s)	Means the TEX-AN 2021 Communications Technology Services (TEX-AN 2021 Services) as specified in the CTSA and awarded under the CTSA.
SHB	Sam Houston building
SIM Platform	Security information management system hardware and Software that monitors the security of the DIR Network.
Small Office/Home Office (SO/HO) Internet Connectivity	A type of Service as specified in Section 4.1 of the CTSA, which may be directly sold to Customers by Successful Respondent as set forth in Article 4 Relationship among DIR, Successful Respondent, other TEX-AN 2021 Contract Holders, and Customers of the CTSA, if awarded to Successful

Term	Definition
	Respondent under this CTSA. Service available only to locations with twenty-five (25) or less Internet users per location.
Software	All Materials consisting of software programs and programming (and all modifications, replacements, Upgrades, enhancements, documentation, materials and media related thereto), including Antivirus Software, Application Software, Development Tools, and System Software.
State	The State of Texas.
Statement of Work (SOW)	Document used to clarify project requirements and document additional terms, conditions, and payment details for services rendered.
Stop Marketing Order	Has the meaning set forth in Section 16.2 Tailored Remedies.
STS	Share Technology Services.
Subcontract	Any written agreement between Successful Respondent and other third party to fulfill the requirements of this CTSA.
Subcontractor	A party to a Subcontract which is not the Successful Respondent.
Subcontractor Compliance Obligations	Has the meaning set forth in Section 6.3.5 Subcontractor's Compliance.
Successful Respondent	The entity(ies) awarded a CTSA under this solicitation.
Successful Respondent Network	A Successful Respondent Network is built and maintained by Successful Respondent for supporting Customer and DIR Requirements. A Successful Respondent Network provides Customer connectivity similar to the DIR Network. Successful Respondent Networks also provide access between Customer Networks and the enterprise services on the DIR Network.
Successful Respondent Personnel	People, including employees, agents, and individuals serving as subcontractors to the Successful Respondent.
Successful Respondent's Proprietary Software	All software owned by Successful Respondent or its Affiliates and used in providing the Services.
Technology Based Conferencing Services	Audio, video, and web-based conferencing services available as part of an integrated solution, or as a subscription-based solution, but does not include the sale of hardware. Conferencing hardware is available through DIR Cooperative Contracts.
Telecommunication Managed Services (or Telecom Managed Services)	Offerings include, but are not limited to, management of Customer owned, or Successful Respondent provided Equipment in support of management of call processing architecture, call centers or contact center services, interactive voice response (IVR)/auto-attendant services, managed private branch exchange (PBX) services, management of voice and data networks, network optimization services, and hosted solutions on a subscriptions basis. Services are negotiated through an SOW process and a sample SOW document is located as Appendix A.
Telecommunications Service Priority (TSP)	The Services identified by DIR, or per applicable laws and regulations, as Services for Successful Respondents to initiate, restore, or otherwise provide on a priority basis to ensure the continued effective operation of State-defined critical Services.

Term	Definition
Term	The period of time during which the CTSA is in effect between DIR and the Successful Respondent, as more particularly described in CTSA Article 3 Term .
TEX-AN	The activities and contracts authorized by Chapter 2170, Texas Government Code, administered by DIR on behalf of the State.
TEX-AN 2021 Communications Technology Services Agreement, or (CTSA)	The final version of this contractually binding agreement between DIR and the Successful Respondent, including all exhibits and attachments thereto.
TEX-AN Next Generation or TEX-AN NG	Means the current TEX-AN Program as it exists today.
TEX-AN 2021 Customer Services Agreement (CSA)	A contractual document containing the terms, conditions, and scope for Services to be deployed and operated under this CTSA, and executed by the Customer, Successful Respondent, and DIR. Attachments H-1 and H-2 contain the template for the form of TEX-AN 2021 Customer Services Agreement.
Texas.gov	Official State internet portal in accordance with Chapter 2054, Texas Government Code.
The Electronic Product Environmental Assessment Tool (EPEAT)	A method for purchasers (governments, institutions, consumers, etc.) to evaluate the effect of a product on the environment. It assesses various lifecycle environmental aspects of a device and ranks products as Gold, Silver, or Bronze based on a set of environmental performance criteria.
Transition	Process for the coordinated transfer of any Service from the outgoing contract holder at the termination or expiration of this CTSA to an incoming Successful Respondent.
Transition Assistance Services	Are defined as set forth in Section 21.4, Transition Assistance Services.
Transition Effective Date	Has the meaning set forth in Section 21.1, Scope.
Transition Period	Has the meaning set forth in Section 21.2, General Statement for Transition.
Transition Plan for Expiration of the CTSA (Transition Plan)	The plan for the period of time and activities for the transition of TEX-AN 2021 Services under this CTSA from the Successful Respondent to DIR or a successor service provider designated by DIR at the end of the Term. See Article 21 of the CTSA.
VIS	Vendor Information System.
Voice	Has the meaning described in Section 3.1, Voice Services of the SOW.
VPAT	Voluntary Product Accessibility Template.
WAN	Wide area network.
WCAG	Web content accessibility guidelines
Wired	In the context of this RFO, Wired refers to the transmission of data over a wire-based communication technology.
Wireless	In the context of this RFO, Wireless is the electromagnetic transfer of information between two or more points that are not connected by an electrical conductor.

— End of Exhibit A —

Exhibit B To TEX-AN 2021 Communications Technology Services Agreement

Between

**The State of Texas, acting by and through the
Texas Department of Information Resources**

and

Continuant Tech, Inc. (Successful Respondent)

EXHIBIT B.
DESCRIPTIONS, RATES TO DIR, PRICES, AND RELATED
TELECOMMUNICATIONS FEES AND
SURCHARGES FOR AWARDED SERVICES

1 INTRODUCTION

The purpose of Exhibit B is to address the agreed-upon Descriptions, Rates to DIR, Prices, and related telecommunications fees and surcharges for Awarded Services.

2 CONTRACTUAL PRINCIPLES

- a) This Exhibit B addresses the following principles:
- b) The specifics for the Descriptions, Rates to DIR, Prices, and related telecommunications fees and surcharges for Awarded Services within scope of this CTSA are contained in this Exhibit B, Attachment B-1 through Attachment B-4. The Successful Respondent's Descriptions, Rates to DIR, Prices, and fees are consistent with the terms of the CTSA.
- c) The Marketing Plan is the Successful Respondent's projection of the activities it will engage in to maximize the economic value of the CTSA during the Term of the CTSA. The Marketing Plan includes a statement of operations for the awarded Services and the narrative discussion including all key assumptions, risks, and risk mitigation strategies used to generate Purchase Orders from Customers.

3 METHODOLOGY FOR UPDATING ASSOCIATED ATTACHMENTS

3.1 Recommendations

Either DIR or Successful Respondent may submit to the other Party a recommendation for changes to Attachment C-1. Such recommendation will be in writing and will:

- a) Specifically identify the portion or portions of the Attachments to be changed,
- b) Include the specific Rates to DIR, Prices, or telecommunications fees and surcharges to be changed and/or Descriptions to be altered in the Attachments, and
- c) Identify the reasons for the proposal and anticipated revenue impact from the change or repercussions for Failure to adopt the change. A copy of the recommendation will be provided to the other Party. The Parties will use electronic communications to submit, review, and implement changes to the Attachments. Attachment changes shall be provided to Customers via the Successful Respondent's webpage and DIR's TEX-AN 2021 Program webpage.

3.2 Review and Input

- a) DIR will determine whether input on the recommendation from other Customers is appropriate and will promptly circulate the recommendation to those identified. If DIR does request input from any Customer, DIR will require any input to be provided in writing and submitted within a

specified period of time, not to exceed thirty (30) Business Days from the date of the recommendation.

- b) DIR and Successful Respondent will each receive a copy of the written input from the Customers, if applicable. The Party making the recommendation may propose adjustments to the recommendation to address any input of the Customers.

3.3 Approval

If DIR and Successful Respondent agree upon the recommendation, the Parties will execute a revision to Attachments, as applicable, which will be effective when signed by authorized representatives of both DIR and Successful Respondent. The revised Attachments will be posted in a location agreed to by Successful Respondent and DIR. Revisions may be in the form of electronic records of the new Descriptions, Rates to DIR, Prices, and/ or telecommunications fees and surcharges for changes to Attachment B-1. Successful Respondent shall update its webpage accessible to Customers immediately to have the revised portions of the Attachment B-1 available to Customers as soon as possible.

3.4 Appeal

If DIR and Successful Respondent cannot agree on a recommendation, the recommendation may be submitted to the Executive Leadership Team for resolution.

4 ATTACHMENTS TO EXHIBIT B

The following attachments are incorporated as part of Exhibit B:

Attachments to Exhibit B	Description and Contents
Attachment B-1 Descriptions, Rates to DIR, Prices, and related telecommunications fees and surcharges for Awarded Services	Attachment B-1 contains the Descriptions, Rates to DIR, Prices, and the telecommunications fees and surcharges for the Awarded Services.
Attachment B-2 Descriptions, Rates to DIR, Prices and related telecommunications fees and surcharges for Carrier Class Services; and only applicable to Successful Respondents that are awarded Carrier Class Services.	Attachment B-2 contains service descriptions, rates to DIR and customer prices and related telecommunications fees, taxes and surcharges related to Carrier Class Services and include the respective administrative fee (12% for services where DIR acts as billing agent, and 4% for direct sales services) for services described therein. Attachment B-2 is attached to the CTSA as referenced here.
Attachment B-4 Descriptions, Rates to DIR, Prices and related telecommunications fees and surcharges for Telecom Managed Services; and only applicable to Successful Respondents that are awarded Telecom Managed Services.	Attachment B-4 contains service descriptions, rates to DIR and customer prices and related telecommunications fees, taxes and surcharges related to Telecom Managed Services and include the respective administrative fee of .50% for services described therein. There is no pricing related to Attachment B-4, but the Sample Statement of Work Template for Telecom Managed Services is included as an attachment to the CTSA.

Attachment B-1.

The parties will agree which services at what prices will be contained in the tables in this section.

1. Carrier Class Services

Includes, but not limited to, Voice Service, local and long distance, VOIP, bundled voice services, managed PBX, and unified communications voice services, data services, including Ethernet, Internet, MPLS, broadband services, and Small Office/Home Office (SOHO) service, next generation 911 services, fiber based technologies, and network power management services. Carrier Class Services awarded under this contract are those specifically stated in Attachment B-2 to Exhibit B.

2. Wireless Services

Includes, but not limited to wireless voice, data and bundled plans, bundled mobile device and network management services, intelligent community services, wireless business services, microwaves, satellite voice plans, wireless WAN, and wireless broadband. Wireless Services awarded under this contract are those specifically stated in Attachment B-3 to Exhibit B

3. Telecom Managed Services

Includes, but not limited to, managed or hosted voice and data network solutions, network optimization analysis and review, network project management, call attendant, IVR, and relate services as detailed by customers through the Statement of Work Template and bid process.

Pricing for services awarded under this contract can be found in Attachment B-2, and Attachment B-3.

— **End of Exhibit B** —

TEX-AN 2021 Communications Technology Services Agreement

Between

**The State of Texas, acting by and through the
Texas Department of Information Resources**

and

Continuant Tech, Inc. (Successful Respondent)

EXHIBIT C. PERFORMANCE MANAGEMENT

1 INTRODUCTION

The purpose of Exhibit C is to comprehensively address the agreed-upon Performance Management for delivery of awarded Services.

2 PERFORMANCE MANAGEMENT CONTRACTUAL PRINCIPLES

Exhibit C Performance Management addresses the following principles:

2.1 Credit Assessments

DIR has chosen to address a majority of the risks related to Successful Respondent performance through the assessment of Credits against Rates to DIR and Prices for Services. The following provisions form the basis for assessing Credits as described in the CTSA:

- a) If the Successful Respondent does not fulfill its Services as specified under the CTSA, DIR and the Customers will be damaged;
- b) Establishing the precise amount or value of such damage may be difficult to quantify; and
- c) Except as otherwise provided in the CTSA, Credits will start to accumulate immediately following the end of the Service billing period in which an applicable SLA was not met.

2.2 Service Level Agreements (SLAs)

- a) Successful Respondent will comply with the performance criteria outlined in this Exhibit C.
- b) For each Service, Successful Respondent and DIR have agreed on acceptable SLAs and acceptable Credits associated with failure to deliver on each SLA, as set forth in Service Level Agreement (SLA) Plan. Successful Respondent will provide continuous improvement of the SLAs over the life of the CTSA. DIR and the Successful Respondent will review all of the SLAs on an annual basis.
- c) All proposed plans and mechanisms to be used for reporting shall be subject to approval by DIR, and all approved SLAs will be governed by the CTSA, as well as any special provisions agreed upon by DIR, Customer, and the Successful Respondent with respect to each SLA and/or CSA.

2.3 Reporting

- a) Failure of the Successful Respondent to submit the Management Plans required in Exhibit D Plans and Reports required in Attachment C-1 may result in Credits in the amount of \$500 per day after a five (5) day cure period. The same Credits also apply to Management Plans that are changed due to any future updates or revision requests that may be required by DIR. A revised plan addressing changes recommended by DIR must be submitted to DIR within five (5) Business Days of receiving notice from DIR. Changes to Management Plans will be made in accordance with Exhibit D Plans, Article 3 Methodology for Updating Associated Exhibit Attachments and Plans.

- b) Due dates for the initial drafts and final drafts of the Management Plans are specified in Exhibit D Plans.

2.4 Service Instance Performance

- a) The Successful Respondent will measure SLAs per Service as defined below, and report on performance as described in the CTSA.
- b) Per Service, as applicable:
 - 1) Mean Time to Repair
 - 2) Service Availability
 - 3) Latency
 - 4) Packet Delivery Rate
 - 5) Jitter
 - 6) Chronic Outage

2.5 Reports

Tailored remedies as described in the CTSA, may be used by DIR if the Successful Respondent fails to produce and submit all required reports as documented by the schedule of reports agreed to by the Parties pursuant to the Master Vendor Reporting Guide and stated in this Attachment C-1. Successful Respondent will not be liable for any failure or delay in performing its obligations under this Section if such failure or delay is due to Force Majeure Events. Additional reporting may be required by DIR in accordance with the CTSA.

2.6 Reporting on Performance Management

All plans and mechanisms to be used for reporting shall be subject to approval by DIR.

3 METHODOLOGY FOR UPDATING ASSOCIATED ATTACHMENT C-1

Attachment C-1 sets forth the actual reports related to Performance Management due on a monthly basis and as related to Successful Respondent business functions.

3.1 Recommendations

Either DIR or Successful Respondent may submit to the other Party a recommendation for changes to reports listed in Attachment C-1. Such recommendation will be in writing and will:

- a) Specifically identify the portion or portions of the Master Vendor Reporting Guide to be changed,
- b) Include the specific information to be changed and/or descriptions to be altered, and
- c) Identify the reasons for the proposal and anticipated revenue impact from the change or repercussions for failure to adopt the change. A copy of the recommendation will be provided to the other Party. The parties will use electronic communications to submit, review, and implement changes to Master Vendor Reporting Guide and Attachment C-1. Attachment C-1 changes shall be provided to Customers via DIR's contract landing webpage.

3.2 Review and Input

- a) DIR will determine whether input on the recommendation from other Customers is appropriate and will promptly circulate the recommendation to those identified. If DIR does request input from any Customer, DIR will require any input to be provided in writing and submitted within a specified period of time, not to exceed thirty (30) Business Days from the date of the recommendation.
- b) DIR and Successful Respondent will each receive a copy of the written input from the Customers, if applicable. The Party making the recommendation may propose adjustments to the recommendation to address any input of the Customers.

3.3 Approval

If DIR and Successful Respondent agree upon the recommendation, the Parties will execute a revision to Attachment C-1 or Master Vendor Reporting Guide, as applicable, which will be effective when signed by authorized representatives of both DIR and Successful Respondent. The revised Attachment C-1 will be posted in a location agreed to by Successful Respondent and DIR. Revisions may be in the form of electronic records of the new, or updated reports related to Attachment C-1 or the Master Vendor Reporting Guide.

3.4 Appeal

If the DIR and Successful Respondent cannot agree on a recommendation, the recommendation may be submitted to the Executive Leadership Team for resolution.

4 DOCUMENTS REFERENCED IN EXHIBIT C PERFORMANCE MANAGEMENT

4.1 Attachments to Exhibit C

Attachment C-1 is incorporated herein as part of Exhibit C Performance Management.

Attachment C-1. Tables reflecting Performance Measurement Reports due on a monthly basis

The tables in Attachment C-1 set forth the actual Performance Measurement Reports as related to Successful Respondent business functions.

- (1) Change/Release Management Report.
- (2) After Action Reports,
- (3) Request for Change Report.
- (4) Trouble Ticket Aging Report
- (5) SLA Non-Compliance Report
- (6) Outbound CDR Report
- (7) Inbound CDR
- (9) Marketing Report

- (10) Invoice Summary Report
- (11) Status for Projects by Customer Report
- (12) HUB Subcontractor Report,
- (13) Direct Sales Transactions Reports
- (14) Monthly Recurring Charge (MRC) Report
- (15) Non-Recurring Charge (NRC) Report
- (16) Adjustments/Credits Report
- (17) Long Distance (LD) Usage

— **End of Exhibit C** —

TEX-AN 2021 Communications Technology Services Agreement

Between

**The State of Texas, acting by and through the
Texas Department of Information Resources**

and

Continuant Tech, Inc. (Successful Respondent)

EXHIBIT D. PLANS

1 INTRODUCTION

The purpose of Exhibit D Plans is to comprehensively address agreed-upon CTSA Management Plans related to services where DIR acts as the Successful Respondent's billing agent, with the exception of the Marketing Plan which is required of all Successful Respondents.

2 REQUIREMENTS

- a) The Successful Respondent is responsible for Services delivered under the CTSA.
- b) The Successful Respondent shall demonstrate strong project management practices.
- c) The Successful Respondent shall create, maintain, implement, and update Management Plans in accordance with this Exhibit D.
- d) Initial and final drafts of the Management Plans are to be submitted to DIR for approval within the timeframes specified in Table 1 of Section 4.2, Plans and Timelines in this Exhibit D.
- e) The Successful Respondent will provide updated Management Plans annually or as requested by DIR.
- f) The Management Plans and Services to be provided by Successful Respondent are included in Attachment D-1 to Exhibit D:

3 METHODOLOGY FOR UPDATING ASSOCIATED PLANS

3.1 Recommendations

Either DIR or Successful Respondent may submit to the other Party a recommendation for changes or additions to Plans. Such recommendation will be in writing and will:

- a) Specifically identify the portion or portions of the plan to be changed,
- b) Include the specific language to accomplish the proposed change, and
- c) Identify the reasons for the proposal and anticipated improvements from the change or repercussions for failure to adopt the change. A copy of the recommendation will be provided to the other Party.

3.2 Review and Input

- a) DIR will determine whether input on the recommendation from any other Customers is appropriate and will promptly circulate the recommendation to those identified. If DIR does request input from any other Customers, DIR will require any input to be provided in writing and submitted within a specified period of time, not to exceed sixty (60) Business Days from the date of the recommendation.
- b) DIR and Successful Respondent will each receive a copy of the written input from the other Customers, if applicable. The Party making the recommendation may propose adjustments to the recommendation to address any input of the other Customers.

3.3 Approval

- a) If DIR and Successful Respondent agree upon the recommendation, the Parties will execute a revision to the Plan, as applicable, which will be effective when signed by authorized representatives of both DIR and Successful Respondent and the revised Plan will be posted in a location agreed to by Successful Respondent and DIR.
- b) An approved Plan revision resulting in a substantial change to CTSA operations may trigger a formal amendment process.

3.4 Appeal

If the DIR and Successful Respondent cannot agree on a recommendation, the recommendation may be submitted to the Executive Leadership Team for resolution.

4 DOCUMENTS REFERENCED IN EXHIBIT D PLANS

4.1 Attachments to Exhibit D

Once accepted by DIR, the final version of the Exhibit D attachments will be incorporated as part of Exhibit D Plans.

4.2 Exhibit D Plans

The following plans are associated with Exhibit D Plans:

- 4.2.1 Attachments D-1 through D-7 to be determined by the Parties and posted to the contract landing page on the DIR website.

Plan #	Management Plan Name
D1	Program Management Plan
D2	Marketing Plan
D3	Service Delivery & Order Process Plan
D4	Help Desk Plan
D5	Change Management Plan
D6	Service Level Agreement (SLA) Plan
D7	Billing Plan

— End of Exhibit D —

TEX-AN 2021 Communications Technology Services Agreement

Between

**The State of Texas, acting by and through the
Texas Department of Information Resources**

and

Continuant Tech, Inc. (Successful Respondent)

EXHIBIT E. INSURANCE

1 INTRODUCTION

The purpose of Exhibit E Insurance is to address the Successful Respondent insurance requirements for the CTSA.

2 INSURANCE CONTRACTUAL PRINCIPLES

- a) Successful Respondent agrees to keep in full force and effect and maintain at its sole cost and expense the following policies of insurance with the specified minimum limits of liability during the term of this CTSA and shall provide proof of such insurance coverage to DIR within five (5) Business Days following the execution of the CTSA. Successful Respondent may not begin performance under the CTSA until such proof of insurance coverage is provided to, and approved by, DIR, in its sole and absolute discretion. All required insurance must be issued by companies whose A.M. Best Company Financial Strength Ratings are at least A – financially rated and duly licensed, admitted, and authorized to do business in the State. DIR will be named as Additional Insured on all required coverage (except for Worker’s Compensation coverage). Notwithstanding the foregoing, the parties agree that Successful Respondent’s carrier(s) for non-Worker’s Compensation and non-Business Automobile Liability coverages may be a company other than one admitted in the State, so long as the company has a minimum A.M. Best Company Financial Strength Rating of A- and complies with all other requirements stated herein. The minimum acceptable insurance provisions are as follows:
 - 1) **Commercial General Liability:** Commercial General Liability must include a combined single limit of \$500,000 per occurrence for coverage A, B, & C including products/completed operations, where appropriate, with a separate aggregate of \$500,000. The policy shall contain the following provisions:
 - i. Blanket contractual liability coverage for liability assumed under the CTSA;
 - ii. Independent Contractor coverage;
 - iii. State, DIR and Customer listed as an additional insured;
 - iv. Thirty (30)-day Notice of Termination in favor of DIR and/or Customer; and
 - v. Waiver of Transfer Right of Recovery Against Others in favor of DIR and/or Customer.
 - 2) **Workers’ Compensation Insurance:** Workers’ Compensation Insurance and Employers’ Liability coverage must include limits consistent with statutory benefits outlined in the Texas Workers’ Compensation Act (Art. 8308-1.01 et seq. Tex. Rev. Civ. Stat) and minimum policy limits for Employers’ Liability of \$250,000 bodily injury per accident, \$500,000 bodily injury disease policy limit, and \$250,000 per disease per employee.
 - 3) **Business Automobile Liability Insurance:** Business Automobile Liability Insurance must cover all owned, non-owned, and hired vehicles with a minimum combined single limit of \$500,000 per occurrence for bodily injury and property damage. Alternative acceptable limits are \$250,000 bodily injury per person, \$500,000 bodily injury per occurrence and at least \$100,000 property damage liability per accident. The policy shall contain the following endorsements in favor of DIR and/or Customer:

- i. Waiver of Subrogation;
 - ii. 30-day Notice of Termination; and
 - iii. Additional Insured.
- 4) Professional Liability (also known as Errors and Omissions Liability) and, as and to the extent becoming commercially available, Cyber Risk Insurance covering acts, errors and omissions arising out of Successful Respondent’s operations or Services. The per claim and policy aggregate amount(s) shall be negotiated by the Parties.
- b) Similar coverage as described above shall be required from Successful Respondent in each instance in which it agrees to perform work related to Services at a Customer’s premises. A certificate of insurance demonstrating compliance with these coverages and listing the Customer as the additional Insured shall be provided to the Customer prior to Successful Respondent commencing work at a Customer’s premises.

3 METHODOLOGY FOR UPDATING ASSOCIATED EXHIBIT E ATTACHMENTS AND PLANS

There is no need to update Attachment E-1 Successful Respondent’s Certificate of Insurance. Any changes to insurance requirements will be made at the exhibit level.

4 DOCUMENTS REFERENCED IN EXHIBIT E INSURANCE

4.1 Exhibit E Insurance Attachments

In Attachment E-1 Successful Respondent’s Certificate of Insurance, Successful Respondent has included its Certificate of Insurance, which sets forth the Successful Respondent’s insurance coverage.

Attachments to Exhibit E	Description
Attachment E-1 Successful Respondent’s Certificate of Insurance	Successful Respondent’s Certificate of Insurance

4.2 Attachment E-1. Successful Respondent’s Certificate of Insurance

— End of Exhibit E —

Attachment B-2 to Exhibit B

Continuant Tech, Inc.

Contract DIR-TELE-CTSA-011

EAU 1 effective date 4/18/2022

General Pricing Information Tab

All pricing includes taxes, fees and surcharges. Successful Respondent shall not invoice for any separate taxes, fees, or surcharges.

**PRICING WITH DIR ADMINISTRATIVE FEE
(CUSTOMER PAYS THIS AMOUNT)**

Geographical Area: Texas

LOCAL VOICE SERVICES PRICING

Plan Name/Title	MRC	MRC Description	NRC	NRC Description	Term
Continuant Voice Connect	\$12.48	Inclusive domestic calling plan (3,000 minutes) with a pay as you consume model for international calling in Microsoft Teams. Includes 1 DID, one-time port or one-time new activation. MRC is per user.			Month-to-month
Continuant Business Connect	\$8.32	Inclusive domestic calling plan (3,000 minutes) with a pay as you consume model for international calling in Microsoft Teams, Maximum 300 seats, includes 1 DID, one-time port or one-time new activation. MRC is per user.			Month-to-month
Continuant Enterprise Connect	\$4.68	A complete pay-as-you-consume model for domestic and international calling for voice in Microsoft Teams, minimum 300 seats, does not include DID, porting or activation fees. MRC is per user.			Month-to-month
Continuant Government & Education Connect	\$6.24	300 minutes of domestic calling with a pay as you consume model for international calling for voice in Microsoft Teams, requires an Education or Public Sector tenant with Microsoft, includes 1 DID, one-time port or one-time new activation. MRC is per user.			Month-to-month
Continuant Service Number	\$8.32	Inbound high-capacity Service Number for use with Microsoft Teams Auto Attendants and/or Call Queues; includes 1 DID and 5,000 minutes. MRC is per user.	\$10.40	One-time activation of the Service	Month-to-month
Outbound to USA Landline or Mobile	\$0.026	Outbound PSTN call. MRC is per minute.			
Inbound to USA Landline or Mobile	\$0.026	Inbound PSTN call. MRC is per minute			
Local DID	\$1.04	Local DID. MRC is per DID per month.	\$7.80	One-time port or activation of DID	

MANAGED PBX SERVICES PRICING

Plan Name/Title	MRC	MRC Description	NRC	NRC Description	Term
Basic CMS – Continuant Connect Calling Plan	\$2.08	Managed Services. MRC is per user.			12 months
Extended CMS – Continuant Connect Calling Plan	\$2.60	Managed Services. MRC is per user.			12 months
Premium CMS – Continuant Connect Calling Plan	\$4.99	Managed Services. MRC is per user.			12 months
Basic CMS – Microsoft Teams Phone System	\$2.08	Managed Services. MRC is per user.			12 months

**PRICING WITH DIR ADMINISTRATIVE FEE
(CUSTOMER PAYS THIS AMOUNT)**

Geographical Area: Texas					
Extended CMS – Microsoft Teams Phone System	\$2.60	Managed Services. MRC is per user.			12 months
Basic CMS – Cisco Unified Communications	\$2.17	Managed Services. MRC is per user.			12 months
Extended CMS – Cisco Unified Communications	\$3.52	Managed Services. MRC is per user.			12 months
Premium CMS – Cisco Unified Communications	\$6.62	Managed Services. MRC is per user.			12 months
Extended CMS – Cloud Contact Center	\$20.80	Managed Services. MRC is per agent.			12 months
Basic CMS – Small SBC/ISR/Gateway	\$93.60	Managed Services. MRC is per device.			12 months
Extended CMS – Small SBC/ISR/Gateway	\$140.40	Managed Services. MRC is per device.			12 months
Premium CMS – Small SBC/ISR/Gateway	\$208.00	Managed Services. MRC is per device.			12 months
Basic CMS – Medium SBC/ISR/Gateway	\$140.40	Managed Services. MRC is per device.			12 months
Extended CMS – Medium SBC/ISR/Gateway	\$187.20	Managed Services. MRC is per device.			12 months
Premium CMS – Medium SBC/ISR/Gateway	\$260.00	Managed Services. MRC is per device.			12 months
Basic CMS – Large SBC/ISR/Gateway	\$163.80	Managed Services. MRC is per device.			12 months
Extended CMS – SBC/ISR/Gateway	\$244.40	Managed Services. MRC is per device.			12 months
Premium CMS – SBC/ISR/Gateway	\$312.00	Managed Services. MRC is per device.			12 months
PBX Base Plan	\$1.75	Maintenance. MRC is per user.			12 months
PBX Voice Mail Base Plan	\$0.49	Maintenance. MRC is per user.			12 months
PBX Small Server	\$38.62	Maintenance. MRC is per server.			12 months
PBX Large Server	\$93.60	Maintenance. MRC is per server.			12 months
PBX System Manager	\$38.62	Maintenance. MRC is per Session Manager.			12 months
PBX Session Manager	\$93.60	Maintenance. MRC is per Session Manager.			12 months
PBX 24/7 Onsite Incident Management (PBX)	\$0.16	Maintenance. MRC is per user.			12 months
PBX 24/7 Onsite Incident Management (VM)	\$0.04	Maintenance. MRC is per user.			12 months
PBX Telephone & Attendant Console Coverage	\$0.40	Maintenance. MRC is per user.			12 months

**PRICING WITH DIR ADMINISTRATIVE FEE
(CUSTOMER PAYS THIS AMOUNT)**

Geographical Area: Texas

PBX Onsite Critical Spare Equipment	\$0.30	Maintenance. MRC is per user.			12 months
PBX Simple Service Requests	\$34.32	Maintenance. MRC is per Service Request.			12 months

OTHER VOICE SERVICES PRICING

Plan Name/Title	MRC	MRC Description	NRC	NRC Description	Term
Basic CMS – Small Meeting Room	\$57.20	Managed Services. MRC is per room.			
Extended CMS – Small Meeting Room	\$78.00	Managed Services. MRC is per room.			
Premium CMS – Small Meeting Room	\$88.40	Managed Services. MRC is per room.			
Basic CMS – Medium Meeting Room	\$67.60	Managed Services. MRC is per room.			
Extended CMS – Medium Meeting Room	\$88.40	Managed Services. MRC is per room.			
Premium CMS – Medium Meeting Room	\$98.80	Managed Services. MRC is per room.			
Basic CMS – Large Meeting Room	\$78.00	Managed Services. MRC is per room.			
Extended CMS – Large Meeting Room	\$98.80	Managed Services. MRC is per room.			
Premium CMS – Large Meeting Room	\$109.20	Managed Services. MRC is per room.			

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Allison Eckert, Interim HR and Risk Mgt Director
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE:

Consideration and Approval of Contract Amendment: Approval of a contract amendment for the City Attorney effective March 5, 2024.

STAFF RECOMMENDED ACTION:

Approve City Attorney Contract Amendment adding one week (5 days) of vacation leave per year for a total of 28 days.

Executive Summary:

City Council approved a contract for the City Attorney effective July 5, 2022, for a term of five (5) years, expiring on July 4, 2027. In May/June of 2023, the Human Resources Director facilitated the City Council's annual performance evaluation of the City Attorney. As a result of the evaluation in which the City Attorney received a high rating of "Consistently Exceeds Expectations", Council agreed to add one week of vacation to the terms initially agreed upon in addition to the standard merit increase associated with his rating.

Unfortunately, the HR Director went on leave before he was able to take the contract amendment before Council for formal approval and, therefore, we are bringing it forward now. If approved, the change in vacation days will be retroactive to July 9, 2023.

Financial Impact:

Funding for the City Attorney is provided in the Flagstaff City Budget.

Policy Impact:

Not applicable.

Connection to PBB, Carbon Neutrality Plan, 10-Year Housing Plan & Regional Plan:

Priority Based Budget Key Community Priorities and Objectives

High Performing Governance: Serve the public by providing high quality customer service.

Has There Been Previous Council Decision on This:

Yes. This is an amendment to the Council-approved contract effective July 5, 2022.

Attachments: City Attorney Contract Amendment



FIRST AMENDMENT
EMPLOYMENT AGREEMENT
Sterling T. Solomon

This First Amendment (“First Amendment”) to the fully executed Contract for Sterling T. Solomon City Employment dated 09-26-2022 (the “Initial Contract”) is made and entered into this ____ day of _____, 2024, by and between the City of Flagstaff, an Arizona municipal corporation with offices at 211 West Aspen Avenue, Flagstaff, Arizona 86001, and Sterling T. Solomon, City Employee.

The Parties to the Initial Contract, hereby agree to the following amendment. Deleted text has a ~~strikethrough~~ and new text is **bolded and ALLCAPS**.

5. PERQUISITES

e. Vacation. Employee shall accrue vacation leave pursuant to Section 1-50-020 of the Employee Handbook of Regulation (the “Handbook”). **RETROACTIVE TO JULY 9, 2023, EMPLOYEE SHALL BE ENTITLED TO**, which as of the date of this Agreement is ~~twenty-three (23)~~ **TWENTY-EIGHT (28)** days per year of vacation, reflecting ~~fifteen to nineteen (15-19)~~ **TWENTY-FIVE TO TWENTY-NINE (25-29)** years of public service for an exempt employee. Subject to the carry over limitations set forth in the Handbook, Employee shall carry over all vacation leave that Employee accrued, prior to the date of this agreement, due to his service with the City.

(Remainder of Page Intentionally Blank)

IN WITNESS WHEREOF, the Parties have caused this First Amendment to be executed by their duly authorized representatives as of the date first written above. This First Amendment will be in full force and effect only when it has been approved and executed by the duly authorized City officials.

City of Flagstaff

Sterling T. Solomon

By: _____
Becky Daggett, Mayor

By: _____

Title: _____

Dated: _____

Dated: _____

Attest:

City Clerk

Approved as to form:

Attorney for the City of Flagstaff

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Edward Schenk, Water Services Manager - Stormwater
Co-Submitter: Stacey Brechler-Knaggs
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE:

Consideration and Approval of Contract: Cedar Avenue Culvert Improvement Project, a grant agreement between the Arizona Department of Emergency and Military Affairs (DEMA) and the City of Flagstaff.

STAFF RECOMMENDED ACTION:

Approve the grant agreement with the Arizona Department of Emergency and Military Affairs (DEMA) for the award of the Cedar Avenue Culvert Improvement Project, a FEMA HMGP grant (HMGP DR-4524-011-07R) for a total project cost of \$1,950,495, with a Federal share of \$990,000 and a City share of \$960,495.

Executive Summary:

The Museum Fire occurred in June 2019, burning approximately 2000 acres of the headwaters of Spruce Wash. The subsequent post-fire flash floods caused considerable damage to the Grandview and Sunnyside neighborhoods in July and August of 2021. Subsequent to these floods the voters approved Proposition 441 in November, 2022. Prop 441 provides \$26 million of bond funding for a suite of flood mitigation projects in the Spruce Wash corridor. The funding, however, is insufficient to complete the full suite of projects. Stormwater staff have diligently been applying and lobbying for external funding, including this Hazard Mitigation Grant Program (HMGP) opportunity through FEMA. This successful grant provides \$990,000 of Federal funding for the upsizing of the Cedar Avenue culvert at Spruce Wash, one project within the Spruce Wash suite of projects. The City share (\$960,495) will come from the bond funding.

Financial Impact:

This successful grant provides \$990,000 of Federal funding for the upsizing of the Cedar Avenue culvert at Spruce Wash, one project within the Spruce Wash suite of projects. The City share (\$960,495) will come from the bond funding in Proposition 441, passed by voters in November 2022. The Cedar to Linda Vista Channel project is budget in account 410-08-685-3525-3 for \$2,559,852 in FY 2023-24 and FY 2024-25 \$1,725,298.

Policy Impact:

No policy impacts

Connection to PBB, Carbon Neutrality Plan, 10-Year Housing Plan & Regional Plan:

Priority Based Budgeting Priorities

- Sustainable, Innovative Infrastructure: Deliver outstanding services to residents through a healthy, well maintained infrastructure system
- High Performing Governance: Enhance the organization's fiscal stability & increase efficiency & effectiveness

Regional Plan:

- Goal WR.2.2 Maintain and develop facilities to provide reliable, safe and cost-effective stormwater services.

Carbon Neutrality Plan

- Community Resilience: Ensure all mitigation actions improve Flagstaff's ability to adapt to the future.
- Community Resilience: Strengthen existing community systems to create resilience to both short-term shocks and long-term change.

Has There Been Previous Council Decision on This:

There has not been Council decisions on this specific project, however there have been decisions on the greater suite of projects including:

- 12/7/2021: passage of Ordinance 2021-24 for acquisition of drainage easements related to Spruce Wash/Museum Fire.
- 4/19/2022: ratification of Spruce Wash channel improvements near Dortha Avenue.
- 7/5/2022: Approval of an administrative floodplain overlay in post-fire impacted areas of Spruce Wash.

Options and Alternatives:

- 1) Approve this grant agreement with AZ DEMA for the award of \$990,000 of Federal funding for Cedar Avenue Culvert Improvements.
- 2) Reject this grant agreement, staff will explore other funding options for this needed drainage improvement as part of the Spruce Wash suite of projects.

Background and History:

The Museum Fire burned in June 2019, causing subsequent post-fire flash flooding in 2021. Proposition 441 was passed overwhelmingly by voters (76% support) in November 2022 to help fund drainage improvements in Grandview and Sunnyside to lessen the risk of post-fire flooding. Prop 441 provides \$26M of bond funding for a suite of drainage improvements, however the total cost of the suite of projects now exceeds \$30M. The gap in funding is being examined by staff with the Stormwater Section taking upon themselves to write multiple grants. This particular grant was written in late 2022, early 2023 and was recently awarded through FEMA's HMGP grant mechanism. Other grant proposals are in the works to continue to bridge the funding gap.

Community Benefits and Considerations:

Prop 441 provides \$26M of bond funding for a suite of drainage improvements, however the total cost of the suite of projects now exceeds \$30M. The gap in funding is being examined by staff with the Stormwater Section taking upon themselves to write multiple grants. This particular grant was written in late 2022, early 2023 and was recently awarded through FEMA's HMGP grant mechanism. The Federal share of this successful grant is \$990,000. Other grant proposals are in the works to continue to bridge the funding gap.

Community Involvement:

The Spruce Wash suite of projects is intended to upsize the drainage infrastructure from near City limits to Killip Elementary School. The design will alleviate the flood risk from a 2 inch rain storm in 45 minutes (roughly a 25 year storm, or 4% annual exceedance probability storm). This grant will provide partial funding for the upsizing of the Cedar Avenue culvert, one of the projects within the suite of projects.

Expanded Options and Alternatives:

The community receives regular updates through online newsletters, social media, Council flood updates, and community townhalls for the Museum Fire.

Attachments: [Award letter](#)
 [Grant Agreement HMGP DR-4524-011-007R](#)



FEMA

January 22, 2024

Major General Kerry L. Muehlenbeck, Director
Governor's Authorized Representative
Arizona Department of Emergency and Military Affairs
5636 East McDowell Road
Phoenix, AZ 85008-3495

Reference: Application Approval, HMGP DR-4524-011-07R
City of Flagstaff
Museum Fire Post-Fire Flood Mitigation - Cedar Avenue Culvert Improvement Project
FIPS Code: 005-23620, Supplement 6

Dear Major General Muehlenbeck:

We approve and issue Hazard Mitigation Grant Program (HMGP) funds for the city of Flagstaff, HMGP DR-4524-011-07R, Museum Fire Post-Fire Flood Mitigation - Cedar Avenue Culvert Improvement Project.

The total project cost is \$1,950,495.00. As shown in the enclosed Obligation Report - Supplement 6, we are obligating \$990,000.00, for the 50.76 percent Federal share; the 49.24 percent non-Federal share is \$960,495.00. These funds are available in SmartLink for immediate and eligible disbursements. The following is a summary of the approved funding:

Funding Type:	Federal Share:	Non-Federal Share:	Total Project Cost:
Supplement 6	\$990,000.00	\$960,495.00	\$1,950,495.00

This HMGP project approval and obligation of funds are subject to the following conditions:

- 1. Scope of Work (SOW)** – The approved project will mitigate the consequences of post-Museum Fire flooding impacts to the City of Flagstaff in Coconino County, Arizona. This project will improve an existing concrete box culvert to increase capacity so post-Museum Fire flooding impacts can be mitigated. The existing concrete box culvert is 10 feet by 4 feet with a capacity of approximately 400 cubic feet per second (cfs). The project will upsize the culvert to 14 feet wide by 4 feet high and 78 feet long. The capacity will be increased from 400 (cfs) to 650 cfs. The new culvert dimensions will be 14 feet wide by 4 feet high by 78 feet long. The project will require installation of concrete headwalls, wing walls and transition channels to connect to channel improvements. The concrete headwalls at each end of the box culvert will be 30 feet high by 20 feet wide by 1 foot thick. The wing walls will taper from 30 feet and will be 20 feet wide and 1 foot thick.
- 2. Project Completion Date** – The work schedule included with the project application indicates that the project will take 36 months to complete; however, we can only approve a project up to the approved disaster period of performance (POP). Therefore, the project completion date is February 1, 2026. Please inform the sub-recipient that work completed after the disaster period of performance (POP) is not eligible for federal funding, and that federal funds may be de-obligated for work completed outside the POP when there is no approved time extension.

3. **Project Closeout** – Within 120 days of project completion, all project funds must be liquidated and final closeout documentation for the project must be submitted to FEMA. Please note the project must comply with Code of Federal Regulations Title 2, Part 200 reporting requirements at the time of closeout.
4. **Record of Environmental Considerations (REC)** – This project has been determined to be Categorically Excluded from the need to prepare either an Environmental Impact Statement or Environmental Assessment in accordance with FEMA Instruction 108-1-1 and FEMA Directive 108-1-1 as authorized by DHS Instruction Manual 023-01-001-01, Revision 1. Categorical Exclusion a4 (information gathering, data analysis and processing, information dissemination, review, interpretation, and development of documents) has been applied. Particular attention should be given to the project conditions before and during project implementation. Failure to comply with these conditions may jeopardize federal assistance including funding.
5. **Standard Conditions** – This project approval is subject to the enclosed *Standard Mitigation Grant Program (HMGP) Conditions*, amended August 2018. Please note that federal funds may be de-obligated for work that does not comply with these conditions.

If you have any questions, please contact Jasmine Gonzalez, Grant Management Specialist, by email Jasmine.Gonzalez@fema.dhs.gov, or phone (771) 217-3848.

Sincerely,

Kathryn Lipiecki
Director, Mitigation Division
FEMA Region 9

Enclosures (3):

Obligation Report - Supplement 6
Record of Environmental Considerations (REC)
Standard Mitigation Grant (HMGP) Conditions

cc: Andrew Traylor, State Hazard Mitigation Officer (SHMO), Arizona Department of Emergency and Military Affairs
Robert McCord, Chief, Hazard Mitigation Assistance Branch, FEMA Region 9

HAZARD MITIGATION GRANT PROGRAM

Obligation

Disaster No	FEMA Project No	Amendment No	State Application ID	Action No	Supplemental No	State	Recipient
4524	7 -R	0	11	1	6	AZ	Statewide

Subrecipient: Flagstaff

Project Title : Museum Fire Post-Fire Flood Mitigation - Cedar Avenue Culvert Improvement

Subrecipient FIPS Code: 005-23620

Total Amount Previously Allocated	Total Amount Previously Obligated	Total Amount Pending Obligation	Total Amount Available for New Obligation
\$990,000.00	\$990,000.00	\$0.00	\$0.00

Project Amount	Subrecipient Management Cost Amount	Total Obligation	IFMIS Date	IFMIS Status	FY
\$990,000.00	\$0.00	\$990,000.00	01/12/2024	Accept	2024

Comments

Date: 01/12/2024 User Id: RHIRST

Comment: Obligate \$990,000.00 for HMGP 4524-011-07R (City of Flagstaff, Museum Fire Post-Fire Flood Mitigation - Cedar Avenue Culvert Improvement Project)

Authorization

Preparer Name: REILLY HIRST

Preparation Date: 01/12/2024

HMO Authorization Name: STEVEN SCOTT

HMO Authorization Date: 01/12/2024

RECORD OF ENVIRONMENTAL CONSIDERATION (REC)

Project HMGP-4524-0007-AZ (4524-011-007) (1)

Title: City of Flagstaff Museum Fire Post-Fire Flood Mitigation - Cedar Avenue Culvert Improvement

NEPA DETERMINATION

Non Compliant Flag: No EA Draft Date: EA Final Date: EA Public Notice Date: EA Fonsi Level: CATEX EIS Notice of Intent EIS ROD Date:

Comment City of Flagstaff in Coconino County, Arizona (35.21801285, -111.6183081) proposes upgrades to an existing concrete box culvert to increase capacity so post-Museum Fire flooding impacts can be mitigated. The existing concrete box culvert is 10 feet by 4 feet with a capacity of approximately 400 cubic feet per second (cfs). The project will upsize the culvert to 14 feet wide by 4 feet high and 78 feet long. The capacity will be increased from 400 (cfs) to 650 cfs. The new culvert dimensions will be 14 feet wide by 4 feet high by 78 feet long. The project will require installation of concrete headwalls, wing walls and transition channels to connect to channel improvements. The concrete headwalls at each end of the box culvert will be 30 feet high by 20 feet wide by 1 foot thick. The wing walls will taper from 30 feet and will be 20 feet wide and 1 foot thick. Project coordinates are as follows:

35.21868, -111.61931 (Northwest); 35.21892, -111.61859 (Northeast); 35.21712, -111.61856 (Southwest); 35.21712, -111.61753 (Southeast)

Ground disturbance will occur immediately upstream to immediately downstream of the existing culvert openings. Disturbance will include demolition of the roadway, existing culvert, connected stormwater infrastructure, and associated utilities (water, sewer, electric, natural gas, communications) and deepening of the channel at the culvert ingress. Total ground disturbance estimate is 0.3 acres. The project area is in a developed, urban environment. An erosion control plan will be generated by the engineer for Best Management Practices to reduce potential environmental impacts.

All staging will occur in the road right-of-way on Cedar Avenue between the cross streets of Grand View/N. Main Street (35.21803, -111.61906) and N. Monte Vista Drive. /N. Rose Street (35.21803, -111.61802). The staging area is outside of the FEMA special flood hazard area.

This project has been determined to be Categoricaly Excluded from the need to prepare either an Environmental Impact Statement or Environmental Assessment in accordance with FEMA Instruction 108-1-1 and FEMA Directive 108-1-1 as authorized by DHS Instruction Manual 023- 01-001-01, Revision 1. Categorical Exclusion N9 (Flood Hazard Reduction Actions) has been applied. Particular attention should be given to the project conditions before and during project implementation. Failure to comply with these conditions may jeopardize federal assistance including funding. - rbaile11 - 12/19/2023 20:08:09 GMT

CATEX CATEGORIES

Table with 3 columns: Catex Category Code, Description, Selected. Row 1: *n9, (*n9) Federal Assistance for Flood Hazard Reduction Actions. Federal assistance for drainage, berm, water crossing, and detention, retention, or sediment pond projects which have the primary purpose of addressing flood hazards and: (a) Do not affect more than 25 acres, (b) Do not result in adverse flood risk effects to downstream communities, (c) Do not result in any increase of flood levels within the community during the occurrence of the base flood discharge if the action takes place within the regulatory floodway, and (d) Where the effect of the proposed project when combined with other existing or reasonably foreseeable development will not increase water surface elevation of the base flood more than one foot at any point within the community if the action takes place in a floodplain with no regulatory floodway. This CATEX covers minor flood control actions as identified in Sections 1366 and 1361 of the National Flood Insurance Act (NFIA). Actions that are not covered in Sections 1366 and 1361 of the NFIA, such as dikes, levees, seawalls, groins, and jetties, are excluded from this CATEX. Yes

RECORD OF ENVIRONMENTAL CONSIDERATION (REC)

Project HMGP-4524-0007-AZ (4524-011-007) (1)

Title: City of Flagstaff Museum Fire Post-Fire Flood Mitigation - Cedar Avenue Culvert Improvement

EXTRAORDINARY

Extraordinary Circumstance Code

Description

Selected ?

No Extraordinary Circumstances were selected

ENVIRONMENTAL LAW / EXECUTIVE ORDER

Environmental Law/
Executive Order

Status

Description

Comment

Clean Air Act (CAA)

Completed

Project is located in an attainment area -
Review concluded

The project is in Coconino County, which has been designated by the U.S. Environmental Protection Agency (USEPA) as having attained the relevant National Ambient Air Quality Standards. The proposed action would not cause emissions of criteria pollutants or their precursors. Therefore, the scope of work associated with this undertaking is exempt from a conformity determination under the General Conformity Rule. - rbaile11 - 12/19/2023 19:52:10 GMT

Coastal Barrier Resources Act
(CBRA)

Completed

Project is not on or connected to CBRA Unit
or otherwise protected area - Review
concluded

Clean Water Act (CWA)

Completed

Project would affect waters, including
wetlands, of the U.S.

The scope of work associated with this project has the potential to affect waters of the U.S. This project may require Section 404/401 Clean Water Act (CWA) or Section 9/10 (Rivers and Harbors Act) Permit(s), including qualification under Nationwide Permits. The Subrecipient is required to contact USACE to determine whether project activities require USACE permits under the CWA. See Condition. - rbaile11 - 12/19/2023 19:48:42 GMT

Completed

Project may require Section 404/401 or
Section 9/10 (Rivers and Harbors Act)
permit, including qualification under
Nationwide Permits - Review concludedCoastal Zone Management Act
(CZMA)

Completed

Project is not located in a coastal zone area
and does not affect a coastal zone area -
Review concludedExecutive Order 11988 -
Floodplains

Completed

Located in floodplain or effects on
floodplain/flood levels

The project is located within an AE zone, Special Flood Hazard Area (100-year floodplain, base floodplain), per Flood Insurance Rate Map (FIRM) panel 04005C6826G, dated 09/03/2010. The proposed action is not likely to result in any potential direct impacts that will adversely affect the natural values and function of floodplains, nor is it likely to increase the risk of flood loss. Per HMA FFRMS partial implementation policy (August 26, 2021), this project is subject to

RECORD OF ENVIRONMENTAL CONSIDERATION (REC)

Project HMGP-4524-0007-AZ (4524-011-007) (1)

Title: City of Flagstaff Museum Fire Post-Fire Flood Mitigation - Cedar Avenue Culvert Improvement

Environmental Law/ Executive Order	Status	Description	Comment
			the FFRMS Freeboard Value Approach (FVA) and structure(s) must be protected to 2 feet of freeboard above the Base Flood Elevation. The Initial Disaster Public Notice was published on 04/03/2020. Per 44 CFR Part 9.5(d)(4), the 8-step Process was completed, and the determination was the project is the only practicable alternative. Floodplain Management 8-Step Checklist is attached. See Conditions. See Attached Map. - rbaile11 - 12/19/2023 20:24:07 GMT**CORRECTION**HMA FFRMS policy is not applicable. The rest of the Floodplains comment remains valid. - rbaile11 - 01/08/2024 20:46:31 GMT
	Completed	Possible adverse effects associated with investment in floodplain, occupancy or modification of floodplain environment	
	Completed	8 Step Process Complete - documentation attached - Review concluded	
Executive Order 11990 - Wetlands	Completed	Located in wetlands or effects on wetlands	Per the U.S. Fish and Wildlife Service Wetland Mapper viewed on 11/9/2023, the project is located outside of wetlands and not likely to result in any potential direct impacts that will adversely affect wetlands. See Attached Map. - rbaile11 - 12/19/2023 20:31:38 GMT**CORRECTION**Per the U.S Fish and Wildlife Service Wetland Mapper viewed on 11/09/2023, the project is located within a designated wetland. The proposed action is not likely to result in any potential direct impacts that will adversely affect the natural values and function of wetlands. Initial Disaster Public Notice was published on 04/03/2020. See Conditions. See attached. - rbaile11 - 01/08/2024 20:44:17 GMT
	Completed	Possible adverse effect associated with constructing in or near wetland	
	Completed	Review completed as part of floodplain review - Review concluded	
Executive Order 12898 - Environmental Justice for Low Income and Minority Populations	Completed	No Low income or minority population in, near or affected by the project - Review concluded	This project has been determined to have limited or no potential to affect minority or low-income populations according to Exemption III.C (Minor upgrades to culverts within existing footprint) in Step 1 of the EO 12898 Interim Guidance, dated September 2023. FEMA has no further EO 12898 responsibilities with regard to these activities. - rbaile11 - 12/19/2023 20:32:49

RECORD OF ENVIRONMENTAL CONSIDERATION (REC)

Project HMGP-4524-0007-AZ (4524-011-007) (1)

Title: City of Flagstaff Museum Fire Post-Fire Flood Mitigation - Cedar Avenue Culvert Improvement

Environmental Law/ Executive Order	Status	Description	Comment GMT
Endangered Species Act (ESA)	Completed	Listed species and/or designated critical habitat present in areas affected directly or indirectly by the federal action	A No Effect Memorandum has been prepared as it has been determined that the proposed actions would result in No Effect to federally listed species or designated critical habitat. Consultation with the US Fish and Wildlife Service and/or the National Marine Fisheries Service is not required. See attached No Effect Memorandum. - rbaile11 - 12/19/2023 19:42:36 GMT
	Completed	No effect to species or designated critical habitat (See comments for justification) - Review concluded	
Farmland Protection Policy Act (FPPA)	Completed	Project does not affect designated prime or unique farmland - Review concluded	
Fish and Wildlife Coordination Act (FWCA)	Completed	Project does not affect, control, or modify a waterway/body of water - Review concluded	
Migratory Bird Treaty Act (MBTA)	Completed	Project located within a flyway zone	
	Completed	Project does not have potential to take migratory birds - Review concluded	
Magnuson-Stevens Fishery Conservation and Management Act (MSA)	Completed	Project not located in or near Essential Fish Habitat - Review concluded	
National Historic Preservation Act (NHPA)	Completed	Applicable executed Programmatic Agreement. Activity meets Programmatic Allowance (enter date and # in comments) - Review concluded	The Undertaking was reviewed by Lisa Holm, who meets the applicable Secretary of the Interior Professional Qualifications in accordance with Stipulation I.B.1.a of the Programmatic Agreement among the Federal Emergency Management Agency (FEMA), the Arizona State Historic Preservation Officer (SHPO), the Arizona Division of Emergency Management, and the Arizona Department of Homeland Security, signed August 19, 2015, amended June 30, 2020. The project as described, complies with (Appendix B) Programmatic Allowance Tier 2 Section II.C.1.c (Minor upgrade of culvert systems and arches beneath roads or within associated drainage systems provided that the work substantially conforms to the existing footprint). Thus, the Undertaking does not require SHPO review or notification per Stipulation II.A.1 of the

RECORD OF ENVIRONMENTAL CONSIDERATION (REC)

Project HMGP-4524-0007-AZ (4524-011-007) (1)

Title: City of Flagstaff Museum Fire Post-Fire Flood Mitigation - Cedar Avenue Culvert Improvement

Environmental Law/ Executive Order	Status	Description	Comment
Wild and Scenic Rivers Act (WSR)	Completed	Project is not along and does not affect Wild and Scenic River - Review concluded	Agreement, however, if the scope of work changes this project needs to be resubmitted for further EHP review. - rbaile11 - 12/19/2023 20:22:09 GMT

CONDITIONS

Special Conditions required on implementation of Projects:

Subrecipient must coordinate with the local floodplain administrator and obtain any required permits prior to initiating work. Coordination correspondence with the Floodplain administrator, any required permits, and implementation documentation to any permit conditions need to be forwarded to the State and FEMA for inclusion in the permanent project files.

Source of condition: Executive Order 11988 - Floodplains

Monitoring Required: Yes

Permitting: The Subrecipient is responsible for proper identification of wetlands. Under EO11990 - Protection of Wetlands, the Subrecipient is responsible for coordinating with and obtaining any required Section 404 Permit(s) from the USACE prior to initiating work. The Subrecipient shall comply with all conditions of the required permit. All coordination pertaining to these activities shall be documented and copies forwarded to the Arizona Division of Emergency Management and FEMA as part of the permanent project files.

Source of condition: Executive Order 11990 - Wetlands

Monitoring Required: Yes

Best Management Practices: The Subrecipient shall ensure that best management practices are implemented to prevent erosion and sedimentation to surrounding, nearby or adjacent wetlands. This includes equipment storage and staging of construction to prevent erosion and sedimentation to ensure that wetlands are not adversely impacted per the Clean Water Act and Executive Order 11990.

Source of condition: Executive Order 11990 - Wetlands

Monitoring Required: Yes

This project may impact Waters of the U.S., the Subrecipient is required to contact the USACE to determine whether project activities require a USACE permit under Section 404 of the Clean Water Act (CWA). All documentation pertaining to coordination and permitting must be attached to the Subrecipient application. Failure to comply with these conditions may jeopardize FEMA funding; verification of compliance will be required at project closeout.

Source of condition: Clean Water Act (CWA)

Monitoring Required: Yes

Standard Conditions:

Any change to the approved scope of work will require re-evaluation for compliance with NEPA and other Laws and Executive Orders.

This review does not address all federal, state and local requirements. Acceptance of federal funding requires recipient to comply with all federal, state and local laws. Failure to obtain all appropriate federal, state and local environmental permits and clearances may jeopardize federal funding.

If ground disturbing activities occur during construction, applicant will monitor ground disturbance and if any potential archeological resources are discovered, will immediately cease construction in that area and notify the State and FEMA.

Standard Mitigation Grant Program (HMGP) Conditions

FEMA Region IX, August, 2018

The following list applies to Recipients and Subrecipients accepting HMGP funds from the Federal Emergency Management Agency (FEMA) of the Department of Homeland Security (DHS):

1. **Applicable Federal, State, and Local Laws and Regulations.** The Recipient/Subrecipient must comply with all applicable Federal, State, and Local laws and regulations, regardless of whether they are on this list or other project documents. DHS financial assistance Recipients and Subrecipients are required to follow the provisions of the State HMGP Administrative Plan, applicable Hazard Mitigation Assistance Uniform Guidance, and Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards located in Title 2 of the Code of Federal Regulations (CFR) Part 200, adopted by DHS in 2 CFR 3002.
2. **Financial Management Systems.** The Recipient and Subrecipient must maintain financial management systems to account for and track funds, as referenced in 2 CFR 200.302.
3. **Match or Cost Share.** Non-federal match or cost share must comply with 2 CFR 200.306, the scope of work (SOW), and any agreements among the Subrecipient, the Recipient, and FEMA.
4. **Budget Changes.** Unanticipated adjustments are permitted within the approved total cost. However, if costs exceed the federal share, the Subrecipient must notify the Governor's Authorized Representative (GAR) of overruns before implementation. The GAR shall submit a written request for approval to FEMA Region IX. The subaward must continue to meet HMGP requirements, including cost effectiveness and cost share. Refer to 2 CFR 200.308 for additional information.
5. **Real Property and Land.** The acquisition, use, and disposition must comply with 2 CFR 200.311.
6. **Equipment.** The acquisition, use, and disposition must comply with 2 CFR 200.313.
7. **Supplies.** Upon project completion, FEMA must be compensated for unused supplies, exceeding \$5,000 (fair market value), and not needed for other federal programs. Refer to 2 CFR 200.314.
8. **Procurement.** Procurement procedures must be in conformance with 2 CFR 200.318-320.
9. **Monitoring and Reporting Program Performance.** The Recipient and Subrecipient must submit quarterly progress reports, as referenced in the 2 CFR 200.328 and State HMGP Administrative Plan.
10. **Records Retention.** In accordance with 2 CFR 200.333, financial/ programmatic records related to expenditures must be maintained at least 3 years after the date of Recipient's final expenditure report.
11. **Enforcement and Termination.** If the Recipient or Subrecipient fails to comply with the award or subaward terms, whether stated in a Federal statute or regulation, the State HMGP Administrative Plan, subapplication, a notice of award, an assurance, or elsewhere, FEMA may take one or more of the actions outlined in 2 CFR 200.338, including termination or partial termination of the award or subaward outlined in 2 CFR 200.339.
12. **Allowable Costs.** Funds are to be used for allowable costs in compliance with 2 CFR 200.403, the approved SOW, and any agreements among the Subrecipient, Recipient, and FEMA.

13. **Non-Federal Audit.** The Recipient and Subrecipient are responsible for obtaining audits in accordance with the Single Audit Act of 1984, in compliance with 2 CFR 200.501.
14. **Debarred and Suspended Parties.** Recipients and Subrecipients are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, and 2 CFR 180. These regulations restrict federal financial assistance awards, subawards, and contracts with parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in the federal assistance programs or activities.
15. **Equipment Rates.** Rates claimed for use of Subrecipient-owned equipment in excess of the FEMA-approved rates must be approved under State guidelines issued by the State Comptroller's Office or must be certified by the Recipient to include only those costs attributable to equipment usage less any fixed overhead and/or profit.
16. **Duplication of Funding between Public Assistance (PA) and HMGP.** Funding for PA Section 406 and HMGP Section 404 are permitted on the same facility/location, but the activities identified under each program must be distinct with separately accounted funds. At closeout, FEMA may adjust the funding to ensure the Subrecipient was reimbursed for eligible work from only one funding source.
17. **Historic Properties and Cultural Resources.** In compliance with 2 CFR 800, if a potential historic property or cultural resource is discovered during construction, the Subrecipient must cease work in the area and take all reasonable measures to avoid or minimize harm to the discovered property/resource. During construction, the Subrecipient will monitor ground disturbance activity, and if any potential archeological resources are discovered, will immediately cease work in that area, and notify the Recipient and FEMA. Construction in the area may resume with FEMA's written approval after FEMA's consultation, if applicable, with the State Historic Preservation Officer (SHPO).
18. **NEPA and Changes to the Scope of Work (SOW).** To comply with the National Environmental Policy Act (NEPA), and other Laws and Executive Orders, any change to the approved SOW shall be re-evaluated before implementation. Construction associated with a SOW change, prior to FEMA approval, may be ineligible for funding. Acceptance of federal funding requires environmental permits and clearances in compliance with all appropriate federal, state and local laws, and failure to comply may jeopardize funding.

Within their authority, the Recipient and Subrecipient must use of all practicable means, consistent with other essential policies, to create and maintain productive harmony for people and nature, and fulfill the social, economic, and other needs of present and future generations of Americans.

SUBRECIPIENT AGREEMENT BETWEEN

City of Flagstaff

AND

The Arizona Department of Emergency and Military Affairs

FOR

Hazard Mitigation Grants Program – HMGP DR-4524-011-007R

WHEREAS, A.R.S. 26-306(B)(1) and 26-312 charges the Arizona Department of Emergency and Military Affairs (DEMA) with the responsibility of administering funds.

THEREFORE, it is agreed that DEMA shall provide funding to City of Flagstaff (“Subrecipient”) under Catalogue of Federal Domestic Assistance (CFDA) # 97.039 under the terms of this Subrecipient Agreement (Agreement).

1. **PURPOSE OF AGREEMENT** - The purpose of this Agreement is to specify the rights and responsibilities of DEMA in administering the distribution of Hazard Mitigation Assistance Grant (HMA) funds to Subrecipient, and to specify the rights and responsibilities of Subrecipient as the recipient of these funds.
2. **TERM OF AGREEMENT** - This Agreement shall become effective on January 22, 2024 and shall terminate on February 1, 2026. The rights and responsibilities of DEMA and Subrecipient as described herein will survive termination of this agreement.
3. **DESCRIPTION OF SERVICES, SUPPLIES AND EQUIPMENT** - Subrecipient shall use the funds provided under this Agreement solely for the purposes for which these funds have been provided, as documented by the Subrecipient’s grant application as approved by the Federal Emergency Management Agency (FEMA) and DEMA, a copy of which is attached as Exhibit.
 - a. The HMGP program covers eligible costs from January 22, 2024, to February 1, 2026 (the “Agreement Period”). The funds awarded in the grant agreement shall only be used to cover allowable costs that are incurred during the Agreement Period. Allowable costs are defined in the 2015 Hazard Mitigation Assistance Guidance, 2 CFR Part 200, and by this Agreement.
 - b. Finance & Administration - Subrecipient shall provide DEMA with complete documentation of all expenditures of funds provided under this Agreement as soon as such documentation becomes available to Subrecipient. Subrecipient shall provide all necessary financial and managerial resources to meet the terms and conditions of receiving funds under this Agreement. DEMA does not manage or take responsibility for the Subrecipient’s projects, and monitors projects (with regard to program eligibility and other requirements) only in order to protect the State's interests.
 - i. The HMGP program has a 49.24% cost match (cash or in kind) requirement, pursuant to sections 203(h) (42 USC 5133(h)) and 404(a) (42 USC 5170c) of

	1

the Robert T. Stafford Disaster Relief and Emergency Assistance Act, (Pub. L. No. 93-288), as amended, (42 U.S.C. 5121 et seq.).

- ii. Federal funds cannot exceed 50.76% of eligible costs. Unless otherwise authorized by law, federal funds cannot be matched with other federal funds. All funds received by Subrecipient through DEMA under this Agreement are agreed to be federal matching funds; Subrecipient shall be solely responsible for providing the other 49.24% (cash or in-kind) in order to obtain these federal matching funds.
- iii. The Federal Emergency Management Agency (FEMA) administers cost matching requirements in accordance with 2 CFR. 200.306, and Subrecipient contributions must meet the standards of 2 CFR. 200.306 and all other applicable federal law.

4. **MANNER OF FINANCING** - DEMA shall:

- a. Provide up to \$990,000.00 to the Subrecipient for 50.76% of the costs expended for approved services, supplies and equipment, as referenced as in the 2015 Hazard Mitigation Assistance Guidance and 2 CFR Part 200. Subrecipient will use the funds provided by DEMA and the matching contribution made by the Subrecipient to acquire the services, supplies and equipment identified in Part 3, DESCRIPTION OF SERVICES, SUPPLIES, AND EQUIPMENT, of this Agreement.
- b. Payment made by DEMA to Subrecipient shall be on a reimbursement basis only and is conditioned upon receipt of proof of payment or other form of contribution, consisting of applicable, accurate and complete documentation, as determined by DEMA in its sole discretion. A listing of acceptable documentation is attached as Exhibit 4(b).

5. **FISCAL RESPONSIBILITY** - For any funds received under this Agreement for which expenditure is disallowed by an audit exemption or otherwise by DEMA, the State, or Federal government, Subrecipient shall reimburse said funds to DEMA immediately.

6. **FINANCIAL AUDIT/PROGRAMATIC MONITORING** - Subrecipient shall comply with A.R.S.

35-214 and 35-215.

- a. Pursuant to 2 CFR. 200.501, if Subrecipient expends \$750,000 or more from all federal funding sources during the fiscal year, Subrecipient shall submit an organization-wide financial and compliance audit report per Subpart F of 2 CFR Part 200. Failure to comply with any requirements imposed as a result of an audit will suspend the release of federal funds by DEMA to Subrecipient until Subrecipient has met all such requirements.
- b. Subrecipient will be monitored periodically by DEMA, both programmatically and financially, to ensure that the project goals, objectives, performance requirements, timelines, milestone completion, budgets, and other related program criteria are being met. Monitoring will be accomplished through a combination of office-based reviews and onsite monitoring visits. Monitoring may involve aspects of the work involved under this Agreement including but not limited to the review and analysis of financial, programmatic, equipment, performance and administrative issues relative to each program, and may identify areas where technical assistance and other support may be needed. Subrecipient shall participate in and cooperate with all such monitoring by

DEMA, and shall provide access to all personnel, documents, and other records as may be requested from time to time by DEMA. Subrecipient also shall comply with all requests of DEMA that DEMA deems necessary to assure the parties' compliance with their obligations under this Agreement, including but not limited to circumstances in which DEMA is required or requested to provide information or records to FEMA or to any state or federal auditor; in such event, Subrecipient shall cooperate with DEMA and shall provide DEMA with all information and records necessary for DEMA to comply with any such request or requirement.

7. **APPLICABLE LAWS AND REGULATIONS** - Subrecipient must comply with all applicable Arizona and Federal law, whether or not specifically cited or referenced in this Agreement, and including but not limited to, as applicable, (1) 2 CFR. 200.0 through 200.345 (general provisions and requirements); (2) 200.400 through 200.475 (cost principles); (3) 200.500 through 200.521 (audit requirements); (4) the Appendices to 2 CFR. Part 200; and (5) 2 CFR. 3002.10. Subrecipient also must comply with all applicable Indian, Tribal, and local laws, implementing regulations, and Executive Orders.

8. **OTHER APPLICABLE REQUIRED STANDARDS** - In addition to complying with all applicable Federal and Arizona statutes and regulations, Subrecipient shall:
 - a. Comply with the NOFO;
 - b. Large equipment purchases must be identified and explained. Federal property management standards for equipment must be complied with. See 2 CFR 200.33; 2 CFR 200.48; 2 CFR 200.89; and 2 CFR 200.313. See https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl;
 - c. Prepare, retain, and be prepared to produce for examination by DEMA and/or FEMA, all records of all activities relating to this Agreement, to the extent necessary to comply with the requirements set forth in 2 CFR Chapter II, Subpart F (2 CFR 200.500 *et seq.*) and OMB Circular A-133, available at <https://www.whitehouse.gov/omb/information-for-agencies/circulars/#numerical>;
 - d. Comply with all applicable Federal, State, and Local environmental and historic preservation (EHP) requirements and shall provide any information requested by FEMA to ensure compliance with applicable laws including but not limited to: the National Environmental Policy Act (NEPA; 42 U.S.C. 4321 *et seq.*); the National Historic Preservation Act (NHPA; 54 U.S.C. 300101 *et seq.*, and 305501 *et seq.*); the Endangered Species Act (ESA; 7 U.S.C. 136 *et seq.*; and 16 U.S.C. 1531 *et seq.*), and Executive Orders on Floodplains (11988; see <https://www.fema.gov/executive-order-11988-floodplain-management>), Wetlands (11990; see <https://www.fema.gov/executive-order-11990-protection-wetlands-1977>) and Environmental Justice for Low Income & Minority Populations (12898; see <https://www.fema.gov/executive-order-12898-environmental-justice-low-income-minority-populations-1994>). Subrecipient shall not undertake any project having the potential to impact EHP resources without express prior written approval obtained through DEMA. Subrecipient must comply with all conditions placed on the project as the result of the EHP review. Any subsequent change to the project scope of work will require re-evaluation for compliance with these EHP requirements. If ground disturbing activities occur during project implementation, Subrecipient must ensure monitoring of ground disturbance and if any potential archeological resources are discovered, Subrecipient must immediately cease construction in that area and notify DEMA and

the appropriate State Historic Preservation Office. Procurement and construction activities shall not be initiated prior to the full EHP review being completed by FEMA Office of Environmental and Historic Preservation.

- e. Mitigation activities must adhere to all relevant statutes, regulations, and requirements, including:
 - i. Sections 203 (42 USC 5133; Pre-Disaster Hazard Mitigation (“PDM”)) and 404(a) (42 USC 5170c(a); Hazard Mitigation Grant Program (“HMGP”)) of the Stafford Act;
 - ii. Section 4104c (Flood Mitigation Assistance) of the National Flood Insurance Act of 1968 (42 USC 4104c);
 - iii. Section 322 of the Stafford Act (Mitigation Planning; 42 USC 5165);
 - iv. Section 324 of the Stafford Act (Management Costs; 42 USC 5165b);
 - v. The National Historic Preservation Act, 54 U.S.C. 300101 *et seq.*;
 - vi. The National Environmental Policy Act, 42 U.S.C. 4321 *et seq.*;
 - vii. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 USC 4601 *et seq.*, implemented through 49 CFR Part 24, 49 CFR 24.1 *et seq.*;
 - viii. Floodplain Management and Protection of Wetlands (44 CFR Part 9, 44 CFR 9.1 *et seq.*), implementing and enforcing Executive Order 11988, Floodplain Management, and Executive Order 11990, Protection of Wetlands;
 - ix. The Coastal Barriers Resources Act, 16 USC 3501 *et seq.*, and 44 CFR Part 206, Subpart J, 44 CFR 206.340 *et seq.*;
 - x. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards “Super Circular,” currently located at <https://www.cottoncpa.com/wp-content/uploads/2016/07/OMB-Super-Circular-Doc.pdf>;
 - xi. OMB Circular A-110;
 - xii. Floodplain Management (44 CFR Part 60, 44 CFR 60.1 *et seq.*);
 - xiii. Flood Mitigation Grants (44 CFR Part 79, 44 CFR 79.1 *et seq.*);
 - xiv. Property Acquisition and Relocation for Open Space (44 CFR Part 80, 44 CFR 80.1 *et seq.*);
 - xv. Hazard Mitigation Planning (44 CFR Part 201, 44 CFR 201.1 *et seq.*);
 - xvi. Hazard Mitigation Grant Program (44 CFR Part 206, Subpart N, 44 CFR 206.430 *et seq.*);
 - xvii. Management Costs (44 CFR Part 207, 44 CFR 207.1 *et seq.*);
 - xviii. OMB Circular A-94, Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs;
 - xix. Audits of States, Local Governments, and Non-Profit Organizations (2 CFR Part 200, 2 CFR 200.0 *et seq.*); and
 - xx. Federal Acquisition Regulations (FAR) Subpart 31.2, Contracts with Commercial Organizations, 48 CFR 31.201 *et seq.*

- 9. **CONTRACTORS/SUBCONTRACTORS** - Subrecipient may enter into written subcontract(s) for performance of certain of its functions under this Agreement in accordance with terms established under Arizona and Federal law. Subrecipient agrees and understands that no subcontract that Subrecipient enters into with respect to performance under this Agreement shall in any way relieve Subrecipient of any responsibilities for performance of its duties.

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Subrecipient shall give DEMA immediate notice in writing by certified mail of any action or suit filed and prompt notice of any claim made against Subrecipient by any subcontractor or vendor with respect to any work on any project funded in whole or in part under this Agreement.

10. **PERSONNEL AND TRAVEL COSTS** - All grant funds expended for personnel, travel, lodging, and per diem must be consistent with the Subrecipient's policies and procedures and the State of Arizona Accounting Manual (SAAM; see <https://gao.az.gov/publications/saam>); must be applied uniformly to both federally financed and other activities of the Subrecipient; and will be reimbursed at the most restrictive allowability and rates. At no time will Subrecipient's reimbursement(s) exceed the State rate established by the Arizona Department of Administration in the SAAM.
11. **PROCUREMENT** - Subrecipient shall comply with all of its own procurement rules/policies, all Federal procurement rules/policies (including but not limited to those outlined in this section VII of this Agreement), and all Arizona procurement code provisions and rules. The intent is that all procurement contracts be awarded competitively, and the Subrecipient shall not enter into any noncompetitive (sole or single source) procurement unless express prior written approval is granted by DEMA.
12. **NONSUPPLANTING AGREEMENT** - Subrecipient shall not use funds obtained under this Agreement to supplant State or Local funds or other resources that would otherwise have been made available for any program/project funded in whole or in part under this Agreement.
13. **COMPLIANCE WITH STATE AND FEDERAL LAWS REGARDING IMMIGRATION-**
 - a. Subrecipient warrants its compliance with all State and Federal immigration laws and regulations relating to its employees and to employees of any contractor or subcontractor retained through Subrecipient to provide goods or services related to this Agreement, including but not limited to A.R.S. 23-214 and 41-4401.
 - b. A breach of a warranty by Subrecipient regarding compliance with State or Federal immigration laws or regulations shall be deemed a material breach of this Agreement by Subrecipient and may result in action by DEMA up to and including termination of this Agreement.
 - c. DEMA retains the legal right to inspect the papers of any Subrecipient employee who works on the Agreement, and those of any employee of any contractor or subcontractor retained through Subrecipient to provide goods or services related to this Agreement, to ensure that Subrecipient is complying with the warranty under paragraph (a) above.
14. **PROPERTY CONTROL** - Effective control and accountability must be maintained by Subrecipient for all equipment and supplies acquired by Subrecipient under this Agreement. Subrecipient must adequately safeguard all such property and must assure that it is used for authorized purposes as described in the 2015 Hazard Mitigation Assistance Guidance, the grant application as approved, and the CFR. Subrecipient shall exercise caution in the use, maintenance, protection and preservation of such property.
 - a. Equipment acquired by Subrecipient with funds obtained in whole or in part under this Agreement shall be used by Subrecipient in the program or project for which it was acquired as long as needed, whether or not the program or project continues to be

- supported by funds obtained in whole or in part under this Agreement. Theft, destruction, or loss of such property shall be reported to DEMA immediately.
- b. Nonexpendable Property is personal property that is complete in itself, does not lose its identity or become a component part of another article when put into use; is durable, with an expected service life of two years or more; and that has a unit cost of more than \$500. (48 CFR 752.245-70(a)(3)).
 - c. Capital Assets are any tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include: (a) Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and (b) Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance). (2 CFR 200.12).
 - d. A Property Control Form shall be maintained for the entire scope of the program or project for which property was acquired through the end of its useful life and/or disposition. All Nonexpendable Property and Capital Assets must be included on the Property Control Form. Subrecipient shall provide DEMA a copy of the Property Control Form at the end of period of performance or no more than ninety (90) calendar days after the end of the Agreement. The Property Control Form shall be updated, and a copy provided to DEMA no more than forty-five (45) calendar days after equipment disposition. Subrecipient agrees to be subject to equipment monitoring and auditing by state or federal authorized representatives to verify information.
 - e. A physical inventory of the Nonexpendable Property and Capital Assets must be taken, and the results reconciled with the Property Control Form at least once every two years.

15. **DEBARMENT CERTIFICATION** - Subrecipient is subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, and 2 C.F.R. Part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities. The Subrecipient is required to complete and return the provided Contractor Debarment and Suspension Form, attached as Exhibit 15(a), to demonstrate due diligence in following this requirement.

16. **FUNDS MANAGEMENT** - Subrecipient must maintain funds received under this Agreement in a separate account and cannot mix these funds with funds from other sources. Subrecipient must manage funds according to applicable Federal regulations for administrative requirements, costs principles, and audits (2 CFR 200.302). Subrecipient must maintain adequate business systems to comply with Federal requirements.

17. **REPORTING REQUIREMENTS** - Regular reports by Subrecipient shall include:

- a. Programmatic Reports- Subrecipient shall provide quarterly programmatic reports to DEMA on the 15th day of the quarter in which the report is due. So that the report contains such information as deemed necessary by DEMA, Subrecipient shall use and fully complete the Mitigation Grant Programs Quarterly Report template, a copy of which is attached as Exhibit 17(a).

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- i. If a project has been fully completed and implemented, and there will be no further updates, then the quarterly programmatic report for the quarter in which the project was completed will be sufficient as the final report. The report must be marked as “final.” Quarterly programmatic reports shall be submitted to DEMA until the entire scope of the Grant is completed.
- ii. Upon request of DEMA, Subrecipient must provide to DEMA any information necessary to meet any state or federal reporting requirements.
- iii. Quarterly Programmatic reports are due:

Quarter	Period	Due
1	July 1 – September 30	October 15
2	October 1 – December 31	January 15
3	January 1- March 31	April 15
4	April 1 – June 30	July 15

- b. Financial Reimbursements - Subrecipient shall provide DEMA with quarterly requests for reimbursement. Requests for reimbursements shall be submitted with the Request for Payment provided by DEMA, a copy of which is attached as Exhibit 17(b).
 - i. Subrecipient shall submit to DEMA a final request for reimbursement for expenses received and invoiced prior to the end of the termination of this Agreement no more than thirty (30) calendar days after the completion of all work funded in whole or in part by the Agreement. Requests for reimbursement received by DEMA later than the thirty (30) days will not be paid. The final reimbursement request as submitted shall be marked “final” by Subrecipient.
 - ii. DEMA requires that all requests for reimbursement be submitted electronically to the State Hazard Mitigation Officer or via U.S. mail (United States Postal Service), FedEx, UPS, or another established private delivery service.
 - iii. DEMA reserves the right to request and/or require any supporting documentation and/or information DEMA believes necessary in order to process requests for reimbursements. Subrecipient shall promptly provide DEMA with all such documents and/or information.
 - iv. All reports shall be submitted by Subrecipient to the DEMA contact person as described in Part 44, NOTICES, of this Agreement.

18. **ASSIGNMENT AND DELEGATION** - Subrecipient may not assign any rights hereunder without the express, prior written agreement of both parties.

19. **AMENDMENTS** - Any change in this Agreement including but not limited to the Description of Services and budget described herein, whether by modification or supplementation, must

be accomplished by a formal Agreement amendment signed and approved by and between the duly authorized representatives of Subrecipient and DEMA.

- a. Any such amendment shall specify:
 - i. an effective date;
 - ii. increases or decreases in the amount of Subrecipient's compensation if applicable;
 - iii. be titled as an "Amendment,"
 - iv. Subrecipient expressly and explicitly understands and agrees that no other method of communication, including any other document, correspondence, act, or oral communication by or from any person, shall be used or construed as an amendment or modification or supplementation to this Agreement.

20. **AGREEMENT RENEWAL** - This Agreement shall not bind nor purport to bind DEMA for any contractual commitment in excess of the original Agreement period, which may not be changed except by a writing signed by all parties hereto in conformity with Part 19, AMENDMENTS.

21. **RIGHT TO ASSURANCE** - If DEMA in good faith has reason to believe that Subrecipient does not intend to or is unable to perform or continue performing under this Agreement, DEMA may demand in writing that Subrecipient give a written assurance of intent and ability to perform. If Subrecipient fails to provide written assurance within the number of days specified in the demand, DEMA at its option may terminate this Agreement.

22. **CANCELLATION FOR CONFLICT OF INTEREST** - DEMA may, by written notice to Subrecipient, immediately cancel this Agreement without penalty or further obligation pursuant to ARS 38-511 if any person significantly involved in initiating, negotiating, securing, drafting or creating the Agreement on behalf of the State or its subdivisions (unit of Local Government) is an employee or agent of any other party in any capacity or a consultant to any other party to the Agreement with respect to the subject matter of the Agreement. Such cancellation shall be effective when the parties to the Agreement receive written notice from DEMA, unless the notice specifies a later time. If and only if Subrecipient is an agency of the State or a political subdivision of the State, then this Part 22 shall apply so that either DEMA or Applicant may cancel this Agreement for conflict of interest pursuant to the provisions of this part.

23. **THIRD PARTY ANTITRUST VIOLATIONS** - Subrecipient hereby assigns to the State of Arizona any claim for overcharges resulting from antitrust violations to the extent that such violations concern materials or services supplied by third parties to Subrecipient toward fulfillment of this Agreement.

24. **AVAILABILITY OF FUNDS** - Every payment obligation of DEMA under this Agreement is conditioned upon the availability of funds appropriated or allocated for the payment of such obligations under A.R.S. 35-154. If the funds are not allocated and available for the continuance of this Agreement, DEMA may terminate this Agreement at the end of the period for which funds are available. No liability shall accrue to DEMA in the event this provision is exercised, and DEMA shall not be obligated or liable for any future payments or for any damages as a result of termination under this Part 24, including purchases and/or contracts entered into by Subrecipient in the execution of this Agreement. If and only if

Applicant is an agency of the State or a political subdivision of the State, then this Part 24 shall apply so that either DEMA or Subrecipient may cancel this Agreement for lack of availability of funds pursuant to the provisions of this part.

- 25. **FORCE MAJEURE** - If either party hereto is delayed or prevented from the performance of any act required in this Agreement by reason of acts of God, strikes, lockouts, labor disputes, civil disorder, or other causes without fault and beyond the control of the party obligated, performance of such act will be excused for the period of the delay.

- 26. **PARTIAL INVALIDITY** - Any term or provision of this Agreement that is hereafter declared contrary to any current or future law, order, regulation, or rule, or which is otherwise invalid, shall be deemed stricken from this Agreement without impairing the validity of the remainder of this Agreement.

- 27. **ARBITRATION** - In the event of any dispute arising under this Agreement, written notice of the dispute must be provided to the other party within thirty (30) calendar days of the events giving the rise to the dispute. Any claim made by or against the State or any of its political subdivisions (including but not limited to DEMA) relating to this Agreement shall be resolved through the administrative claims process. In the event ARS 12-1518 applies, the parties shall proceed with arbitration as provided in that statute. The parties agree that proper venue for any litigation shall be in Maricopa County, Arizona.

- 28. **GOVERNING LAW AND CONTRACT INTERPRETATION**
 - a. This Agreement shall be governed and interpreted in accordance with the laws of the State of Arizona.
 - b. This Agreement is intended by the parties as a final and complete expression of their agreement. No course of prior dealings between the parties and no usage of the trade shall supplement or explain any terms in this document.
 - c. Either party's failure to insist on strict performance of any term or condition of the Agreement shall not be deemed a waiver of that term or condition even if the party accepting or acquiescing in the nonconforming performance knows of the nature of the performance and fails to object.

- 29. **ENTIRE AGREEMENT** - This Agreement and its Exhibits constitute the entire Agreement between the parties hereto pertaining to the subject matter hereof and may not be changed or added to except by a writing signed by all parties hereto in conformity with Part 19, AMENDMENTS, of this Agreement. All prior and contemporaneous agreements, representations, and understandings of the parties, oral, written, pertaining to the subject matter hereof, are hereby superseded or merged herein.

- 30. **RESTRICTIONS ON LOBBYING** - Subrecipient shall not use funds made available to it under this Agreement to pay for, influence, or seek to influence any officer or employee of a State or Federal government.

- 31. **LICENSING** - Subrecipient, unless otherwise exempted by law, shall obtain and maintain all licenses, permits, and authority necessary to perform those acts it is obligated to perform under this Agreement.

32. **NON-DISCRIMINATION** - Subrecipient shall comply with all State and Federal equal opportunity and non-discrimination requirements and conditions of employment, including the Americans with Disabilities Act (42 USC 12101 *et seq.*), ARS Title 41, Chapter 9, Article 4 (ARS 41-1461 *et seq.*), and Arizona Executive Order 2009-09.
33. **SECTARIAN REQUESTS** - Funds disbursed pursuant to this Agreement may not be expended for any sectarian purpose or activity, including sectarian worship or instruction in violation of the United States or Arizona Constitutions.
34. **ADVERTISING AND PROMOTION OF AGREEMENT** - Subrecipient shall not advertise or publish information for commercial benefit concerning this Agreement without the prior written approval of DEMA.
35. **CLOSED-CAPTIONING OF PUBLIC SERVICE ANNOUNCEMENTS** - Any television public service announcement that is produced or funded in whole or in part by Subrecipient shall include closed captioning of the verbal content of such announcement.
36. **INDEMNIFICATION** - To the extent permitted by law, each party (as indemnitor) agrees to indemnify, defend and hold harmless the other party (as indemnitee) from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as claims) arising out of bodily injury of any person (including death) or property damage, but only to the extent that such claims which result in vicarious/derivative liability to the indemnitee, and are caused by the act, omission, negligence, misconduct, or other fault of the indemnitor, its officers, officials, agents, employees, or volunteers.
37. **TERMINATION** –
- a. All parties reserve the right to terminate the Agreement in whole or in part due to the failure of Subrecipient or DEMA to comply with any term or condition of the Agreement, to acquire and maintain all required insurance policies, bonds, licenses and permits or to make satisfactory progress in performing the Agreement. The party wishing to terminate this Agreement shall provide the other party with a written thirty (30) day advance notice of the termination and the reasons for it.
 - b. If Subrecipient chooses to terminate this Agreement before the grant deliverables have been met, then DEMA reserves the right to collect from Subrecipient all funds distributed by DEMA under this Agreement to Subrecipient.
 - c. DEMA may, upon termination of this Agreement, procure, on terms and in the manner that it deems appropriate, materials or services to replace those under this Agreement. Subrecipient shall be liable to DEMA for any excess costs incurred by DEMA in procuring materials or services in substitution for those due from Subrecipient.
38. **CONTINUATION OF PERFORMANCE THROUGH TERMINATION** - Subrecipient shall continue to perform, in accordance with the requirements of the Agreement, up to the date of termination, as directed in the termination notice.

- 39. **COUNTERPARTS** - This Agreement may be executed in any number of counterparts, copies, or duplicate originals. Each such counterpart, copy, or duplicate original shall be deemed an original, and collectively they shall constitute one Agreement.
- 40. **AUTHORITY TO EXECUTE THIS AGREEMENT** - Each individual executing this Agreement on behalf of Subrecipient represents and warrants that he or she is duly authorized to execute this Agreement.
- 41. **SPECIAL CONDITIONS** - Subject to 2 CFR 200.315, title to any intangible property (see 2 CFR 200.59) developed, purchased, or otherwise acquired with funds or other resources obtained by Subrecipient in whole or in part under this Agreement vests upon acquisition in the Subrecipient. Subrecipient acknowledges that U.S. Department of Homeland Security - Federal Emergency Management Agency reserves a royalty-free, non-exclusive, and irrevocable license to reproduce, publish, or otherwise use the work for Federal purposes, and to authorize others to do so. Subrecipient hereby further agrees that DEMA shall have a royalty-free, non-exclusive, and irrevocable license to reproduce, publish, or otherwise use the work for its purposes, and to authorize others to do so. Upon acquisition, Subrecipient shall promptly inform DEMA in writing of any rights in any intangible property acquired by Subrecipient under this Agreement.
- 42. **RECORD RETENTION** - The Subrecipient agrees to comply with the record-keeping requirements and other requirements of A.R.S. 35-214 and 35-215. All records shall be subject to inspection and audit by the State of Arizona at reasonable times.
- 43. **ADDITIONAL TERMS AND CONDITIONS** - The Subrecipient agrees to comply with the additional Terms and Conditions as described in Exhibit 43 – 2018 Standard Mitigation Grant Program (HMGP) Conditions.
- 44. **NOTICES** - Any and all notices, requests, demands, or communications by either party to this Agreement, pursuant to or in connection with this Agreement shall be in writing be delivered in person or shall be sent to the respective parties at the following addresses:

Arizona Department of Emergency and Military Affairs
 Division of Emergency Management
 5636 E. McDowell Road
 Phoenix, AZ 85008

City of Flagstaff
 Stacey Brechler-Knaggs
 211 W. Aspen Flagstaff, AZ 86001

Subrecipient shall address all programmatic questions and reimbursement notices relative to this Agreement to the appropriate DEMA staff contact:

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State Hazard Mitigation Officer

Andrew Traylor

mitigation@azdema.gov

(602) 464-6349

Grant Project Specialist

Sylvia Castillo

mitigation@azdema.gov

(602) 464-6309

IN WITNESS WHEREOF

The parties hereto agree to execute this Agreement.

FOR AND BEHALF OF

City of Flagstaff

FOR AND BEHALF OF

Arizona Dept of Emergency & Military Affairs
Division of Emergency Management

Authorized Signature

Name & Title

Date

Date

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**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Shawn Johnson, Chief of Staff
Co-Submitter: Sarah Langley
Co-Submitter: Sarah Langley
Date: 03/11/2024
Meeting Date: 03/19/2024



TITLE:

Consideration and Approval: Letter of Support for the AZ Healthy Tomorrow Initiative

STAFF RECOMMENDED ACTION:

Approve the Letter of Support

Executive Summary:

It is estimated that nearly 3 million Arizonans have limited access to primary care, and one in three Arizona hospitals face critical staffing shortages. In response to this urgent need, the Arizona Board of Regents recently launched the AZ Healthy Tomorrow initiative that will rapidly expand the number of healthcare workers produced by our public universities. This plan includes creating two new medical schools at ASU and NAU, doubling the number of medical student graduates at the UofA, and increasing nursing and other healthcare graduates across the board.

Financial Impact:

None

Policy Impact:

None

Previous Council Decision or Community Discussion:

None

Options and Alternatives to Recommended Action:

None

Connection to PBB Priorities and Objectives:

Safe and Healthy Community, Inclusive and Engaged Community, and High Performing Governance

Connection to Regional Plan:

None

Connection to Carbon Neutrality Plan:

None

Connection to 10-Year Housing Plan:

None

Attachments: Letter of Support



CITY OF FLAGSTAFF

FLAGSTAFF CITY COUNCIL

211 West Aspen Avenue, Flagstaff, Arizona 86001

Main Line: 928-213-2000

Website: <https://www.flagstaff.az.gov>

March 12, 2024

Members of the Arizona Legislature
Arizona State Senate and Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Dear Senators and Representatives,

Arizona is facing a growing need for better access to health care. As state legislators, you play an important role in preserving the quality of life for our residents – which is greatly impacted by their ability to receive the medical care they need. Together, we can help ensure Arizonans receive proper medical care by building and maintaining a superior health care workforce.

It is estimated that nearly 3 million Arizonans have limited access to primary care, and 1 in 3 Arizona hospitals face critical staffing shortages. In response to this urgent need, the Arizona Board of Regents recently launched the AZ Healthy Tomorrow initiative that will rapidly expand the number of health care workers produced by our public universities. This plan includes creating two new medical schools at ASU and NAU, doubling the number of medical student graduates at the UofA, and increasing nursing and other health care graduates across the board.

We are proud to have the strong endorsement of Governor Hobbs for this initiative, who touted this plan in both her State of the State address and Executive Budget. The addition of your strong leadership during the legislative session in support of impactful legislation will profoundly benefit the lives of Arizonans for years to come.

We write to you today to ask for your support of the AZ Healthy Tomorrow initiative.

Many of you have likely witnessed firsthand the devastating impacts that can occur when individuals do not receive timely and competent medical care. The ripple effects through families, communities, and the economy can be felt for years. We must do all that we can now to provide for the long-term health care needs of our state.

Supporting the AZ Healthy Tomorrow initiative is a worthy cause that will build on your legacy of service. We thank you for your great partnership with Arizona employers as we work to produce the qualified health care workforce of tomorrow.

Sincerely,

A handwritten signature in cursive script that reads "Becky Daggett".

Becky Daggett,
Mayor of Flagstaff, on behalf of the Flagstaff City Council

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Edward Schenk, Water Services Manager - Stormwater
Co-Submitter: Mac McNamara
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE:

Consideration and Approval of Contract Ratification: Partially Ratify the GMP (Guaranteed Maximum Price) 1 for the Pre-cast box culvert for the Schultz Creek Drainage Improvements at US HWY 180 to J. Banicki Construction valued at \$611,398.90. The remaining total value of Banicki's proposal is \$7,224,422.12, this is the first GMP for the Highway 180 culvert project with a full value at \$7,835,821.02 for Construction Phase Services. In addition to GMP 1, a contract amendment for Design Phase utility locating services in the amount of \$46,847.47 to Banicki Construction is also attached.

STAFF RECOMMENDED ACTION:

1. Approve partial ratification of the GMP 1 for the Pre-cast box culvert procurement for the Schultz Creek Improvements at US HWY 180 to Banicki Construction valued at \$611,398.90; and
2. Approve the remaining value equaling \$7,224,422.12 of Banicki's proposal Construction Phase GMP 1 full value equaling \$7,835,821.02; and
3. Approve ratification of the Design Phase utility locating contract amendment with Banicki Construction for the project in the amount of \$46,847.47.; and
4. Authorize the City Manager to execute the necessary documents.

Executive Summary:

The Pipeline Fire (June 2022) burned 26,532 acres, including portions of the Schultz Creek and Chimney watersheds. The post-fire flooding impacted the City of Flagstaff during the 2022 monsoon season, and caused catastrophic damage, including flooding in Stevanna Way and Coconino Estates due to inadequate culvert sizing at Highway 180. A temporary emergency culvert was installed by ADOT in spring of 2023 due to land subsidence in the area, however the capacity of the new pipe is still insufficient to convey expected post-fire monsoon flows. A CMAR was selected in fall of 2023 with Banicki Construction being the selected construction phase services firm.

Financial Impact:

The funding for the Highway 180 culvert project is through the Stormwater Utility with a dedication of \$8.99 million from State Bill 1720 for this project. Any residual budget from this project, if any, is dedicated to the regional detention basin maintenance account. This project is budgeted in FY2023-24 in account 206-08-385-3528-0 for \$5,093,290.

Policy Impact:

No Impact

Connection to PBB, Carbon Neutrality Plan, 10-Year Housing Plan & Regional Plan:

Carbon Neutrality Strategies

Water Security (WS-1) -- Improve water infrastructure and expand water reuse.

Water Security (WS-2) -- Improve ecosystem management for protection of water resources.

Health and Safety (HS-4) -- Improve the resilience of public infrastructure and City facilities.

Priority-Based Budgeting Priorities and Objectives

Safe and Healthy Community -- Ensure the built environment is safe through the use of consistent standards, rules and regulations, and land use practices

Sustainable, Innovative Infrastructure -- Deliver outstanding services to residents through a healthy, well-maintained infrastructure system

Regional Plan -- Goal WR.5 -- Stormwater and Watershed Management Goals and Policies

Manage watersheds and stormwater to address flooding concerns, water quality, environmental protections, and rainwater harvesting.

Team Flagstaff Strategic Plan -- Priority 3

Deliver outstanding services through a healthy environment, resources, and infrastructure

Has There Been Previous Council Decision on This:

Resolution 2023-53 provided an IGA between the City of Flagstaff and ADOT for the administration of this project.

Options and Alternatives:

1. Approve and ratify the award for GMP 1 as recommended. Approval will allow the purchase of pre-cast box culvert materials and construction phase services for the new culvert under the ADOT right of way; or,
2. Reject approval of the award as recommended. This action would delay or cancel the project.

Background and History:

The Pipeline Fire was reported on June 12, 2022, approximately 6 miles north of Flagstaff within the Coconino National Forest. The fire burned 26,532 acres, including portions of the Schultz Creek and Chimney watersheds. A burn scar assessment and flood modeling subsequently showed potential post-wildfire flood risk to neighborhoods on the west side of Flagstaff. Both the City of Flagstaff and the Coconino County Flood Control District are collaborating with public and private partners and taking extensive measures and precautions to mitigate damage from future potential flood events.

Multiple flood events occurred in July and August 2022 due to the undersized culvert at Highway 180. Additional flooding, and a partial pipe collapse, occurred in April 2023 during a large snowmelt event. ADOT provided an emergency repair of the existing pipe and added an additional relief pipe in early summer 2023. The City received a state appropriation on July 1 under State Bill 1720. This appropriation was to complete a long term mitigation at this site and to provide funding for regional detention basin maintenance. A CMAR selection process was led by Capital Improvements in Fall 2023 with Banicki Construction being the selected construction phase services provider. Engineering design is being provided by SWI-Ardurra and a no-adverse impact hydrologic analysis is being provided by JE Fuller Hydrology and Geomorphology, both firms were selected based on lowest price using the professional on-call services contract.

This GMP (number 1) is the first in a series of GMPs to complete a new culvert, and associated drainage features, before monsoon season 2024.

On September 28, 2023, Procurement staff posted a Request for Statements of Qualifications (RSOQ) solicitation for Construction Manager at Risk (CMAR) services on the PlanetBids electronic bidding website, and advertised it in the Arizona Daily on September 30, 2023, and October 7, 2023. On November 17, 2023, Procurement received five Statements of Qualifications (SOQs) from contractors responding to the RSOQ. A Selection Committee of six members, including two members, professionals in the engineering field. The evaluation committee independently reviewed and evaluated the SOQs in accordance with guidelines established by the enabling legislation. After meeting to discuss the scoring the committee decided to interview the top two firms on November 30, 2023. Scores were added to the original earned scores from the RSOQ evaluation process. Based upon the numerical scoring of the written SOQs, the Selection Committee identified the most qualified Firm to perform the CMAR services for the Project and recommended commencing negotiations for a scope and fee proposal to be provided by J. Banicki

Construction, Inc. Final scores of all firms are as follows:

Combs 535 Points

Fann 1174 Points

J. Banicki 1250 Points

Rummel 547 Points

Vastco 523 Points

The project manager and vendor have been working diligently on the Design Phase portion of the project and are now beginning the Construction Phase with the GMP1 to order materials with long lead times and prepare for construction phase services.

Key Considerations:

Ratification is needed as the purchase of this pre-cast material was needed immediately to meet the timeline of the project (completion before monsoon season 2024). Approval for moving forward with a ratified agreement was provided by the City Manager's Office on 2/13/2024.

This project will alleviate both the post-fire flood threat from the Pipeline Fire (2022) as well as substantially reduce, or remove, the existing FEMA special flood hazard area (e.g. FEMA floodplain) for the nearby neighborhood. Implementing this project will provide substantial flood relief. GMP 1 is intended to provide the necessary materials to rapidly build a new concrete box culvert under State Highway 180 while minimizing traffic impacts.

Community Benefits and Considerations:

None at this time. Funding is administered through the Stormwater Utility with all expected costs being drawn from state appropriations dedicated to this project.

Community Involvement:

The completion of this project will substantially reduce the flood threat to Stevanna Way and the neighborhood of Coconino Estates. Additional benefactors will be Fire Station #5 and Sechrist School.

Expanded Options and Alternatives:

The community has been involved with this project since the initial post-fire flooding in 2022. A citizen petition was provided to City Council in 2022 (Petition 2022-06).

Attachments: [2024-45 Banicki CMAR Construction Phase EXHIBIT B "APPROVED GMP PROPOSAL Ratified portion of Exhibit B specs and quote GMP](#)
[2024-45 First Amendment to Banicki Design Phase Services Agreement](#)
[Exhibit A - Additional Design Phase Services](#)



City of Flagstaff, Arizona

Schultz Creek Drainage Improvements at US Highway 180 Project **CONSTRUCTION MANAGER AT RISK CONSTRUCTION PHASE SERVICES**

Agreement No. 2024-45

Mayor

Becky Daggett

Council

*Austin Aslan
Deborah Harris
Khara House*

*Lori Matthews
Jim McCarthy
Miranda Sweet*

City Manager

Greg Clifton

Water Services Director

Shannon Jones

**Community
Development Director**

Dan Folke

Public Works Director

Scott Overton

Engineering & Capital Improvements Director

Paul Mood

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City of Flagstaff, Arizona

**Schultz Creek Drainage Improvements at US Highway 180 Project
CONSTRUCTION MANAGER AT RISK
CONSTRUCTION PHASE SERVICES
Agreement No. 2024-45**

This Construction Services Agreement (“Agreement”) is made and entered into by and between the City of Flagstaff, a political subdivision of the State of Arizona (“Owner”), and J. Banicki Construction, Inc., an Arizona corporation (“Construction Manager at Risk” or “CMAR”) on this ___ day of _____, 20__.

RECITALS

- A. The City Manager of the City of Flagstaff, Arizona, is authorized and empowered by provisions of the City Charter to execute agreements for professional services and construction services.
- B. The Owner intends to construct the **Schultz Creek Drainage Improvements at US Highway 180**, as more fully described in Exhibit A, attached (“Project”).
- C. To undertake the construction administration of the Project, the Owner has entered into separate agreements with Shephard Wesnitzer, Inc. (“Design Professional(s)”).
- D. CMAR has represented to the Owner the ability to provide construction phase services for the Project, and based on this representation, the Owner hereby engages CMAR to provide these services and construct the Project.
- E. A Design Phase Services Agreement (Contract No. 2024-45) has been executed previously between the Owner and CMAR to perform design phase services for the Project. Those services may continue during the duration of this Agreement.

AGREEMENT

NOW THEREFORE, for and in consideration of the mutual covenants and considerations hereinafter contained, it is agreed by and between the Owner and CMAR as follows:

Article 1 – Terms and Definitions

“Addenda” - Written or graphic instruments issued prior to the submittal of the GMP Proposal(s), which clarify, correct or change the GMP Proposal(s) requirements.

“Agreement (Contract)” - This written document signed by the Owner and CMAR covering the design phase of the Project, and including other documents itemized and referenced in or attached to and made part of this Agreement.

“Alternate Systems Evaluations” - Alternatives for design, means and methods or other scope considerations that are evaluated using value engineering principles which have the potential to reduce construction costs while still delivering a quality and functional Project that meets the Owner requirements.

“Change Directive” - A written order prepared and signed by the Owner, directing a change in the Work prior to agreement on an adjustment in the Contract Price and the Contract Time.

“Change Order” - A type of contract amendment issued after execution of the Contract Documents where unanticipated or unforeseen circumstances in the Work have been encountered. Each Change Order shall be signed by the Owner and CMAR, stating their agreement upon all of the following: the addition, deletion or revision in the scope of services or Deliverables; the amount of the adjustment to the Contract Price; the amount of the adjustment to the Contract Time; or other modifications of other Agreement terms.

“City (Owner)” - The City of Flagstaff, a political subdivision of the State of Arizona, with whom CMAR has entered into this Agreement and for whom the services are to be provided pursuant to said Agreement.

“CMAR” - The Contractor selected by the Owner to provide design phase services as detailed in this Agreement.

“CMAR Representative” - The designated CMAR Representative.

“CMAR Senior Representative” - The designated CMAR Senior Representative.

“Construction Documents” - Certain plans, specifications and drawings prepared by the Design Professionals after correcting for permit review requirements or dated plans and specifications specifically identified as the “Construction Documents” herein or in an Exhibit or Addendum which is attached hereto.

“Construction Fee” - CMAR’s administrative costs for providing off-site management, supervision, General Conditions support, support of construction activities, home office overhead, and profit, as applicable to this Project, whether at CMAR’s principal or branch offices.

“Contingency, CMAR’s” - A fund to cover cost growth during the Project, legitimate unforeseen construction expenses, or expenses otherwise agreed to by the Owner to be used at the discretion of CMAR usually for costs that result from Project circumstances. The amount of CMAR’s Contingency shall be negotiated as a separate line item in each GMP package. Use and management of CMAR’s Contingency is described in this Agreement.

“Contingency, Owner’s” - A fund to cover cost growth during the Project used at the discretion of the Owner usually for costs that result from the Owner-directed changes or unforeseen Site conditions. The amount of the Owners’ Contingency shall be set solely by the Owner and shall be in addition to the CMAR’s GMP.

“Contract Documents” - The following items and documents in descending order of precedence executed by the Owner and CMAR: (i) all written modifications, amendments and Change Orders; (ii) this Agreement, including all exhibits and attachments; (iii) Construction Documents; and (iv) GMP Plans and Specifications.

“Contract Price” - The cost for services for this Agreement.

“Contract Time(s)” - The number of days or the dates related to the construction phase, including authorized adjustments, allotted in the Construction Documents for Substantial and final Completion of the Work, subject to Winter Shutdown.

“Cost Models” - Cost tabulation for the construction of the Project developed by the CMAR and continually updated throughout the preconstruction phase fee and utilized to develop the Guaranteed Maximum Price Proposal. The Cost Model is created using the Design Professionals list of standard pay items.

“Cost of the Work” - The direct costs necessarily incurred by CMAR in the proper performance of the Work. The Cost of the Work shall include direct labor costs, subcontract costs, costs of materials and equipment incorporated in the completed construction, costs of other materials and equipment, temporary facilities, permit and license fees, materials testing, and related items. The Cost of the Work shall not include CMAR’s Construction Fee, General Conditions Cost, bonds, insurance, or taxes.

“Critical Path Method” or “CMP” - A scheduling technique used to predict project duration by analyzing

which sequence of activities has the least amount of scheduling flexibility thus identifying the path (sequence) of activities which represent the longest time required to complete the Project. Delay in completion of the identified activities shall cause a delay in achieving Substantial Completion.

“Day(s)” - Calendar days unless otherwise specifically noted in the Contract Documents.

“Deliverables, Construction Phase Services Agreement” - The Work conducted by CMAR during the construction phase which may include, but is not limited to: Construction Management Plan, Project Schedule, Schedule of Values, alternative system evaluations, procurement strategies and plans, cost models, construction market surveys, cash flow projections, GMP Proposals, Subcontractor procurement plan, Statement of Proposed Minority Business Enterprise/Women’s Business Enterprise (“MBE/WBE”) Utilization as may be required or appropriate, Subcontractor agreements, Subcontractor bid packages, Supplier agreements, and others as indicated in this Agreement or required by the Project Team and other services set forth in this Agreement or reasonably inferable therefrom.

“Deliverables, Design Phase Services Agreement” - The Work conducted by CMAR during the design phase which may include, but is not limited to: design recommendations, Project scheduling, constructability reviews, alternate systems evaluation, cost estimate, Minority Business Enterprise/Woman’s Business Enterprise/Small Business Enterprise (“MBE/WBE/SBE”) utilization, Subcontractor agreements, Subcontractor bid packages, GMP preparations and other services set forth in this Agreement or reasonably inferable therefrom.

“Design Professional(s)” - A qualified, licensed design professional who furnishes design, construction documents, and/or construction administration services required for the Project.

“Drawings (Plans)” - Documents, which visually represent the scope, extent and character of the Work to be furnished and performed by CMAR during the construction phase, and which have been prepared or approved by the Design Professional(s) and the Owner. Includes Drawings that have reached a sufficient stage of completion and released by the Design Professional(s) solely for the purposes of review and/or use in performing constructability or biddability reviews and in preparing cost models (e.g., conceptual design Drawings, preliminary design Drawings, detailed design Drawings at 30%, 60%, 90% or 100% or schematic, design development, construction documents), but “not for construction”. Shop Drawings are not Drawings as so defined.

“Differing Site Conditions” - Concealed or latent physical conditions or subsurface conditions at the Site that: (i) materially differ from the conditions indicated in the Contract Documents; or (ii) are of an unusual nature, differing materially from the conditions ordinarily encountered and generally recognized as inherent in the Work.

“Final Completion” - 100% completion of all construction Work noted in, or reasonably inferred from, the Contract Documents, including but not limited to, all Punch Lists work, all record and close-out documents specified in Owner’s Project specifications and Owner training/start up activities.

“Float” - The number of Days by which an activity can be delayed without lengthening the CMP and extending the Substantial Completion date.

“General Conditions Costs” - All on-site Project-specific costs required to perform the Work, but not itemized or included in the Cost of the Work. Includes, but is not limited to, the following types of costs for CMAR during the construction phase: (i) payroll costs for Project manager or CMAR for Work conducted at the Site, (ii) payroll costs for the superintendent and full-time general foremen, (iii) payroll costs for other management personnel resident and working at the Site, (iv) workers not included as direct labor costs engaged in support (e.g. loading/unloading, clean-up, etc.), (v) costs of offices and temporary facilities setup solely for this Project including office materials, office supplies, office equipment and minor expenses, (vi) cost of utilities, fuel, sanitary facilities and telephone services at the Site; (vii) costs of liability and other applicable insurance premiums not include in labor burdens for direct labor costs; (viii) costs of bonds premiums; (ix) costs of consultants not in the direct employee of CMAR or Subcontractors.

“Guaranteed Maximum Price” (“GMP)” - The sum of the maximum Cost of the Work; the Construction Fee, General Conditions Costs, taxes, and CMAR’s Contingency.

“GMP Plans and Specifications” - Plans and specifications upon which the Guaranteed Maximum Price Proposal is based.

“Guaranteed Maximum Price (GMP) Proposal” - The offer or proposal of CMAR submitted on the prescribed form setting forth the GMP prices for the entire Work or portions of the Work to be performed during the construction phase. The GMP Proposal(s) are to be developed pursuant to Article 2 of this Agreement.

“Legal Requirements” - All applicable federal, state and local laws, codes, ordinances, rules, regulations, orders and decrees of any government or quasi-government entity having jurisdiction over the Project or Site, the practices involved in the Project or Site, or any Work.

“Notice to Proceed” or “NTP” - The directive issued by the Owner, authorizing CMAR to start Work.

“Opening Physical Conditions” - The current physical conditions present on the Site as jointly documented by an inspection of the Site by Owner and CMAR at the Pre-construction Conference.

“Owner’s Representative” - The designated City Project Manager.

“Owner’s Senior Representative” - The City of Flagstaff’s designated Division/Department Head.

“Performance Period” - The period of time allotted in the Contract Documents to complete the Work comprised within a GMP. The Performance Period shall be stated with each GMP and shown on the Project Master Schedule.

“Payment Request” - The form used by CMAR in requesting progress payments or final payment and which shall include such supporting documentation as is required by the Contract Documents and or the Owner.

“Pre-construction Conference” - A Conference held between Owner and CMAR prior to the commencement of any Work, as scheduled by the Owner’s Representative or designee.

“Product Data” - Illustrations, standard schedules, performance charts, instructions, brochures, diagrams, and other information furnished by CMAR to illustrate materials or equipment for some portion of the Work.

“Project” - The Work to be completed in the execution of this Agreement, as amended, and as described in the Recitals above and in Exhibit A attached.

“Project Team” - The design phase services team consisting of the Design Professional(s), CMAR, the Owner’s Representative, the Owner’s Client Department representatives and other stakeholders who are responsible for making decisions regarding the Project.

“Schedule of Values (SOV)” - A statement furnished by CMAR to the Owner’s Representative for approval, reflecting the portions of the GMP allotted for the various parts of the Work and used as the basis for evaluating CMAR’s applications for progress payments.

“Shop Drawings” - All drawings, diagrams, schedules and other data specifically prepared for the Work by CMAR or a Subcontractor, Sub-Subcontractor, manufacturer, supplier or distributor to illustrate some portion of the Work.

“Site” - Land or premises on which the Project is located.

“Specifications” - The part(s) of the Contract Documents for the construction phase consisting of written technical descriptions of materials, equipment, construction systems, standards and workmanship, as

applied to the Work, and certain administrative details applicable thereto.

“Subconsultant” - A person, firm or corporation having an agreement with CMAR to furnish services required as its independent professional associate or consultant with respect to the Project.

“Subcontractor” - An individual or firm having a direct agreement with CMAR or any other individual or firm having an agreement with the aforesaid contractors at any tier, who undertakes to perform a part of the design phase services or construction phase Work at the Site for which CMAR is responsible.

“Submittals” - Documents and/or things that may be produced or presented by one party for consideration, review, or such other actions as may be required by this Agreement by another party, entity or person. Examples of Submittals include, but are not limited to, preliminary or evolving drafts, product data samples, etc.

“Substantial Completion” - The construction services for the Work (or a specified part thereof) has progressed to the point where, in the opinion of the Owner’s Representative, as evidenced by a Certificate of Substantial Completion, such construction services are sufficiently complete in accordance with the Contract Documents, so that the Work (or specified part) can be utilized for the purposes for which it is intended; without any outstanding concurrent Work at the site, except as may be required to complete or correct Punch List items. If no such certificate is issued, Substantial Completion takes place when the construction services Work or a Construction Phase is complete and ready for final payment as evidenced by the written recommendation of final payment by the Owner’s Representative. The terms “substantially complete” and “substantially completed” as applied to all or part of the construction Work refers to Substantial Completion thereof.

“Supplier” - A manufacturer, fabricator, supplier, distributor, materialman or vendor having a direct agreement with CMAR or with any Subcontractor to furnish materials or equipment to be incorporated in the construction phase Work by CMAR or any Subcontractor.

“Winter Shutdown” - The period of time typically including December through March during which no Work will be performed by any person or entity (including, but not limited to, the CMAR) on the Project and CMAR shall shutdown, properly insulate and shelter the Project in a safe and workmanlike manner pursuant to local, state and federal laws. Although December through March is typically the time frame, the Owner reserves the right to initiate and terminate a Winter Shutdown at the Owner’s sole discretion in the event of adverse weather conditions. A Winter Shutdown may be declared by the Owner despite delays, for any reason, on the Project.

“Work” - The entire completed construction or the various separately identifiable parts thereof, required to be furnished during the construction phase. Work includes and is the result of performing or furnishing labor and furnishing and incorporating materials, resources and equipment into the construction, and performing or furnishing services and documents as required by the Contract Documents for the construction phase.

Article 2 – CMAR’s Services and Responsibilities

2.0 CMAR shall furnish any and all labor, materials, equipment, transportation, utilities, services and facilities required to perform all Work for the construction of the Project, and to completely and totally construct the same and install the material therein for the Owner. All Work shall be performed in a good and workmanlike and substantial manner and within the care and skill of a qualified CMAR in Flagstaff, Arizona. The Work shall be to the satisfaction of the Owner and strictly pursuant to and in conformity with the Project’s Contract Documents. It is not required that the services be performed in the sequence in which they are described.

2.1 General Services

CMAR's Representative shall be reasonably available to the Owner and shall have the necessary expertise and experience required to supervise the Work. CMAR's Representative shall communicate regularly with the Owner but not less than once a week and shall be vested with the authority to act on behalf of CMAR. CMAR's Representative may be replaced only with the written consent of the Owner.

2.2 Government Approvals and Permits

- 2.2.1 Unless otherwise provided, CMAR shall obtain all applicable and/or necessary permits, approvals and licenses required for the prosecution of the Work from any government or quasi-government entity having jurisdiction over the Project. CMAR is specifically reminded of the need to obtain the applicable and/or necessary environmental permits or file the applicable and/or necessary environmental notices.
- 2.2.2 Copies of the permits and notices identified in this Agreement must be provided to the Owner's Representative prior to starting the permitted activity. In the case of Fire Department permits, a copy of the application for permit shall also be provided to the Owner's Representative. This provision does not constitute an assumption by the Owner of an obligation of any kind for violation of said permit or notice requirements.
- 2.2.3 Owner shall be responsible for City of Flagstaff review and permit(s) fees for grading and drainage, water, sewer, floodplain, and landscaping. Owner shall also pay for utility design fees for permanent services.
- 2.2.4 CMAR shall be responsible for all other permits and review fees not specifically listed in this Agreements
- 2.2.5 CMAR shall be responsible for the cost of water meter(s), water and sewer taps, fire lines and taps, and all water bills on the project meters until Substantial Completion of the Project. Arrangements for construction water are CMAR's responsibility.

2.3 Pre-construction Conference

- 2.3.1 Prior to the commencement of any Work, the Owner's Representative or designee shall schedule and conduct a Preconstruction Conference.
 - 2.3.1.1 At the Pre-Construction Conference, Owner and CMAR shall document the Opening Physical Conditions of the Site as jointly documented by an inspection of the Site by Owner and CMAR at the Pre-Construction.
- 2.3.2 The purpose of this conference is to establish a working relationship between CMAR, utility firms, and various City agencies. The agenda shall include critical elements of the work schedule, submittal schedule, cost breakdown of major lump sum items, Payment Requests and processing, coordination with the involved utility firms, the level of Project Record Documents required and emergency telephone numbers for all representatives involved during construction.
- 2.3.3 The Notice to Proceed date shall be concurred with by the parties or set by the Owner at the Preconstruction Conference. After the meeting and upon receipt of a signed Agreement and delivery of the required bonds and insurance in an Owner approved format, a Notice to Proceed letter shall be issued confirming the construction start date, Performance Period and if applicable, the Substantial Completion date. If a Substantial Completion date is established the conditions of the Substantial Completion shall be listed and/or as set forth in Article 1 herein. Failure by CMAR to provide the properly executed bond and insurance forms in a timely manner may delay the construction start date; however, it shall not alter the proposed Substantial Completion date nor be

a basis for any time extension request or other claims.

2.3.4 CMAR shall provide a Schedule of Values based on the categories used in the buyout of the Work but not greater than the approved GMPs and identifying CMAR's Contingency. The Schedule of Values shall subdivide the Work into all items comprising the Work. The Schedule of Values shall contain sufficient detail to identify each individual element of the Work and shall relate to the approved GMPs Schedule. The Schedule of Values shall be subject to approval by the Owner's representative.

2.3.5 Minimum attendance by CMAR shall be CMAR's Representative, who is authorized to execute and sign documents on behalf of the firm, the CMAR Senior Representative, and CMAR's safety officer.

2.4 Control of the Work

2.4.1 Unless otherwise provided in the Contract Documents to be the responsibility of the Owner or a separate Contractor, CMAR shall provide through itself or Subcontractors the necessary supervision, labor, inspection, testing, start-up, material, equipment, machinery, temporary utilities, and other temporary facilities to permit CMAR to complete the Work consistent with the Contract Documents.

2.4.2 CMAR shall perform all construction activities efficiently and with the requisite expertise, skill, and competence to satisfy the requirements of the Contract Documents. CMAR shall at all times exercise complete and exclusive control over the means, methods, sequences and techniques of construction.

2.4.3 CMAR's Representative or CMAR's Senior Representative shall be present at the Sites at all times that construction activities are taking place.

2.4.3.1 All elements of the Work shall be under the direct supervision of a foreman or his designated representative on the Sites who shall have the authority to take actions required to properly carry out that particular element of the work.

2.4.3.2 In the event of noncompliance with this Section, the Owner may require CMAR to stop or suspend the Work in whole or in part.

2.4.4 Where the Contract Documents require that a particular product be installed and/or applied by an applicator approved by the manufacturer, it is CMAR's responsibility to ensure the Subcontractor employed for such work is approved by the manufacturer.

2.4.5 Before ordering materials or doing work, CMAR and each Subcontractor shall verify measurements at the Site and shall be responsible for the correctness of such measurements. No extra charge or compensation shall be allowed because of differences between actual dimensions and the dimensions indicated on the drawings; differences which may be found shall be submitted to the Owner for resolution before proceeding with the Work.

2.4.6 CMAR shall take field measurements and verify field conditions and shall carefully compare such field measurements and conditions and other information known to CMAR with the Contract Documents before commencing activities. Errors, inconsistencies, or omissions discovered shall be reported to the Owner at once.

2.4.7 CMAR shall establish and maintain all construction grades, lines, levels, and benchmarks, and shall be responsible for accuracy and protection of same. This Work shall be performed or supervised by a Civil Engineer or Surveyor licensed as such in the State of Arizona.

2.4.8 Any person employed by CMAR or any Subcontractor who, in the opinion of the Owner, does not perform his or her work in a proper, skillful, and safe manner or is intemperate or disorderly shall, at

the written request of the Owner, be removed from the Work by CMAR or Subcontractor employing such person, and shall not be employed again in any portion of Work without the written approval of the Owner. CMAR or Subcontractor shall hold the Owner harmless from damages or claims which may occur in the enforcement of this Section.

- 2.4.9 CMAR assumes responsibility to the Owner for the proper performance of the work of Subcontractors and any acts and omissions in connection with such performance. Nothing in the Contract Documents is intended or deemed to create any legal or contractual relationship between the Owner and any Subcontractor or Sub-Subcontractor, including but not limited to any third-party beneficiary rights.
- 2.4.10 CMAR shall coordinate the activities of all Subcontractors. If the Owner performs other work on the Project or at the Site with separate contractors under the Owner's control, CMAR agrees to reasonably cooperate and coordinate its activities with those of such separate contractors so that the Project can be completed in an orderly and coordinated manner without unreasonable disruption.

2.5 Control of the Work Site

- 2.5.1 Throughout all phases of construction, including suspension of Work, CMAR shall keep the Site reasonably free from debris, trash and construction wastes to permit CMAR to perform its construction services efficiently, safely and without interfering with the use of adjacent land areas. Upon Substantial Completion of the Work, or a portion of the Work, CMAR shall remove all debris, trash, construction wastes, materials, equipment, machinery and tools arising from the Work or applicable portions thereof to permit the Owner to occupy the Project or a portion of the Project for its intended use.
- 2.5.2 CMAR shall take whatever steps, procedures or means to prevent any dust nuisance due to construction operations. The dust control measures shall be maintained at all times to the satisfaction of the Owner and in accordance with the requirements of the Arizona Department of Environmental Quality rules and regulations.
- 2.5.3 CMAR shall maintain ADA, ADAAG and ANSI accessibility requirements during construction activities in an occupied building or facility. ADA, ADAAG and ANSI accessibility requirements shall include, but not be limited to, parking, building access, entrances, exits, restrooms, areas of refuge, and emergency exit paths of travel. CMAR shall be responsible for the coordination of all work to minimize disruption to building occupants and facilities.
- 2.5.4 Only materials and equipment which are to be used directly in the Work shall be brought to and stored on the Site by CMAR. When equipment is no longer required for the Work, it shall be removed promptly from the Site. Protection of construction materials and equipment stored at the Site from weather, theft, damage and all other adversity is solely the responsibility of CMAR.

2.6 Shop Drawings, Product Data and Samples

- 2.6.1 Shop Drawings, Product Data, Samples and similar Submittals are not Contract Documents. The purpose of their submittal is to demonstrate, for those portions of the Work for which Submittals are required, the way CMAR proposes to conform to the information given and the design concept expressed in the Contract Documents.
- 2.6.2 CMAR shall review, approve, verify, and submit to the Owner five copies of each Shop Drawing, Product Data, Sample, and similar Submittals required by the Contract Documents in accordance with the approved GMP schedule as shown in Exhibit B as to cause no delay in the Work or in the activities of the Owner or of separate contractors. Submittals made by CMAR, which are not required by the Contract Documents, may be returned without action.

- 2.6.3 CMAR shall perform no portion of the Work requiring submittal and review of Shop Drawings, Product Data, Samples, or similar Submittals until the respective submittal has been approved by the Owner or Owner's designee. Such Work shall be in accordance with approved Submittals.
- 2.6.4 By approving, verifying and submitting Shop Drawings, Product Data, Samples and similar Submittals, CMAR represents that CMAR has determined and verified materials, field measurements and field construction criteria related thereto, or shall do so, and has checked and coordinated the information contained within such Submittals with the requirements of the Work and of the Contract Documents.
- 2.6.5 CMAR shall not be relieved of responsibility for deviations from requirements of the Contract Documents by the Owner's approval of Shop Drawings, Product Data, Samples or similar Submittals unless CMAR has specifically informed the Owner in writing of such deviation at the time of submittal and the Owner has given written approval to the specific deviation. CMAR shall not be relieved of responsibility for errors or omissions in Shop Drawings, Product Data, Samples, or similar Submittals by the Owner's approval thereof.
- 2.6.6 CMAR shall direct specific attention, in writing or on resubmitted Shop Drawings, Product Data, Samples, or similar Submittals, to revisions other than those requested by the Owner on previous Submittals.
- 2.6.7 Informational Submittals upon which the Owner is not expected to take responsive action may be so identified in the Contract Documents.
- 2.6.8 When professional certification of performance criteria of materials, systems or equipment is required by the Contract Documents, the Owner shall be entitled to rely upon the accuracy and completeness of such calculations and certifications.

2.7 Quality Control, Testing and Inspection

- 2.7.1 All materials used in the Work shall be new and unused, unless otherwise noted, and shall meet all quality requirements of the Contract Documents.
- 2.7.2 All construction materials to be used on the Work or incorporated into the Work, equipment, plant, tools, appliances or methods to be used in the Work may be subject to the inspection and approval or rejection by the Owner. Any material rejected by the Owner shall be removed immediately and replaced in an acceptable manner.
- 2.7.3 The procedures and methods used to sample and test material shall be determined by the Owner. Unless otherwise specified, samples and tests shall be made in accordance with the most recently adopted edition of the City of Flagstaff Engineering Division Design and Construction Standards and Specifications.
- 2.7.4 The Owner shall select a City or Independent Testing Laboratory and shall pay for initial City Acceptance Testing.
- 2.7.4.1 When the first and/or subsequent tests indicate noncompliance with the Contract Documents, the cost associated with that noncompliance and the cost of all tests, except the first test, shall be paid for by CMAR. CMAR's Contingency cannot be utilized for the cost of re-testing.
- 2.7.4.2 When the first and/or subsequent tests indicate noncompliance with the Contract Documents, all retesting shall be performed by the same testing agency.
- 2.7.5 CMAR shall cooperate with the selected testing laboratory and all others responsible for testing and inspecting the work and shall provide them access to the Work at all times.

- 2.7.6 At the option of the Owner, materials may be approved at the source of supply before delivery is started.
- 2.7.7 Code compliance testing and inspections required by codes or ordinances, or by a plan approval authority, and which are made by a legally constituted authority, shall be the responsibility of and shall be paid by CMAR, unless otherwise provided in the Contract Documents.
- 2.7.8 CMAR's convenience and quality control testing and inspections shall be the sole responsibility of CMAR and paid by CMAR.

2.8 Trade Names and Substitutions

- 2.8.1 Unless indicated that no substitutions are permitted, CMAR may request a substitution or alternative to Contract Document references to equipment, materials or patented processes by manufacturer, trade name, make or catalog number, subject to the following:
 - 2.8.2 The substitution shall be submitted by CMAR in writing to the Owner.
 - 2.8.3 CMAR shall certify that the substitution shall perform the functions and achieve the results called for by the general design, be similar and of equal substance, and be suited to the same use as that specified.
 - 2.8.4 The submittal shall state any required changes in the Contract Documents to adapt the design to the proposed substitution.
 - 2.8.5 The submittal shall contain an itemized estimate of all costs and credits that will result directly and indirectly from the acceptance of such substitution, including cost of design, license fees, royalties, and testing. Also, the submittal shall include any adjustment in the Contract Time created by the substitution.
 - 2.8.6 CMAR if requested by the Owner shall submit Samples or any additional information that may be necessary to evaluate the acceptability of the substitution.
 - 2.8.7 The Owner shall make the final decision and shall notify CMAR in writing as to whether the substitution has been accepted or rejected.
 - 2.8.8 If the Owner does not respond in a timely manner, CMAR shall continue to perform the Work in accordance with the Contract Documents and the substitution shall be considered rejected.

2.9 Project Record Documents

- 2.9.1 During the construction period, CMAR shall maintain at the Site a set of blue-line or black-line prints of the Construction Document drawings and shop drawings for Project Record Document purposes.
 - 2.9.1.1 CMAR shall mark these drawings to indicate the actual installation where the installation varies appreciably from the original Construction Documents. CMAR shall give particular attention to information on concealed elements, which would be difficult to identify or measure and record later. Items required to be marked include but are not limited to:
 - 2.9.1.1.1 Dimensional changes to the drawings
 - 2.9.1.1.2 Revisions to details shown on drawings
 - 2.9.1.1.3 Locations and depths of underground utilities

- 2.9.1.1.4 Revisions to routing of piping and conduits
- 2.9.1.1.5 Actual equipment locations
- 2.9.1.1.6 Locations of concealed internal utilities
- 2.9.1.1.7 Changes made by Change Order, Change Order Directive, Field Order, Record of Field Change, ASI's and RFI's
- 2.9.1.1.8 Addenda and other details not on original Agreement Drawings
- 2.9.1.2 CMAR shall mark completely and accurately Project Record Drawing prints of Construction Documents or Shop Drawings, whichever is the most capable of indicating the actual physical condition. Where Shop Drawings are marked, show cross-reference on the Construction Documents location.
- 2.9.1.3 CMAR shall mark Project Record Drawings sets with red erasable colored pencil.
- 2.9.1.4 CMAR shall note RFI Numbers, ASI Numbers and Change Order numbers, etc., as required to identify the source of the change to the Construction Documents.
- 2.9.1.5 CMAR shall, as a condition of Substantial Completion, submit Project Record Drawing prints and Shop Drawings to the Owner or its representative for review and comment.
- 2.9.2 Upon receipt of the reviewed Project Record Drawings from the Owner, CMAR shall correct any deficiencies and/or omissions to the drawings and prepare the following for submission to the Owner within 14 Days:
 - 2.9.2.1 CMAR shall provide a complete set of electronic Project Record Drawings prepared in AutoCAD format compatible with City of Flagstaff CADD technology. The Design Professional shall provide files of the original Construction Documents to CMAR for the use of preparing these final Project Record Drawings or CMAR may contract with the Design Professional to revise and update the electronic drawing files. Each drawing shall be clearly marked with "As-Built Document."
 - 2.9.2.2 CMAR shall provide a complete set of digital final AutoCAD drawings.
 - 2.9.2.3 CMAR shall provide the original copy of the Project Record Drawings (redline mark-ups).

2.10 Project Safety

- 2.10.1 CMAR recognizes the importance of performing the Work in a safe manner so as to prevent damage, injury or loss to (i) all individuals at the Site, whether working or visiting, (ii) the Work, including materials and equipment incorporated into the Work or stored on-Site or off-Site, and (iii) all other property at the Site or adjacent thereto.
- 2.10.2 CMAR assumes responsibility for implementing and monitoring all safety precautions and programs related to the performance of the Work.
- 2.10.3 CMAR shall, prior to commencing construction, designate a Safety Representative with the necessary qualifications and experience to supervise the implementation and monitoring of all safety precautions and programs related to the Work. Unless otherwise required by the Contract Documents, CMAR's Safety Representative shall be an individual stationed at the Site who may have other responsibilities on the Project in addition to safety.

- 2.10.4 The Safety Representative shall make routine daily inspections of the Site and shall hold weekly safety meetings with CMAR's personnel, Subcontractors and others as applicable.
- 2.10.5 CMAR and Subcontractors shall comply with all Legal Requirements relating to safety, as well as any City-specific safety requirements set forth in the Contract Documents, provided that such City-specific requirements do not violate any applicable Legal Requirement.
- 2.10.6 CMAR shall immediately report in writing any safety-related injury, loss, damage or accident arising from the Work to Owner's Representative and, to the extent mandated by Legal Requirements, to all government or quasi-government authorities having jurisdiction over safety-related matters involving the Project or the Work.
- 2.10.7 CMAR's responsibility for safety under this Section is not intended in any way to relieve Subcontractors and Sub-Subcontractors of their own contractual and legal obligations and responsibility for (i) complying with all Legal Requirements, including those related to health and safety matters, and (ii) taking all necessary measures to implement and monitor all safety precautions and programs to guard against injury, losses, damages or accidents resulting from their performance of the Work.

2.11 Warranty

- 2.11.1 CMAR warrants to Owner that the construction, including all materials and equipment furnished as part of the construction, shall be new unless otherwise specified in the Contract Documents, of good quality, in conformance with the Contract Documents and free of defects in materials and workmanship.
- 2.11.2 CMAR's warranty obligation shall be for one (1) year, except for such greater period as may be required by the technical specifications.
- 2.11.3 Nothing in this warranty is intended to limit any manufacturer's warranty which provides The Owner with greater warranty rights than set forth in this Section or the Contract Documents. CMAR shall provide Owner with all manufacturers' warranties upon Substantial Completion.
- 2.11.4 Nothing in this warranty is intended to limit any other remedy at law that may be available to the Owner.

2.12 Correction of Defective Work

- 2.12.1 CMAR agrees to correct any Work that is found to not be in conformance with the Contract Documents, including that part of the Work subject to this Agreement, within a period of one (1) year from the date of Substantial Completion of the Work or any portion of the Work, or within such longer period to the extent required by the Contract Documents, or as may be available to the Owner by law. A progress payment, or partial or entire use or occupancy of the Project by the Owner, shall not constitute acceptance of Work not in accordance with the Contract Documents.
- 2.12.2 During the performance of the Work, CMAR shall take meaningful steps to commence correction of such nonconforming Work as notified by the Owner or as discovered by CMAR. This includes the correction, removal or replacement of the nonconforming Work and any damage caused to other parts of the Work affected by the nonconforming Work. If CMAR fails to commence the necessary steps during the performance of the Work, Owner, in addition to any other remedies provided under the Contract Documents, may provide CMAR with written notice that Owner shall commence correction of such nonconforming Work with its own forces.
- 2.12.3 CMAR shall, take meaningful steps to commence correction of nonconforming Work subject to this Agreement, within seven (7) days of receipt of written notice from Owner. This includes the correction, removal or replacement of the nonconforming Work and any damage caused to other

parts of the Work affected by the nonconforming Work. If CMAR fails to commence the necessary steps within such seven-day period, Owner, in addition to any other remedies provided under the Contract Documents, may provide CMAR with written notice that Owner shall commence correction of such nonconforming Work with its own forces.

- 2.12.4 If Owner does perform such corrective Work, CMAR shall be responsible for all reasonable costs incurred by Owner in performing such correction.
- 2.12.5 For nonconforming Work that creates an emergency requiring an immediate response, CMAR shall respond and initiate corrections within twenty-four hours.
- 2.12.6 The one-year period identified in this Agreement applies only to CMAR's obligation to correct nonconforming Work relative to the warranty set forth in that section and is not intended to constitute a period of limitations for any other rights or remedies the Owner may have regarding CMAR's other obligations under the Contract Documents or as may be allowed by law.

Article 3 - The Owner's Services and Responsibilities

3.1 Duty to Cooperate.

- 3.1.1 Owner shall, throughout the performance of the Work, cooperate with CMAR and perform its responsibilities, obligations and services in a timely manner to facilitate CMAR's timely and efficient performance of the Work and so as not to delay or interfere with CMAR's performance of its obligations under the Contract Documents.
- 3.1.2 Owner shall furnish at CMAR's request, at no cost to CMAR, a CADD file of the Construction Documents in AutoCAD format compatible with the City of Flagstaff CADD technology.

3.2 The Owner's Representative

- 3.2.1 Owner's Representative shall be responsible for providing Owner supplied information and approvals in a timely manner to permit CMAR to fulfill its obligations under the Contract Documents.
- 3.2.2 Owner's Representative shall also provide CMAR with prompt notice if Owner's Representative observes any failure on the part of CMAR to fulfill its contractual obligations, including any default or defect in the project or non-conformance with the drawings and specifications.
- 3.2.3 The Owner may utilize field inspectors to assist the Owner's Representative during construction in observing performance of CMAR. The inspector is for the purpose of assisting the Owner's Representative and should not be confused with an inspector with a City regulatory department.
 - 3.2.3.1 The field inspector shall be authorized to inspect all Work and materials furnished. Such inspection may extend to all or part of the Work and to the preparation, fabrication or manufacture of the materials to be used.
 - 3.2.3.2 The field inspector shall not be authorized to issue instructions contrary to the Construction Documents or to act as foreman for CMAR.
 - 3.2.3.3 The field inspector shall have the authority to reject work or materials until any questions at issue can be decided by the Owner's Representative.
 - 3.2.3.4 The furnishing of such services for the Owner shall not make the Owner responsible for or give the Owner control over construction means, methods, techniques, sequences or procedures or for safety precautions or programs or responsibility for CMAR's failure to perform the work in accordance with Contract Documents.

3.3 Design Professional Services

- 3.3.1 The Owner may contract separately with one or more Design Professional(s) to provide construction administration of the Project. The Design Professional(s)' agreement as well as other firms hired by the Owner shall be available for review by CMAR. CMAR shall not have any right however, to limit or restrict any contract provisions and/or modifications that are mutually acceptable to the Owner and Design Professional(s).
- 3.3.2 The Owner may contract with the Design Professional(s) to provide some or all of the following services during the performance of the Work.
 - 3.3.2.1 Provide oversight of the Work. The Owner and CMAR shall endeavor to communicate through the Design Professional. Communications by and with the Design Professional(s)' consultants shall be through the Design Professional(s).
 - 3.3.2.2 Conduct Site visits at intervals appropriate to the stage of construction to become generally familiar with the progress and quality of the completed Work and to determine in general if the Work is being performed in accordance with the Contract Documents. The Design Professional(s) shall keep the Owner informed of progress of the Work and any noted defects and deficiencies of the Work and shall endeavor to guard the Owner against defects and deficiencies in the Work. The Design Professional(s) may have authority to reject construction, which does not conform to the Construction Documents and to require additional inspection or testing of the construction in accordance with this Agreement.
 - 3.3.2.3 Review and recommend approval of Payment Requests.
 - 3.3.2.4 Review and approve or take other appropriate action upon CMAR's Submittals such as Shop Drawings, Product Data and Samples in accordance with this Agreement.
 - 3.3.2.5 Interpret and decide matters concerning performance under and requirements of the Contract Documents on written request of either the Owner or CMAR. The Design Professional(s)' response to such requests shall be made with reasonable promptness and within any time limits agreed upon.
 - 3.3.2.6 Prepare Change Orders and may authorize minor changes in the Work as defined in this Agreement.
 - 3.3.2.7 Conduct inspections to determine Substantial Completion and Final Acceptance.
 - 3.3.2.8 Receive and forward to the Owner for the Owner's review and records written warranties and related documents required by the Contract Documents and assembled by CMAR.

3.4 Owner's Separate Contractors

- 3.4.1 Owner is responsible for all work performed on the Project or at the Site by separate contractors under Owner's control. Owner shall contractually require its separate contractors to cooperate with and coordinate their activities so as not to interfere with CMAR in order to enable CMAR to timely complete the Work consistent with the Contract Documents.

3.5 Permit Review and Inspections

- 3.5.1 If requested by CMAR, the Owner's Representative shall provide assistance and guidance in obtaining necessary reviews, permits and inspections, however, the responsibility for obtaining the necessary reviews, permits and inspections remains with CMAR.

- 3.5.2 Regulating agencies of the Owner, such as Community Development, Fire, Planning, Building Inspection, Environmental Services, and Engineering Departments, enforce Legal Requirements. These enforcement activities are not subject to the responsibilities of the Owner under this Agreement.

Article 4 - Contract Time

4.0 Contract Time

- 4.0.1 Contract Time shall start with the NTP with construction services and shall end with Substantial Completion.
- 4.0.2 Where there is more than one GMP, each GMP shall establish a separate NTP date and a Performance Period. The Performance Periods for individual GMPs may be sequential or concurrent as established in the individual Notices to Proceed. The Performance Period for the GMPs under this Agreement shall be three hundred and sixty days (360) calendar days starting with the NTP.
- 4.0.3 CMAR agrees that it shall commence timely performance of the Work and shall achieve substantial completion within the Performance Periods and Contract Time.
- 4.0.4 All of the times set forth in this Article 4 shall be subject to adjustment in accordance with other provisions of this Agreement.
- 4.0.5 Time is of the essence, for time matters and the rest of this Agreement. Pursuant to this Agreement, if, in the sole discretion of the Capital Improvements Division of the City of Flagstaff, the Project is not at Substantial Completion prior to the advent of adverse weather conditions, a Winter Shutdown shall occur during which no Work will be performed by any person or entity (including but not limited to the CMAR) on the Project and CMAR shall shutdown, properly insulate and shelter the Project in a safe and workmanlike manner pursuant to local, state and federal laws. Although December through March is typically the time frame, the Owner reserves the right to initiate and terminate a Winter Shutdown at the Owner's sole discretion in the event of adverse weather conditions. A Winter Shutdown may be declared by the Owner despite delays, *for any reason*, on the Project.

4.1 Substantial Completion

- 4.1.1 Substantial Completion shall be for the entire Project unless a partial Substantial Completion is identified in the approved GMP schedule and stated in the Notice to Proceed letter or as may be mutually agreed by the parties in writing. Substantial Completion shall be in accordance with the definition in this Agreement and with the criteria set forth in the NTP.
- 4.1.2 Prior to notifying the Owner, CMAR shall inspect the Work and prepare and submit to the Owner a comprehensive list of items to be completed or corrected. CMAR shall proceed promptly to complete and correct items on the list. Failure to include an item on such list does not alter the responsibility of CMAR to complete all Work in accordance *with the Contract Documents*.
- 4.1.3 CMAR shall notify Owner when it believes the Work, or to the extent permitted in the Contract Documents, a portion of the Work, is substantially complete.
- 4.1.4 Within five (5) days of Owner's receipt of CMAR's notice, the Owner and CMAR shall jointly inspect such Work to verify that it is substantially complete in accordance with the requirements of the Contract Documents.
- 4.1.5 If such Work is substantially complete, Owner shall prepare and issue a Certificate of Substantial Completion that shall set forth (i) the date of Substantial Completion of the Work or portion thereof,

(ii) the remaining items of Work that have to be completed within thirty (30) calendar days before Final Acceptance, (iii) provisions (to the extent not already provided in the Contract Documents) establishing Owner's and CMAR's responsibility for the Project's security, maintenance, utilities and insurance pending Final Acceptance and (iv) an acknowledgment that warranties commence to run on the date of Substantial Completion, except as may otherwise be noted in the Certificate of Substantial Completion.

4.1.6 Owner, at its option, may use a portion of the Work which has been determined to be substantially complete, provided, however, that (i) a Certificate of Substantial Completion has been issued for the portion of Work addressing the items in this Agreement, (ii) CMAR and Owner have obtained the consent of their sureties and insurers, and to the extent applicable, the appropriate government authorities having jurisdiction over the Project, and (iii) Owner and CMAR agree that Owner's use or occupancy shall not interfere with CMAR's completion of the remaining Work.

4.2 Final Completion

4.2.1 Upon receipt of written notice that the Work or identified portions of the Work is ready for final inspection and acceptance, Owner and CMAR shall jointly inspect to verify that the remaining items of Work have been completed. The Owner shall issue a Final Completion Letter and payment pursuant to this Agreement.

4.3 Liquidated Damages

4.3.1 CMAR understands that if Substantial Completion is not attained within the Contract Time as adjusted, the Owner shall suffer damages, which are difficult to determine and accurately specify. CMAR agrees that if Substantial Completion is not attained within the Contract Time as adjusted, CMAR shall pay the Owner \$1,420.00 (to be determined on an agreement-by-agreement basis) per day as liquidated damages for each Day that Substantial Completion extends beyond the date determined by the Contract Time as adjusted and further agrees that such amount is reasonable under the circumstances.

4.3.2 CMAR understands that if Final Completion is not attained within the Contract Time as adjusted, the Owner shall suffer damages, which are difficult to determine and accurately specify. CMAR agrees that if Final Completion is not attained within the Contract Time as adjusted, CMAR shall pay the Owner \$1,420.00 (to be determined on an agreement-by-agreement basis) per day as liquidated damages for each Day that Final Completion extends beyond the date determined by the Contract Time as adjusted and further agrees that such amount is reasonable under the circumstances.

4.4 Project Master Schedule

4.4.1 The Project Master Schedule approved as part of a GMP shall be updated and maintained throughout the Work by CMAR.

4.4.2 The Project Master Schedule shall be revised by CMAR as required by conditions and progress of the Work, but such revisions shall not relieve CMAR of its obligations to complete the Work within the Contract Time, as such dates may be adjusted in accordance with the Contract Documents.

4.4.3 Updated Project Master Schedules shall be submitted monthly by CMAR to the Owner as part of the Payment Request.

4.4.3.1 CMAR shall provide Owner with a monthly status report with each Project Master Schedule detailing the progress of the Work, including: (i) if the Work is proceeding according to schedule, (ii) any discrepancies, conflicts, or ambiguities found to exist in the Contract Documents that require resolution, and (iii) other items that require resolution so as not to jeopardize ability to complete the Work as presented in the GMP and within the Contract Time.

- 4.4.3.2 With each schedule submittal CMAR shall include a transmittal letter including the following:
- 4.4.3.2.1 Description of problem tasks (referenced to field instructions, requests for information (“RFI’s”), as appropriate.
 - 4.4.3.2.2 Current and anticipated delays including:
 - 4.4.3.2.2.1 Cause of the delay
 - 4.4.3.2.2.2 Corrective action and schedule adjustments to correct the delay
 - 4.4.3.2.2.3 Known or potential impact of the delay on other activities, milestones, and/or the date of Substantial Completion
 - 4.4.3.2.3 Changes in construction sequence
 - 4.4.3.2.4 Pending items and status thereof including but not limited to:
 - 4.4.3.2.4.1 Time Extension requests
 - 4.4.3.2.4.2 Other items
 - 4.4.3.2.5 Substantial Completion date status:
 - 4.4.3.2.5.1 If ahead of schedule, the number of calendar days ahead
 - 4.4.3.2.5.2 If behind schedule, the number of calendar days behind
 - 4.4.3.2.5.3 Other project or scheduling concerns
- 4.4.4 Owner's review of and response to the Project Master Schedule is only for general conformance with the scheduling requirements of the Contract Documents. The review shall not relieve CMAR from compliance with the requirements of the Contract Documents or be construed as relieving CMAR of its complete and exclusive control over the means, methods, sequences and techniques for executing the Work.
- 4.4.5 The Project Master Schedule shall include a CPM diagram schedule that shall show the sequence of activities, the interdependence of each activity and indicate the Critical Path.
- 4.4.5.1 The CPM diagram schedule shall be in Days and indicate duration, earliest and latest start and finish dates for all activities, and total Float times for all activities except critical activities. The CPM diagram schedule shall be presented in a time scaled graphical format for the Project as a whole.
 - 4.4.5.2 The CPM diagram schedule shall indicate all relationships between activities.
 - 4.4.5.3 The activities making up the schedule shall be in sufficient detail to assure that adequate planning has been done for proper execution of the Work and such that it provides an appropriate basis for monitoring and evaluating the progress of the Work.
 - 4.4.5.4 The CPM diagram schedule shall be based upon activities, which would coincide with the Schedule of Values.
 - 4.4.5.5 The CPM diagram schedule shall show all Submittals associated with each work activity and the review time for each submittal.

- 4.4.5.6 The CPM diagram schedule shall show milestones, including milestones for Owner-furnished information, and shall include activities for Owner-furnished equipment and furniture when those activities are interrelated with CMAR activities.
- 4.4.5.7 The CPM diagram schedule shall include a critical path activity that reflects anticipated weather delay during the performance of the Agreement. The duration shall reflect the average climatic range and usual industrial conditions prevailing in the locality of the Site. Weather data shall be based on the information set forth on the City of Flagstaff's Table of "Monthly Anticipated Adverse Weather Calendar Days" and the explanatory paragraphs attached thereto.
- 4.4.6 The Project Master Schedule shall consider the Owner's and the tenants' occupancy requirements showing portions of the Project having occupancy priority, and Contract Time.
- 4.4.7 Float time shall be as prescribed below:
- 4.4.7.1 The total Float within the overall schedule, is not for the exclusive use of either the Owner or CMAR but is jointly owned by both and is a resource available to and shared by both parties as needed to meet Agreement milestones and the Project completion date.
- 4.4.7.2 CMAR shall not sequester shared Float through such strategies as extending activity duration estimates to consume available Float, using preferential logic, or using extensive crew/resource sequencing, etc. Since Float time within the schedule is jointly owned, no time extensions shall be granted nor delay damages paid until a delay occurs which extends the Work beyond the Substantial Completion date and then only if any such extensions or damages are shown to be justified under the Contract Documents.
- 4.4.7.3 Since Float time within the schedule is jointly owned, it is acknowledged that Owner-caused delays on the Project may be offset by Owner-caused time savings (i.e., critical path Submittals returned in less time than allowed by the Agreement, approval of substitution requests and credit changes which result in savings of time to CMAR, etc.). In such an event, CMAR shall not be entitled to receive a time extension or delay damages until all Owner-caused time savings are exceeded, and the Substantial Completion date is also exceeded.

Article 5- Contract Price

5.0 General

- 5.0.1 CMAR agrees at his own cost and expense, to completely construct and install all Work and materials as called for by this Agreement, free and clear of all claims, liens and charges whatsoever, in the manner and under the conditions specified in the Contract Documents, within the time or times stated in the approved GMP.

5.1 Contract Price

- 5.1.1 The Contract Price shall be as approved in the Guaranteed Maximum Price Proposal attached as Exhibit B and an amount of \$7,485,821.02 with an additional \$350,000.00 allowed for Owner's Contingency for a total contract price of \$7,835,821.02.
- 5.1.2 The Cost of the Work is actual costs and is a not-to-exceed reimbursable amount.
- 5.1.3 The General Conditions Costs will be included in the GMP as a not to exceed amount and paid for on actual costs based on submitted and approved invoices. The Construction Fee will be paid as a firm lump sum.

5.1.4 Taxes are deemed to include all sales, use consumer and other taxes, which are legally enacted when negotiations of the GMP were concluded, whether or not yet effective, or merely scheduled to go into effect. Taxes are actual costs and are a not-to-exceed reimbursable amount.

5.2 Guaranteed Maximum Price

5.2.1 The GMP is composed of the maximum Cost of the Work; the Construction Fee; General Conditions Costs; taxes; and CMAR's contingency all of which are not-to-exceed cost reimbursable or lump sum amounts. CMAR is at risk to cover any additional Project costs. If the Cost of Work amount, set forth in the GMP, is in excess of the actual Cost of Work and/or CMAR's Contingency, said amount by which the Cost of Work set forth in the GMP is in excess of the actual Cost of Work and/or CMAR's Contingency, shall revert to the Owner.

5.2.2 The GMP is subject to adjustments made in accordance with this Agreement and by GMP amendments to this Agreement.

5.2.3 GMP amendments are cumulative except for CMAR's Contingency. The amount of CMAR's Contingency for each GMP shall be negotiated separately.

5.2.4 If the GMP requires an adjustment due to changes in the scope of the Work the cost of such changes is determined subject to this Agreement. The markups that may be allowed on such changes shall be no greater than the markups delineated in the approved GMP.

5.3 Contingencies

5.3.1 CMAR's Contingency is an amount CMAR may use at its sole discretion for, an increase in the Cost of Work, and may use for increases in General Conditions Costs with written approval of the Owner. CMAR's Contingency is assumed to be a direct Project cost and all applicable markups shall be applied at the time of GMP submission.

5.3.2 When CMAR utilizes CMAR's Contingency funds, CMAR shall make the appropriate changes to the Schedule of Values with the next regular progress payment request. CMAR shall deduct the amount of CMAR's Contingency funds used from CMAR's Contingency line item and add the same amount to the line item on the Schedule of Values where the funds were used. If CMAR's contingency funds are used for a new line item that was not given with the original Schedule of Values, these shall be so indicated.

5.3.3 Owner's Contingency are funds to be used at the sole discretion of the Owner to cover any increases in Project costs that result from Owner directed changes or unforeseen Site conditions. Owner's Contingency shall be added to the GMP amount provided by CMAR, the sum of which shall be the full Contract Price for construction. At the time that Owner's Contingency is used the appropriate markups shall be applied.

5.4 Open Book

5.4.1 CMAR shall submit to the Owner upon request all payrolls, reports, estimates, records and any other data concerning the Work performed or to be performed or concerning materials supplied or to be supplied, as well as Subcontractor or Consultant payment applications or invoices and such Subcontractor's or Consultant progress payment checks. The requirements of this Section shall be included in all Agreements between CMAR and its Subcontractors and Consultants. The Owner may exercise its rights under this Agreement as often as reasonably necessary in the Owner's sole judgment to assure the Owner has a complete and accurate understanding of all Project costs.

5.4.2 Upon Project closeout and immediately prior to the release of final payment, the CMAR shall provide to the Owner a Final Cost Report detailing all Project costs for each division of work with supporting documentation for materials, labor, equipment and other appurtenant items.

Article 6 - Changes to the Contract Price and Time

6.0 Delays to the Work

- 6.0.1 If CMAR is delayed in the performance of the Work that shall cause a change in the date of Substantial Completion due to acts, omissions, conditions, events, or circumstances beyond its control and due to no fault of its own, or, those for whom CMAR is responsible, the Contract Times for performance shall be reasonably extended by Change Order. However, the Owner and the CMAR must agree on the determination of whether acts, omissions, conditions, events, or circumstances are actually beyond the CMARs control and/or whether they are due to no fault of the CMAR, or those for whom CMAR is responsible; if the Owner and the CMAR do not agree, then an independent third party, selected by both parties, shall make the determination of whether acts, omissions, conditions, events, or circumstances are actually beyond the CMARs control and/or whether they are due to no fault of the CMAR, or those for whom CMAR is responsible.
- 6.0.2 CMAR shall request an increase in the Contract Time by written notice including an estimate of probable effect of delay on progress of the Work within three (3) days of the occurrence of the delay. In the case of a continuing delay only one request is necessary.
- 6.0.3 By way of example, events that shall entitle CMAR to an extension of the Contract Time include acts or omissions of Owner or anyone under Owner's control (including separate Contractors), changes in the Work, Differing Site Conditions, Hazardous Conditions, delays by regulating agencies, wars, floods, labor disputes, unusual delay in transportation, epidemics abroad, earthquakes, adverse weather conditions not reasonably anticipated, and other acts of God.
- 6.0.4 If adverse weather conditions are the basis for a request for additional Contract Time, such requests shall be documented by data substantiating that weather conditions were abnormal for the period of time and could not have been reasonably anticipated, and that weather conditions had an adverse effect on the scheduled Substantial Completion. All terms, conditions, and definitions necessary for the application of this paragraph shall be as set forth on the City of Flagstaff's Table of "Monthly Anticipated Adverse Weather Calendar Days" and the explanatory paragraphs attached thereto.
- 6.0.5 It is understood, however, that permitting CMAR to proceed to complete any Work, or any part of the Work, after the date to which the time of completion may have been extended, shall in no way act as a waiver on the part of the Owner of any of its legal rights herein.
- 6.0.6 In addition to CMAR's right to a time extension for those events set forth in this Agreement, CMAR shall also be entitled to an appropriate adjustment of the Contract Price provided, however, that the Contract Price shall not be adjusted for those events set forth in this Section that are beyond the control of both CMAR and Owner, including the events of war, floods, labor disputes, earthquakes, epidemics, adverse weather conditions not reasonably anticipated, and other acts of God and shall not be adjusted absent a showing of actual damage.

6.1 Differing Site Conditions

- 6.1.1 If CMAR encounters a Differing Site Condition, CMAR shall be entitled to an adjustment in the Contract Price and/or Contract Times to the extent CMAR's cost and/or time of performance are actually adversely impacted by the Differing Site Condition.
- 6.1.2 Upon encountering a Differing Site Condition, CMAR shall provide prompt written notice to Owner of such condition, which notice shall not be later than seven (7) days after such condition has been encountered. CMAR shall, to the extent reasonably possible, provide such notice before the Differing Site Condition has been substantially disturbed or altered.

6.2 Errors, Discrepancies and Omissions

- 6.2.1 If CMAR observes errors, discrepancies or omissions in the Contract Documents, CMAR shall promptly notify the Design Professional and request clarification.
- 6.2.2 If CMAR proceeds with the Work affected by such errors, discrepancies, or omissions, without receiving such clarifications, CMAR does so at its own risk. Adjustments involving such circumstances made by CMAR prior to clarification by the Design Professional shall be at CMAR's risk.

6.3 The Owner Requested Change in Work

- 6.3.1 The Owner reserves the right to make, at any time during the progress of the Work, such alterations as may be found necessary or in the Owner's best interest.
- 6.3.2 Such alterations and changes shall not invalidate this Agreement nor release the surety and CMAR agrees to perform the Work as altered, the same as if it has been a part of the original Contract Documents.
- 6.3.3 The Owner shall request a proposal for a change in Work from CMAR, and an adjustment in the Contract Price and/or Contract Times shall be made based on a mutual agreed upon cost and time.

6.4 Legal Requirements

- 6.4.1 The Contract Price and/or Contract Times shall be adjusted to compensate CMAR for the effects of any changes in the Legal Requirements enacted after the date of their Agreement or the date of the GMP, affecting the performance of the Work

6.5 Change Directives and Change Orders

- 6.5.1 Owner and CMAR shall negotiate in good faith and as expeditiously as possible the appropriate adjustments for a Change Directive if any adjustments are appropriate. Upon reaching an agreement, the parties shall prepare and execute an appropriate Change Order reflecting the terms of the adjustment.
- 6.5.2 All changes in Work authorized by Change Directives and/or Change Orders shall be performed under the conditions of the Contract Documents.

6.6 Minor Changes in the Work

- 6.6.1 The Owner has authority to order minor changes in Work that do not materially and adversely affect the Work, including the design, quality, performance, and workmanship required by the Contract Documents. Such changes shall be affected by written order and shall be binding on the Owner and CMAR. CMAR shall carry out such written orders promptly.
- 6.6.2 CMAR may make minor changes in Work, provided, however that CMAR shall promptly inform Owner, in writing, of any such changes and record such changes, if appropriate, on the Project Record Documents maintained by CMAR.
- 6.6.3 Minor changes in Work shall not involve an adjustment in the Contract Price and/or Contract Times.

6.7 Contract Price Adjustments

- 6.7.1 The increase or decrease in Contract Price resulting from a change in the Work shall be determined by one or more of the following methods:
- 6.7.1.1 Unit prices set forth in this Agreement or as subsequently agreed to between the parties;
 - 6.7.1.2 A mutually accepted, lump sum, properly itemized and supported by sufficient substantiating data to permit evaluation by Owner; and
 - 6.7.1.3 Costs, fees and any other markups.
- 6.7.2 The markups that shall be allowed on such changes shall be no greater than the markups delineated in the approved GMP as shown on Exhibit B.
- 6.7.3 If an increase or decrease cannot be agreed to as set forth in this Agreement and Owner issues a Change Directive, the cost of the change of the Work shall be determined by the reasonable expense and savings in the performance of the Work resulting from the change, including a reasonable overhead and profit, as may be set forth in their Agreement. CMAR shall maintain a documented, itemized accounting evidencing the expenses and savings associated with such changes.
- 6.7.4 If unit prices are set forth in the Contract Documents or are subsequently agreed to by the parties, but application of such unit prices shall cause substantial inequity to Owner or CMAR because of differences in the character or quantity of such unit items as originally contemplated, such unit prices shall be equitably adjusted.
- 6.7.5 If Owner and CMAR disagree upon whether CMAR is entitled to be paid for any services required by Owner, or if there are any other disagreements over the scope of Work or proposed changes to the Work, Owner and CMAR shall resolve the disagreement pursuant this Agreement.
- 6.7.5.1 As part of the negotiation process, CMAR shall furnish Owner with a good faith estimate of the costs to perform the disputed services in accordance with Owner's interpretations.
 - 6.7.5.2 If the parties are unable to agree and Owner expects CMAR to perform the services in accordance with Owner's interpretations, CMAR shall proceed to perform the disputed services, conditioned upon Owner issuing a written order to CMAR (i) directing CMAR to proceed and (ii) specifying Owner's interpretation of the services that are to be performed.

6.8 Emergencies

- 6.8.1 In any emergency affecting the safety of persons and/or property, CMAR shall act, at its discretion, to prevent threatened damage, injury or loss. Any change in the Contract Price and/or Contract Time resulting from emergency work under this Section shall be determined as provided in this Article.

6.9 Force Majeure

- 6.9.1 The parties acknowledge that there may be events that occur during the term of this Contract that are beyond the control of both the Owner and the CMAR, including events of war, floods, labor, disputes, earthquakes, epidemics, pandemics, adverse weather conditions not reasonably anticipated, forest fires, and other acts of God. These events may result in temporary delay or permanent shut down of the work that is the subject of this Contract. This may be caused by such things as stay-at-home orders, loss of labor force, supply chain delays, and other impediments to timely delivery of the Contract.

6.9.2 The parties agree that there will be no claims arising from a temporary delay or permanent shut down caused by the events described above and that the Owner will pay no additional costs incurred as a result of such events.

6.9.3 The parties agree to act in good faith to extend the Contract completion date without any penalty to the CMAR and that the extension will be in an amount of time equal to any temporary delay. This term supersedes all other terms regarding temporary delay, permanent shut down, or increased costs.

Article 7- Procedure for Payment

7.0 General

7.0.1 For and in consideration of the faithful performance of the Work herein embraced as set forth in the Contract Documents, which are a part hereof and in accordance with the directions of the Owner and to the Owner's satisfaction, the Owner agrees to pay CMAR the actual Cost of the Work and any applicable General Conditions Costs including, insurance and bonding, taxes and CMAR's Construction Fee, but no more than the GMP as adjusted by any change orders. Payment for the specific Work under this Agreement shall be made in accordance with payment provisions detailed below.

7.1 GMP Payment Request

7.1.1 At the pre-construction conference prescribed in this Agreement, CMAR shall submit for Owner's review and approval a Schedule of Values. The Schedule of Values shall serve as the basis for monthly progress payments made to CMAR throughout the Work.

7.1.2 At least five (5) working days prior to the date established for a Payment Request, CMAR shall submit an updated Project Master Schedule and meet with the Owner's Representative to review the progress of the Work as it shall be reflected on the Payment Request.

7.1.3 The Payment Request shall constitute CMAR's representation that the Work has been performed consistent with the Contract Documents, has progressed to the point indicated in the Payment Request, and that title to all Work shall pass to Owner free and clear of all claims, liens, encumbrances, and security interests upon the incorporation of the Work into the Project. The Payment Request shall include, at a minimum:

7.1.3.1 Monthly Executive summary detailing work completed during the pay period, a statement addressing the project budget and schedule and the items of work anticipated for the upcoming pay period

7.1.3.2 Current critical path schedule

7.1.3.3 Pay application cover sheet, detailed schedule of values and conditional lien waivers upon release of progress payment

7.1.3.4 Subcontractor and Supplier invoices and conditional lien waivers for current pay period

7.1.3.5 General Conditions invoices for current pay period

7.1.3.6 Daily Reports for current pay period

7.1.3.7 Weekly reports for current pay period

7.1.3.8 Project meeting minutes for current pay period

- 7.1.3.9 Certified payroll reports- alphabetical by subcontractor (when required for Davis Bacon projects)
- 7.1.4 The Payment Request may request payment for stored equipment and materials if construction progress is in reasonable conformance with the approved schedule.
- 7.1.4.1 For equipment and materials suitably stored at the Site, the equipment and materials shall be protected by suitable insurance and Owner shall receive the equipment and materials free and clear of all liens and encumbrances.
- 7.1.4.2 For materials and equipment stored off the Site, the Owner must approve the storage. The material and equipment must be stored within Coconino County or other Sites as may be approved and be accessible for Owner's inspection. CMAR must establish Owner title to such materials and equipment or otherwise protect the Owner's interest and shall include applicable insurance, bonding, storage and transportation to the Site.
- 7.1.4.3 All bonds and insurance required for stored materials shall name the Owner as the loss payee to the extent of its interest in the stored materials.
- 7.1.5 CMAR shall submit the Payment Request to Owner monthly either on the first of the month for payment on the 15th or on the 19th of the month for payment on the 30th or 31st. If the payment date is on a Saturday, payment shall be on Friday. If the payment date is on a Sunday, payment shall be on Monday.
- 7.2 Payment of GMP**
- 7.2.1 Owner shall make payment in accordance with A.R.S. § 34-607. Payment shall be made no later than fourteen (14) days after the Payment Request is certified and approved, but in each case less the total of payments previously made, and less amounts properly retained under this Agreement.
- 7.2.2 Owner shall pay CMAR all amounts properly due. If Owner determines that CMAR is not entitled to all or part of a Payment Request, it shall notify CMAR in writing within (7) days after the date Payment Request is received by the Owner. The notice shall indicate the specific amounts Owner intends to withhold, the reasons and contractual basis for the withholding, and the specific measures CMAR shall take to rectify Owner's concerns. CMAR and Owner shall attempt to resolve Owner's concerns. If the parties cannot resolve such concerns, CMAR may pursue its rights under the Contract Documents, including those identified in this Agreement.
- 7.3 Retention of GMP**
- 7.3.1 Owner shall retain ten percent (10%) of each Payment Request amount provided. When fifty percent (50%) of the Work has been completed by CMAR, upon request of CMAR, Owner may reduce the amount retained to five percent (5%) from CMAR's subsequent Payment Requests if CMAR's performance of Work has been satisfactory.
- 7.3.2 In lieu of retention, CMAR may provide as a substitute, an assignment of time certificates of deposit (CDs) from a bank licensed by the State of Arizona, securities of or guaranteed by the United States of America, securities of counties, municipalities and school districts within the State of Arizona or shares of savings and loan institutions authorized to transact business in Arizona.
- 7.3.2.1 CDs assigned to the Owner must be maintained at the Owner's single servicing bank, in the form of time deposit receipt accounts.
- 7.3.2.2 Securities deposited in lieu of retention must be deposited into a separate account with a bank within the State of Arizona.

7.3.2.3 CDs and Securities shall be assigned exclusively for the benefit of the City of Flagstaff pursuant to the Owner's form of Escrow Agreement. Escrow Agreement forms may be obtained from the Purchasing Department by contacting Matthew Luhman, Purchasing Manager.

7.4 Substantial Completion

7.4.1 Upon Substantial Completion of the entire Work or, if applicable, any portion of the Work, Owner shall release to CMAR all retained amounts relating, as applicable, to the entire Work or completed portion of the Work, less an amount up to two and one-half (2.5) times the reasonable value of all remaining or incomplete items of Work as noted in the Certificate of Substantial Completion.

7.5 Final Payment

7.5.1 After receipt of a final Payment Request, Owner shall make final payment within sixty (60) days after receipt by the Owner, provided that CMAR has completed all of the Work in conformance with the Contract Documents and a Final Completion Letter has been issued by the Owner.

7.5.2 At the time of submission of its final Payment Request, CMAR shall provide the following information:

7.5.2.1 An affidavit affirming that there are no claims, obligations or liens outstanding or unsatisfied for labor, services, material, equipment, taxes or other items performed, furnished or incurred for or in connection with the Work which shall in any way affect Owner's interests;

7.5.2.2 A general release executed by CMAR waiving, upon receipt of final payment by CMAR, all claims, except those claims previously made in writing to Owner and remaining unsettled at the time of final payment; and

7.5.2.3 Consent of CMAR's surety, if any, to final payment.

7.6 Payments To Subcontractors or Suppliers

7.6.1 CMAR shall pay its Subcontractors or suppliers within seven (7) calendar days of receipt of each progress payment from the Owner. CMAR shall pay for Work performed or materials supplied by each Subcontractor or supplier as accepted and approved by the Owner with each progress payment. In addition, any reduction of retention by the Owner to CMAR shall result in a corresponding reduction to Subcontractors or suppliers who have performed satisfactory work. CMAR shall pay Subcontractors or suppliers the reduced retention within fourteen (14) calendar days of the payment of the reduction of the retention to CMAR. No agreement between CMAR and its Subcontractors and suppliers may materially alter the rights of any Subcontractor or supplier to receive prompt payment and retention reduction as provided herein.

7.6.2 If CMAR fails to make payments in accordance with these provisions, the Owner may take any one or more of the following actions and CMAR agrees that the Owner may take such actions:

7.6.2.1 Hold CMAR in default under this Agreement;

7.6.2.2 Withhold future payments including retention until proper payment has been made to Subcontractors or suppliers in accordance with these provisions;

7.6.2.3 Reject all future offers to perform work for the Owner from CMAR for a period not to exceed one (1) year from Substantial Completion date of this Project; or

7.6.2.4 Terminate this Agreement.

- 7.6.3 If CMAR's payment to a Subcontractor or supplier is in dispute, it shall act in compliance with A.R.S. § 32-1129.02(D) and related statutes as amended and shall further hold the Owner harmless from any ensuing damages, claims or costs.
- 7.6.4 Should the Owner fail or delay in exercising or enforcing any right, power, privilege, or remedy under this Section, such failure or delay shall not be deemed a waiver, release, or modification of the requirements of this Section or of any of the terms or provisions thereof.
- 7.6.5 CMAR shall include these prompt payment provisions in every subcontract, including procurement of materials and leases of equipment for this Agreement.

7.7 Record Keeping and Finance Controls

- 7.7.1 Records of CMAR's direct personnel payroll, reimbursable expenses pertaining to this Project and records of accounts between the Owner and CMAR shall be kept on a generally recognized accounting basis and shall be available for three (3) years after Final Completion of the Project.
- 7.7.2 The Owner, its authorized representative, and/or the appropriate federal agency, reserve the right to audit CMAR's records to verify the accuracy and appropriateness of all pricing data, including data used to negotiate Contract Documents and any Change Orders.
- 7.7.3 The Owner reserves the right to decrease Contract Price and/or payments made on this Agreement if, upon audit of CMAR's records, the audit discloses CMAR has provided false, misleading, or inaccurate cost and pricing data.
- 7.7.4 CMAR shall include a similar provision in all of its agreements with Subconsultants and Subcontractors providing services under the Contract Documents to ensure the Owner, its authorized representative, and/or the appropriate federal agency, has access to the Subconsultants' and Subcontractors' records to verify the accuracy of cost and pricing data.
- 7.7.5 The Owner reserves the right to decrease Contract Price and/or payments made on this Agreement if the above provision is not included in Subconsultant's and Subcontractor's Agreements, and one or more Subconsultants and/or Subcontractors do not allow the Owner to audit their records to verify the accuracy and appropriateness of pricing data.
- 7.7.6 The Owner and its employees, agents, and authorized representatives shall have the right at all reasonable times and during all business hours to inspect and examine CMAR's records related to this Agreement. CMAR shall comply with the City of Flagstaff's records retention policy. This record retention requirement shall remain in effect following expiration of the Agreement or termination of the Agreement by either Party.

Article 8 - Claims and Disputes

8.0 Requests for Agreement Adjustments and Relief.

- 8.0.1 If either CMAR or Owner believes that it is entitled to relief against the other for any event arising out of or related to Work, such party shall provide written notice to the other party of the basis for its claim for relief.
- 8.0.2 Such notice shall, if possible, be made prior to incurring any cost or expense and in accordance with any specific notice requirements contained in applicable sections of the Agreement.
- 8.0.3 In the absence of any specific notice requirement, written notice shall be given within a reasonable time, not to exceed fourteen (14) days, after the occurrence giving rise to the claim for relief or after

the claiming party reasonably should have recognized the event or condition giving rise to the request, whichever is later.

- 8.0.4 Such notice shall include sufficient information to advise the other party of the circumstances giving rise to the claim for relief, the specific contractual adjustment or relief requested and the basis of such request.

8.1 Dispute Avoidance and Resolution

- 8.1.1 The parties are fully committed to working with each other throughout the Project and agree to communicate regularly with each other at all times so as to avoid or minimize disputes or disagreements. If disputes or disagreements do arise, CMAR and Owner each commit to resolving such disputes or disagreements in an amicable, professional and expeditious manner so as to avoid unnecessary losses, delays and disruptions to the Work.
- 8.1.2 CMAR and Owner shall first attempt to resolve disputes or disagreements at the field level through discussions between CMAR's Representative and Owner's Representative.
- 8.1.3 If a dispute or disagreement cannot be resolved through CMAR's Representative and Owner's Representative, CMAR's Senior Representative and Owner's Senior Representative, upon the request of either party, shall meet as soon as conveniently possible, but in no case later than thirty (30) days after such a request is made, to attempt to resolve such dispute or disagreement. Prior to any meetings between the Senior Representatives, the parties shall exchange relevant information that shall assist the parties in resolving their dispute or disagreement.
- 8.1.4 Except as otherwise agreed by the parties, any litigation brought by either party against the other to enforce the provisions of this Agreement shall be filed in the Coconino County Superior Court and Arizona law shall apply and control. In the event any action at law or in equity is instituted between the parties in connection with this Agreement, the prevailing party in the action shall be entitled to its costs including reasonable attorneys' fees and court costs from the non-prevailing party.

8.2 Duty to Continue Performance.

- 8.2.1 Unless provided to the contrary in the Contract Documents, CMAR shall continue to perform the Work and Owner shall continue to satisfy its payment obligations to CMAR, pending the final resolution of any dispute or disagreement between CMAR and Owner.

8.3 Representatives of the Parties

8.3.1 The Owner's Representatives

- 8.3.1.1 The Owner designates the individual listed below or his/her designee as its Senior Representative ("Owner's Senior Representative"), which individual has the authority and responsibility for avoiding and resolving disputes under this Agreement:

Patrick Brown, Purchasing Director
City of Flagstaff
211 West Aspen Avenue
Flagstaff, AZ 86001
Phone: (928) 213-2277
pbrown@flagstaffaz.gov

8.3.1.2 Owner designates the individual listed below as its Owner's Representative ("Owner's Representative"), which individual has the authority and responsibility under this Agreement:

Emily Markel, Purchasing Manager
City of Flagstaff
211 West Aspen Avenue
Flagstaff, AZ 86001
Phone: (928) 213-2276
emarkel@flagstaffaz.gov

8.3.2 CMAR's Representatives

8.3.2.1 CMAR designates the individual listed below as its Senior Representative ("CMAR's Senior Representative"), which individual has the authority and responsibility for avoiding and resolving disputes under this Agreement:

Mac McNamara, Water Services Engineering Section Director
City of Flagstaff
211 West Aspen Avenue
Flagstaff, AZ 86001
Phone: (928) 213-2410
mmcnamara@flagstaffaz.gov

8.3.2.2 CMAR designates the individual listed below as its CMAR's Representative ("CMAR's Representative"), which individual has the authority and responsibility set forth in this Agreement:

Mike Abraham, President
4720 E. Cotton Gin Loop, Ste. 240
Phoenix, AZ 85040
Phone: 602-390-1243
Email: mabraham@banicki.com

Article 9 – Suspension and Termination

9.0 Owner's Right to Stop Work

9.0.1 Owner may, at its discretion and without cause, order CMAR in writing to stop and suspend the Work. Such suspension shall not exceed one hundred and eighty (180) consecutive days.

9.0.2 CMAR may seek an adjustment of the Contract Price and/or Contract Time if its cost or time to perform the Work has been adversely impacted by any suspension or stoppage of Work by Owner.

9.1 Termination for Convenience

9.1.1 The Owner may terminate this Agreement at any time for any reason by giving at least thirty (30) days written notice to the CMAR. In such event, Owner shall pay CMAR only the direct value of its completed Work and materials supplied as of the date of termination. CMAR shall be entitled to profit and overhead on completed Work only but shall not be entitled to anticipated profit or anticipated overhead.

9.1.2 If the Owner suspends the Work for one hundred eighty-one (181) consecutive days or more, such suspension shall be deemed a termination for convenience.

9.1.3 Upon such notice of termination for convenience, CMAR shall proceed with the following

obligations:

- 9.1.3.1 Stop Work as specified in the notice.
- 9.1.3.2 Place no further subcontracts or orders.
- 9.1.3.3 Terminate all subcontracts to the extent they relate to the Work terminated. CMAR shall ensure that all subcontracts contain this same termination for convenience provision set forth in this Agreement.
- 9.1.3.4 At the Owner's sole discretion and if requested in writing by the Owner, assign to the Owner all rights, title and interest of CMAR under the subcontracts subject to termination.
- 9.1.3.5 Take any action that may be necessary for the protection and preservation of the property related to this Agreement that is in the possession of CMAR and in which the Owner has or may acquire an interest.
- 9.1.4 CMAR shall submit complete termination inventory schedules no later than one hundred twenty (120) days from the date of the notice of termination.
- 9.1.5 The Owner shall pay CMAR the following:
 - 9.1.5.1 The direct value of its completed Work and materials supplied as of the date of termination.
 - 9.1.5.2 The reasonable and direct, actual costs and expenses attributable to such termination. Reasonable costs and expenses shall not include, among other things, anticipated profit, anticipated overhead, or costs arising from CMAR's failure to perform as required under this Agreement.
 - 9.1.5.3 CMAR shall be entitled to profit and overhead on completed Work only but shall not be entitled to anticipated profit or anticipated overhead. If it is determined that CMAR would have sustained a loss on the entire Work had they been completed, CMAR shall not be allowed profit and the Owner shall reduce the settlement to reflect the indicated rate of loss.
- 9.1.6 CMAR shall maintain all records and documents for three (3) years after final settlement. These records shall be maintained and subject to auditing as prescribed in this Agreement.

9.2 The Owner's Right to Perform and Terminate for Cause

- 9.2.1 If the Owner provides CMAR with a written order to provide adequate maintenance of traffic, adequate cleanup, adequate dust control or to correct deficiencies or damage resulting from abnormal weather conditions, and CMAR fails to comply in a time frame specified, the Owner may have work accomplished by other sources at CMAR's sole expense.
- 9.2.2 If CMAR persistently fails to (i) provide a sufficient number of skilled workers, (ii) supply the materials required by the Contract Documents, (iii) comply with applicable Legal Requirements, (iv) timely pay, without cause, Subconsultants and/or Subcontractors, (v) prosecute the Work with promptness and diligence to ensure that the Work is completed by the Contract Time, as such times may be adjusted, or (vi) perform material obligations under the Contract Documents, then Owner, in addition to any other rights and remedies provided in the Contract Documents or by law, shall have the rights set forth in this Agreement.
- 9.2.3 Upon the occurrence of a terminable event, Owner may provide written notice to CMAR that it intends to terminate this Agreement unless the problem cited is cured, or commenced to be cured, within seven (7) days of CMAR's receipt of such notice.

- 9.2.3.1 If CMAR fails to cure, or reasonably commence to cure, such problem, then Owner may give a second written notice to CMAR of its intent to terminate within an additional seven (7) day period.
- 9.2.3.2 If CMAR, within such second seven (7) day period, fails to cure, or reasonably commence to cure, such problem, then Owner may declare this Agreement terminated for default by providing written notice to CMAR of such declaration.
- 9.2.4 Upon declaring this Agreement terminated, Owner may enter upon the premises and take possession, for the purpose of completing the Work, of all materials, equipment, scaffolds, tools, appliances and other items thereon, which have been purchased or provided for the performance of the Work, all of which CMAR hereby transfers, assigns and conveys to Owner for such purpose, and to employ any person or persons to complete the Work and provide all of the required labor, services, materials, equipment and other items.
- 9.2.5 In the event of such termination, CMAR shall not be entitled to receive any further payments under the Contract Documents until the Work shall be finally completed in accordance with the Contract Documents. At such time, CMAR shall only be entitled to be paid for Work performed and accepted by the Owner prior to its default.
- 9.2.6 If Owner's cost and expense of completing the Work exceeds the unpaid balance of the Contract Price, then CMAR shall be obligated to pay the difference to Owner. Such costs and expenses shall include not only the cost of completing the Work, but also losses, damages, costs and expense, including attorneys' fees and expenses, incurred by Owner in connection with the procurement and defense of claims arising from CMAR's default.
- 9.2.7 If Owner improperly terminates the Agreement for cause, the termination for cause shall be converted to a termination for convenience in accordance with the provisions of this Agreement.

9.3 Maintenance During Winter Shutdown of Work; Snow Removal

- 9.3.1 The Capital Improvements Division of the City of Flagstaff retains the right to declare a Winter Shutdown when, in the opinion of the Owner, it would be unreasonable to continue Work due to adverse weather conditions. The Winter Shutdown determination is at the sole discretion of the Owner. If Work has been suspended due to winter weather, the CMAR shall be responsible for maintenance and protection of the improvements and of partially completed portions of the Work until final acceptance of the project. Winter Shutdown shall be by field order, change order or original contract. If repairs and/or maintenance are needed during the Winter Shutdown, the CMAR is required to perform the repairs and/or maintenance within twenty-four (24) hours of notification from the Owner. If the needed repairs and/or maintenance are not addressed within the timeframe, the Owner will accomplish the repairs and/or maintenance and deduct the cost from monies due or become due to the CMAR.
- 9.3.2 The Owner shall provide snow removal operations on active traffic lanes only. All other snow removal and maintenance operations shall be the responsibility of the CMAR. All cost associated with snow removal and proper disposal shall be considered incidental to the work including repair of temporary surface improvements due to normal wear and snow removal operations.
- 9.3.3 Upon termination of the Winter Shutdown by the Owner, the CMAR shall have the right to complete the Work and the Project.
- 9.3.4 The CMAR shall be solely responsible for any and all costs incurred either as a direct or indirect result of a Winter Shutdown and shall hold the Owner harmless from the same.

Article 10 - Insurance and Bonds

10.0 Insurance Requirements

- 10.0.1 CMAR and Subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Agreement are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the Work hereunder by CMAR, its agents, representatives, employees or Subcontractors.
- 10.0.2 The insurance requirements herein are minimum requirements for this Agreement and in no way limit the indemnity covenants contained in this Agreement.
- 10.0.3 The Owner in no way warrants that the minimum limits contained herein are sufficient to protect CMAR from liabilities that might arise out of the performance of the work under this Agreement by CMAR, its agents, representatives, employees, or subcontractors. CMAR is free to purchase such additional insurance as may be determined necessary.

10.1 Minimum Scope and Limits of Insurance

10.1.1 Commercial General Liability - Occurrence Form

General Aggregate/for this Project	\$2,000,000/\$1,000,000
Products – Completed Operations Aggregate	\$1,000,000
Each Occurrence	\$1,000,000

The policy shall be endorsed to include the following additional insured language: **"The City of Flagstaff shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of CMAR."**

Additional Insured Status. The insurance coverage, except Workers' Compensation, required by this Agreement, shall name the CITY, its agents, representatives, directors, officials, employees, and officers, as additional insured AND be accompanied by the required endorsement. Such evidence of additional insured status shall be subject to the approval of the Risk Management Department of the City of Flagstaff. The absence of acceptable insurance and endorsement shall be deemed a breach of this Agreement.

- 10.1.2 Automobile Liability - Bodily injury and property damage for any owned, hired, and non-owned vehicles used in the performance of this Agreement.

Combined Single Limit ("CSL")	\$1,000,000
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The policy shall be endorsed to include the following additional insured language: **"The City of Flagstaff shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of CMAR, including automobiles owned, leased, hired or borrowed by CMAR."**

- 10.1.3 Worker's Compensation: The CMAR shall carry Workers' Compensation insurance to cover obligations imposed by federal and state statutes.

- 10.1.4 Builders' Risk Insurance or Installation Floater \$N/A

In an amount equal to the initial Contract Amount plus additional coverage equal to Contract Amount for all subsequent change orders.

- 10.1.4.1 The City of Flagstaff, CMAR, Subcontractors, Design Professional(s) and Design Professional(s)' consultant and any others with an insurable interest in the Work shall be Named Insureds on the policy.
- 10.1.4.2 Coverage shall be written on an all risk, replacement cost basis and shall include coverage for soft costs, flood and earth movement.
- 10.1.4.3 Coverage shall be maintained until whichever of the following shall first occur: (i) final payment has been made; or, (ii) until no person or entity, other than the City of Flagstaff, has an insurable interest in the property required to be covered.
- 10.1.4.4 Coverage shall be endorsed such that the insurance shall not be canceled or lapse because of any partial use or occupancy by the City.
- 10.1.4.5 CMAR shall provide coverage from the time any covered property becomes the responsibility of CMAR, and continue without interruption during construction, renovation, or installation, including any time during which the covered property is being transported to the construction installation Site, or awaiting installation, whether on or off Site.
- 10.1.4.6 Coverage shall contain a waiver of subrogation against the City of Flagstaff.
- 10.1.4.7 CMAR is responsible for the payment of all policy deductibles.
- 10.1.5 Umbrella/Excess Liability Insurance not less than \$2,000,000 per occurrence combined limit Bodily Injury and Property Damage, that "follows form" and applies in excess of the Commercial General Liability, Automobile Liability as required above.

10.2 Additional Insurance Requirements

- 10.2.1 The policies shall include, or be endorsed to include the following provisions:
- 10.2.2 The City, its officers, officials, agents, employees and volunteers shall be additional insured to the full limits of liability purchased by CMAR even if those limits of liability are in excess of those required by this Agreement.
- 10.2.3 CMAR's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.
- 10.2.4 Coverage provided by CMAR shall not be limited to the liability assumed under the indemnification provisions of this Agreement.
- 10.2.5 The policies shall contain a Waiver of Subrogation against the City, its officers, officials, agents, and employees for losses arising from work performed by the CMAR for the Owner.

10.3 Notice of Cancellation

- 10.3.1 Each insurance policy required by the insurance provisions of this Agreement shall provide the required coverage and shall not be suspended, voided, canceled, reduced in coverage or endorsed to lower limits except after thirty (30) days prior written notice has been given to the Owner. Such notice shall be sent directly to the Purchasing Section by certified mail, return receipt requested.

10.4 Acceptability of Insurers

- 10.4.1 Insurance is to be placed with insurers who are duly licensed companies in the State of Arizona with an "A.M. Best" rating of A-7, or as approved by the City and licensed in the State of Arizona

with policies and forms satisfactory to the Owner. The Owner in no way warrants that the above-required minimum insurer rating is sufficient to protect CMAR from potential insurer insolvency.

10.5 Verification Of Coverage

- 10.5.1 CMAR shall furnish the Owner with Certificates of Insurance (ACORD form or equivalent approved by the Owner) as required by this Agreement. The Certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf.
- 10.5.2 All Certificates of Insurance and endorsements are to be received and approved by the Owner before work commences. Each insurance policy required by this Agreement shall be in effect at or prior to commencement of Work under this Agreement and remain in effect for the duration of the Project. Failure to maintain the insurance policies as required by this Agreement or to provide evidence of renewal is a material breach of contract.
- 10.5.3 All Certificates of Insurance required by this Agreement shall be sent directly to City's Purchasing Section. The City project/contract number and project description shall be noted on the Certificate of Insurance. The Owner reserves the right to require complete, certified copies of all insurance policies required by this Agreement at any time.
- 10.5.4 If the Certificate of Insurance reflecting policy coverage and cancellation notice does not conform to the Owner's requirements, the CMAR must submit a current Certificate of Insurance (dated within fifteen (15) days of the payment request submittal) with each payment request form. The payment request shall be rejected if the Certificate of Insurance is not submitted with the payment request.

10.6 Subcontractors

- 10.6.1 CMAR's Certificate(s) of Insurance shall include all Subcontractors as additional insureds under its policies. All coverages for Subcontractors shall be subject to the minimum requirements identified above.

10.7 Approval

- 10.7.1 Any modification or variation from the insurance requirements in this Agreement shall be made by the Owner Attorney's Office, whose decision shall be final. Such action shall not require a formal contract amendment but may be made by administrative action.

10.8 Bonds and Other Performance Security

- 10.8.1 Prior to execution of this Agreement, CMAR shall provide a performance bond and a labor and materials bond, each in an amount equal to the full amount of the GMP.
- 10.8.2 Each such bond shall be executed by a surety company, or companies, holding a Certificate of Authority to transact surety business in the State of Arizona, issued by the Director of the Arizona Department of Insurance. A copy of the Certificate of Authority shall accompany the bonds. The Certificate shall have been issued or updated within two (2) years prior to the execution of this Agreement.
- 10.8.3 The bonds shall be made payable and acceptable to the City of Flagstaff.
- 10.8.4 The bonds shall be written or countersigned by an authorized representative of the surety who is either a resident of the State of Arizona or whose principal office is maintained in Arizona, as by law required, and the bonds shall have attached thereto a certified copy of Power of Attorney of the signing official.

- 10.8.4.1 If one Power of Attorney is submitted, it shall be for twice the total GMP amount.
- 10.8.4.2 If two Powers of Attorney are submitted, each shall be for the total GMP amount. Personal or individual bonds are not acceptable.
- 10.8.5 Upon the request of any person or entity appearing to be a potential beneficiary of bonds covering payment of obligations arising under the Contract Documents, CMAR shall promptly furnish a copy of the bonds or shall permit a copy to be made.
- 10.8.6 All bonds submitted for this project shall be provided by a company which has been rated AM Best rating of "A-,7, or better for the prior four quarters" by the A.M. Best Company.

Article 11 - Indemnification

11.1 CMAR's Liability and Indemnification

- 11.1.1 To the fullest extent permitted by law, CMAR shall defend, indemnify and hold harmless the Owner, its agents, representatives, officers, directors, officials and employees from and against all claims, damages, losses and expenses (including but not limited to attorney fees, court costs, and the cost of appellate proceedings), relating to, arising out of, or alleged to have resulted from the negligent, reckless, or intentional acts, errors, mistakes, omissions, work or services of CMAR, its employees, agents, or any tier of subcontractors in the performance of this Agreement. CMAR's duty to defend, hold harmless and indemnify the Owner, its agents, representatives, officers, directors, officials and employees shall arise in connection with the claim, damage, loss or expense that is attributable to bodily injury, sickness, disease, death, or injury to, impairment, or destruction of property including loss of use resulting therefrom, caused by any acts, errors, mistakes, omissions, work or services in the performance of this Agreement including any employee of CMAR or any tier of subcontractor or any other person for whose acts, errors, mistakes, omissions, work or services CMAR may be legally liable.
- 11.1.2 The amount and type of insurance coverage requirements set forth herein shall in no way be construed as limiting the scope of the indemnity in this paragraph.

Article 12 – General Provisions

12.1 Contract Documents

- 12.1.1 This Agreement, Plans, Standard Specifications and Details, Special Provisions, Addenda (if any) dated the ___ day of _____, 20__ and used as the basis for the Guaranteed Maximum Price Proposal and Guaranteed Maximum Price Proposal, as accepted by the Mayor and Council per Council Minutes the ___ day of _____, 20__, Performance Bond, Payment Bond, Certificates of Insurance, Construction Documents and Change Orders (if any) are by this reference made a part of this Agreement to the same extent as if set forth herein in full.
- 12.1.2 The Contract Documents are intended to permit the parties to complete the Work and all obligations required by the Contract Documents within the Contract Times for the Contract Price. The Contract Documents are intended to be complementary and interpreted in harmony so as to avoid conflict, with words and phrases interpreted in a manner consistent with construction and design industry standards.
- 12.1.3 In the event of any inconsistency, conflict, or ambiguity between or among the Contract Documents, the Contract Documents shall take precedence in the order in which they are listed in the definitions section of this Agreement.
 - 12.1.3.1 On the drawings, given dimensions shall take precedence over scaled measurements, and large-scale drawings over small-scale drawings.

- 12.1.3.2 Specifications take precedence over Plans.
- 12.1.3.3 In the event of any inconsistency, conflict, or ambiguity between the Contract Documents and the Design Phase Agreement, the Contract Documents take precedence over the Design Phase Agreement
- 12.1.4 The headings used in this Agreement, or any other Contract Documents, are for ease of reference only and shall not in any way be construed to limit or alter the meaning of any provision.
- 12.1.5 The Contract Documents form the entire agreement between Owner and CMAR and by incorporation herein are as fully binding on the parties as if repeated herein. No oral representations or other agreements have been made by the parties except as specifically stated in the Contract Documents.

12.2 Amendments

- 12.2.1 The Contract Documents may not be changed, altered, or amended in any way except in writing signed by a duly authorized representative of each party.

12.3 Time is of the Essence

- 12.3.1 The Owner and CMAR mutually agree that time is of the essence with respect to the dates and times set forth in the Contract Documents.

12.4 Mutual Obligations

- 12.4.1 Owner and CMAR commit at all times to cooperate fully with each other and proceed on the basis of trust and good faith, to permit each party to realize the benefits afforded under the Contract Documents.

12.5 Cooperation and Further Documentation

- 12.5.1 CMAR agrees to provide the Owner such other duly executed documents as shall be reasonably requested by the Owner to implement the intent of the Contract Documents.

12.6 Assignment

- 12.6.1 CMAR shall not, without the written consent of the Owner, assign, transfer or sublet any portion of this Agreement or part of the Work or the obligations required by the Contract Documents. Notwithstanding the Owner's consent to assignment, CMAR as Assignor, and the Assignee shall both remain liable under all rights, obligations, terms, and conditions of this Agreement.

12.7 Successorship

- 12.7.1 CMAR and Owner intend that the provisions of the Contract Documents are binding upon the parties, their employees, agents, heirs, successors and assigns.

12.8 Third Party Beneficiary

- 12.8.1 Nothing under the Contract Documents shall be construed to give any rights or benefits in the Contract Documents to anyone other than the Owner and CMAR, and all duties and responsibilities undertaken pursuant to the Contract Documents shall be for the sole and exclusive benefit of Owner and CMAR and not for the benefit of any other party.

12.9 Governing Law

12.9.1 This Agreement and all Contract Documents shall be deemed to be made under, and shall be construed, in accordance with and governed by the laws of the State of Arizona without regard to the conflicts or choice of law provisions thereof. Any action to enforce any provision of this Agreement or to obtain any remedy with respect hereto shall be brought in the Superior Court, Coconino County, Arizona, and for this purpose, each party hereby expressly and irrevocably consents to the jurisdiction and venue of such Court.

12.10 Severability

12.10.1 If any provision of the Contract Documents or the application thereof to any person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of the Contract Documents and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

12.11 Compliance with All Laws

12.11.1 CMAR will comply with all applicable Federal, State, County and City laws, regulations and policies. CMAR understands and acknowledges the applicability of the Americans with Disabilities Act, the Immigration Reform and Control Act of 1986 and the Drug Free Workplace Act of 1989. CMAR agrees to comply with these laws in performing the Agreement and to permit the Owner to verify such compliance.

12.12 Legal Requirements

12.12.1 CMAR shall perform all Work in accordance with all Legal Requirements and shall provide all notices applicable to the Work as required by the Legal Requirements.

12.13 Construction Documents

12.13.1 It is not CMAR's responsibility to ascertain that the Construction Documents are in accordance with applicable laws, statutes, ordinances, building codes, rules and regulations. However, if CMAR recognizes that portions of the Construction Documents are at variance therewith, CMAR shall promptly notify the Design Professional and Owner in writing, describing the apparent variance or deficiency.

12.14 Independent Contractor

12.14.1 CMAR is and shall be an independent contractor. Any provisions in the Contract Documents that may appear to give the Owner the right to direct CMAR as to the details of accomplishing the Work or to exercise a measure of control over the Work means that CMAR shall follow the wishes of the Owner as to the results of the Work only. These results shall comply with all applicable laws and ordinances.

12.15 The Owner's Right of Cancellation

12.15.1 All parties hereto acknowledge that this Agreement is subject to cancellation by the Owner pursuant to the provisions of A.R.S. § 38-511.

12.16 Survival

12.16.1 All warranties, representations and indemnifications by CMAR shall survive the completion or termination of this Agreement.

12.17 Covenant against Contingent Fees

12.17.1 CMAR warrants that no person has been employed or retained to solicit or secure this Agreement upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, and that no member of the Owner Council, or any employee of Owner has any interest, financially, or otherwise, in the firm. For breach or violation of this warrant, the Owner shall have the right to annul this Agreement without liability, or at its discretion to deduct from the Contract Price or consideration, the full amount of such commission, percentage, brokerage, or contingent fee.

12.18 No Waiver

12.18.1 The failure of either party to enforce any of the provisions of the Contract Documents or to require performance of the other party of any of the provisions hereof shall not be construed to be a waiver of such provisions, nor shall it affect the validity of the Contract Documents or any part thereof, or the right of either party to thereafter enforce each and every provision.

12.19 Notice

12.19.1 Notices may be given to the other Party in writing, delivered in person, sent by facsimile transmission, emailed, deposited in the United States mail, postage prepaid, or deposited with any commercial air courier or express service at the addresses set forth below, or to such other address as the Parties may substitute by written notice, given in the manner prescribed in this paragraph. However, notices of termination, notices of default and any notice regarding warranties shall be sent via registered or certified mail, return receipt requested at the address set forth below **and** to legal counsel for the party to whom the notice is being given. Rejection, any refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice as of the date of such rejection, refusal or inability to deliver.

To CMAR:

Mike Abraham, President
J. Banicki Construction, Inc.
4720 E. Cotton Gin Loop, Ste. 240
Phoenix, AZ 85040
Phone: 602-390-1243
Email: mabraham@banicki.com

To Owner:

City of Flagstaff
211 West Aspen Avenue
Flagstaff, AZ 86001
Attn: Emily Markel, Purchasing Manager
Phone: (928) 213-2276
emarkel@flagstaffaz.gov

With a copy to:

City of Flagstaff
211 West Aspen Avenue
Flagstaff, AZ 86001
Attn: Mac McNamara, Water Services Engineering Section Director
Phone: (928) 213-2410
mmcnamara@flagstaffaz.gov

Design Professional(s):

Shephard Wesnitzer, Inc.
110 West Dale Avenue
Flagstaff, AZ 86001
Attn: Guillermo Cortes, Vice President
Phone: (928) 773-0354
Email: gcortes@swiaz.com

12.19.2 Notices Related to Payment, Securities-in-lieu, Bonds. Any notice, request, instruction or other document to be given under this Agreement by any party to any other party related to payment, securities-in-lieu, bonds or other instrument securing the performance of this Agreement, including but not limited to, bid bonds, performance bonds, payment bonds or letters of credit, shall be in writing and shall be delivered in person or by courier or facsimile transmission or mailed by certified mail, postage prepaid, return receipt requested and shall be deemed given upon (a) confirmation of receipt of a facsimile transmission, (b) confirmed delivery by hand or standard overnight mail or (c) upon the expiration of three (3) business days after the day mailed by certified mail. Rejection, any refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice as of the date of such rejection, refusal or inability to deliver.

To CMAR:

J. Banicki Construction, Inc.
4720 E. Cotton Gin Loop, Ste. 240
Phoenix, AZ 85040
Attn: Mike Abraham, President
Phone: 602-390-1243
Email: mabraham@banicki.com

To Owner:

City of Flagstaff
211 West Aspen Avenue
Flagstaff, AZ 86001
Attn: Emily Markel, Purchasing Manager
Phone: (928) 213-2276
emarkel@flagstaffaz.gov

With copies to:

City of Flagstaff

211 West Aspen Avenue
Flagstaff, AZ 86001
Attn: Mac McNamara, Water Services Engineering Section Director
Phone: (928) 213-2410
mmcnamara@flagstaffaz.gov

12.20 Confidentiality of Plans and Specification

12.20.1 Any plans or specifications regarding this Project shall be for official use only. CMAR shall not share them with others except as required to fulfill the obligations of this Agreement with the Owner.

12.20.2 All Record Documents, Shop Drawings and other plans or drawings prepared or submitted by CMAR shall include the following language: "These plans are for official use only and may not be shared with others except as required to fulfill the obligations of the Beulah/University Roadway Project Agreement with the City of Flagstaff."

12.21 CMAR and Subcontractor Employee Security Inquiries. The parties acknowledge that security measures required in this Section are necessary in order to preserve and protect the public health, safety and welfare. In addition to the specific measures set forth below, CMAR shall take such other measures, as it deems reasonable and necessary to further preserve and protect the public health, safety and welfare.

12.21.1 Security Inquiries. CMAR acknowledges that all of the employees that it provides pursuant to this Agreement shall be subject to background and security checks and screening ("Security Inquiries"). CMAR shall perform all such security inquiries and shall make the results available to Owner for all employees considered for performing work (including supervision and oversight) under this Agreement. Owner may make further security inquiries. Whether or not further security inquiries are made by Owner, Owner may, at its sole, absolute and unfettered discretion, accept or reject any or all of the employees proposed by CMAR for performing work under this Agreement. Employees rejected by Owner for performing services under this Agreement may still be engaged by CMAR for other work not involving the Owner. An employee rejected for work under this Agreement shall not be proposed to perform work under other Owner Agreements or engagements without Owner's prior approval.

12.21.2 Criteria for Evaluating Security Inquiries. Once formally adopted by Owner, criteria for excluding an individual from performing work under this Agreement shall be communicated by Owner to CMAR and used by CMAR as a factor in making its decision. Prior to such adoption, CMAR shall use its best judgment in making its decision using, among other criteria, applicable law, administrative regulations of federal, state and local agencies concerned with work performed under this Agreement, specific local concerns that deal with the specific work and work location(s) of the Project, and standards used by Owner in evaluating its own personnel.

12.21.3 Additional Owner Rights Regarding Security Inquiries. In addition to the foregoing, Owner reserves the right to: (1) have an employee/prospective employee of CMAR be required to provide fingerprints and execute such other documentation as may be necessary to obtain criminal justice information pursuant to A.R.S. § 41-1750(G)(4); (2) act on newly acquired information whether or not such information should have been previously discovered; (3) unilaterally change its standards and criteria relative to the acceptability of CMAR 's employees and/or prospective employees; and, (4) object, at any time and for any reason, to an employee of CMAR performing work (including supervision and oversight) under this Agreement.

12.21.4 Background and Security-Contracts and Subcontracts. CMAR shall include the security inquiry terms of this Section for employee background and security checks and screening in all contracts and subcontracts for work performed under this Agreement, including supervision and oversight.

12.21.5 Materiality of Security Inquiry Provisions. The security inquiry provisions of this Agreement, as set forth above, are material to Owner 's entry into this Agreement and any breach thereof by CMAR may, at Owner's sole and unfettered discretion, be considered to be a breach of contract of sufficient magnitude to terminate this Agreement. Such termination shall subject CMAR to liability for its breach of this Agreement.

12.22 Hazardous Materials

12.22.1 Unless included in the Work, if CMAR encounters material on the Site which it reasonably believes to contain asbestos, polychlorinated biphenyl (PCB), or other hazardous substances or materials regulated by applicable law, it shall immediately stop work and report the condition to the Owner.

12.22.2 If the material is found to contain asbestos, PCB or other hazardous substances or materials regulated by applicable law, CMAR shall not resume work in the affected area until the material has been abated or rendered harmless. CMAR and the Owner may agree, in writing, to continue work in non-affected areas on the Site.

12.22.3 An extension of Contract Time may be granted in accordance with this Agreement.

12.22.4 CMAR shall comply with all applicable laws/ordinances and regulations and take all appropriate health and safety precautions upon discovery.

12.23 Computer Systems

12.23.1 CMAR shall warrant fault-free performance in the processing of date and date-related data including, but not limited to calculating, comparing, and sequencing by all equipment and software products, individually and in combination, from the commencement of the Work. Fault-free performance shall include the manipulation of data when dates are in the 20th or 21st centuries and shall be transparent to the user. Failure to comply with "Year 2000" requirements shall be considered a breach of this Agreement.

12.24 Traffic Control

12.24.1 CMAR shall comply with all provisions of the latest version of the Manual on Uniform Traffic Control Devices and any other traffic control provisions as may be provided in the technical specifications.

12.25 No Boycott of Israel

12.25.1 Pursuant to A.R.S. §§ 35-393 and 35-393.01, if a Party has over ten (10) employees and the Agreement is worth at least one-hundred thousand dollars and no cents (\$100,000), the Party shall certify that it is not currently engaged in, and agrees, for the duration of the Agreement, will not engage in a boycott of Israel.

12.26 Forced Labor of Ethnic Uyghurs

12.26.1 If CMAR engages in for-profit activity and has ten (10) or more employees, pursuant to A.R.S. §35-394, CMAR certifies that it does not currently, and agrees for the duration of the contract that it will not, use: 1) the forced labor of ethnic Uyghurs in the People’s Republic of China; 2) any goods or services produced by the forced labor of ethnic Uyghurs in the People’s Republic of China; and 3) any contractors, subcontractors or suppliers that use the forced labor or any goods or services produced by the forced labor of ethnic Uyghurs in the People’s Republic of China. If CMAR becomes aware during the term of the Contract that the company is not in compliance with the written certification, CMAR shall notify the Owner within five business days after becoming aware of the noncompliance. If CMAR does not provide the Owner with a written certification that CMAR has remedied the noncompliance within 180 days after notifying the Owner of the noncompliance, this Contract terminates, except that if the Contract termination date occurs before the end of the remedy period the Contract terminations on the Contract termination date.

(Signatures Appear on the Next Page)

This Agreement shall be in full force and effect only when it has been approved and executed by the duly authorized City officials.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on this ____ day of _____, 20____.

J. BANICKI CONSTRUCTION, INC.

Print name:_____

Title:_____

CITY OF FLAGSTAFF

Print name:_____

Title:_____

Attest:

City Clerk

Approved only as to form:

City Attorney's Office

Notice to Proceed issued: _____, 20____

Last updated February 28, 2024

EXHIBIT A - PROJECT DESCRIPTION

The Project is located within the Schultz Creek drainage corridor in Flagstaff, Arizona, and can be described as a stormwater infrastructure improvements project. The existing box culvert and downstream stormwater infrastructure within US Highway 180 has limited capacity to convey stormwater runoff in the post-fire conditions. The Project is comprised of a new sediment basin, channel regrading, alluvial fan, box culvert, landscaping, demolition/abandonment of existing stormwater conveyance structures and removal and replacement of existing pavements within US Highway 180 and private properties. The Schultz Creek channel will be regraded and re-routed to improve capacity and realign the channel with a new box culvert under US Highway 180 and to the west to the Rio de Flag. The new box culvert will be sized to convey a higher flow rate than the existing stormwater infrastructure. A new sediment basin will be designed upstream of the new box culvert to release sediment prior to the stormwater entering the box culvert. A new alluvial fan like structure will be designed downstream of the box culvert to slow stormwater discharge before entering the Rio de Flag. The parcel containing the alluvial fan will have beatification components consisting of landscaping, rock placement, etc. Existing stormwater infrastructure will need to be abandoned in place or removed but is to be determined. Other components of the project will be several franchise utility relocations, City utility replacement/realignments, and roadway replacement. Engineering 30% designs have been provided to the Contractor.

EXHIBIT B – APPROVED GMP PROPOSAL

PROJECT #: 2024-45

DATE: 3/13/2024

PROJECT NAME: Schultz Creek Drainage Improvements at US Highway 180 Project



Project: Schultz Creek Drainage Improvements at US Highway 180 Project
Flagstaff Project #: WS3528/03-23021
Plan Set: SWI - 90% Design Preliminary - Dated 2/2024
Submitted: 2/29/2024 (Revised 03/13/2024)

GUARANTEED MAXIMUM PRICE - TOTAL PRICE WITH ADD ALTS & PROCUREMENT

Precast Procurement:	\$611,398.90
Base Bid:	\$7,056,949.51
Inflow Alternate Contract Price:	\$24,929.88
ADOT Additional Scope Contract Price:	\$142,542.73
Total Contract Price w/ Both Add Alternates:	\$7,835,821.02



GUARANTEED MAXIMUM PRICE

Project: Schultz Creek Drainage Improvements at US Highway 180 Project
Flagstaff Project #: WS3528/03-23021
Plan Set: SWI - 60% Design Preliminary - Dated 11/2023
Submitted: 2/2/2024

JBCI #	Keynote	Description	QTY	Unit	Unit Cost	Total
Precast Box Culvert - Early Procurement						
10	NA	Precast Box Culvert - ADOT SD 6.20 - Double Barrel 8' x 5' @ 8' Segment Lengths STA 2+97.73 (outlet) to STA 6+32.67 (US-180 phase line) <i>Note - Length is per barrel, thus 325 LF of total box culvert or 670 LF of double barrel box culvert.</i>	670	LF per barrel	\$ 670.00	\$ 448,900.00
20	NA	Precast Box Culvert - ADOT SD 6.20 - Double Barrel 8' x 5' @ 4' Segment Lengths STA 6+32.67 (US-180 phase line) to STA 6+62 (edge of NB US-180 curb) <i>Note - Length is per barrel, thus 30 LF of total box culvert or 60 LF of double barrel box culvert.</i>	60	LF per barrel	\$ 720.00	\$ 43,200.00
30	NA	Precast Box Culvert - Double Barrel 8' x 5' - custom skew <i>Note - 4 each custom skew pieces to accommodate phased construction on US-180.</i>	4	EA	\$ 6,250.00	\$ 25,000.00
Precast Box Culvert - Early Procurement - Subtotal:						\$ 517,100.00

PRICE SUMMARY			
Item	Description	% Rate	Total
A.	Subtotal Direct Cost		Subtotal Direct Costs = \$ 517,100.00
B.	General Conditions		\$ -
C.	JBCI Performance & Payment Bond (Calculated on Subtotal Contract Price Less Contingency)	1.00%	\$ 6,113.99
D.	Subcontractor Performance & Payment Bond (Calculated on Subtotal Contract Price Less Contingency)	0.00%	\$ -
E.	JBCI Insurance (Calculated on Total Contract Price Less Contingency)	1.00%	\$ 6,113.99
F.			Subtotal General Conditions Costs = B + C + D + E \$ 12,227.98
G.			Subtotal Direct Costs + Indirect Costs = A + F \$ 529,327.98
H.	Construction Fee (Calculated on Subtotal Direct Costs + Indirect Costs = G)	9.00%	\$ 47,639.52
I.			Subtotal Direct Costs + Indirect Costs + Fee = G + H \$ 576,967.50
J.	Sales Tax (Calculated on Subtotal Direct Costs + Indirect Costs + Fee = I) (Tax rate is 65% of 6.90% for Coconino County + 2.281% for the City of Flagstaff)	5.9677%	\$ 34,431.40
K.			Guaranteed Maximum Price = I + J \$ 611,398.90
L.	Owner's Contingency		\$ -
M.	JBCI Contingency		\$ -
Procurement Contract Price:			\$ 611,398.90



GUARANTEED MAXIMUM PRICE - WITHOUT ADD ALTS

Project: Schultz Creek Drainage Improvements at US Highway 180 Project
Flagstaff Project #: WS3528/03-23021
Plan Set: SWI - 90% Design Preliminary - Dated 2/2024
Submitted: 2/29/2024

JBCI #	Keynote	Description	QTY	Unit	Unit Cost	Total
ADOT REMOVALS						
10		CLEAR & GRUB	1	LS	\$5,393.17	\$5,393.17
20	1101	SAWCUT ASPHALT	280	LF	\$4.31	\$1,206.80
30	1101/1103	REMOVE ASPHALT	1,864.00	SY	\$21.80	\$40,635.20
40	1102	SAWCUT CONCRETE DRIVEWAY	11	LF	\$18.30	\$201.30
50	1102	REMOVE CONCRETE DRIVEWAY	193	SF	\$8.16	\$1,574.88
60	1105	SAWCUT CONCRETE SIDEWALK	25	LF	\$8.05	\$201.25
70	1105	REMOVE CONCRETE SIDEWALK	1,925.00	SF	\$4.86	\$9,355.50
80	1104	CONCRETE CURB CUT	6	EA	\$50.33	\$301.98
90	1104	REMOVE CONCRETE CURB & GUTTER	904	LF	\$5.14	\$4,646.56
100	1110	REMOVE & SALVAGE EXISTING SIGN	1	EA	\$337.50	\$337.50
110	1140	REMOVE & DISPOSE WOOD FENCE	72	LF	\$49.20	\$3,542.40
120	1150	REMOVE EXISTING RAILING	90	LF	\$29.78	\$2,680.20
130	1116	REMOVE & DISPOSE OF EXISTING WATERLINE	127	LF	\$66.84	\$8,488.68
140	1116	DEWATER FOR WATERLINE REMOVAL	1	LS	\$4,216.58	\$4,216.58
150	1137	CUT, CAP & ABANDON EXISTING STORM DRAIN PIPE	1	EA	\$3,519.58	\$3,519.58
160	1138	REMOVE & DISPOSE CONCRETE BOX CULVERT (PARTIAL)	1	LS	\$76,603.75	\$76,603.75
170	1139	REMOVE CONCRETE CATCH BASIN	1	EA	\$1,320.46	\$1,320.46
180	1135	REMOVE EXISTING HEADWALL	1	EA	\$4,907.24	\$4,907.24
190		REMOVE & SALVAGE FLOW MEASURING DEVICE	1	EA	\$3,114.30	\$3,114.30
ADOT REMOVALS SUBTOTAL:						\$172,247.33
CITY OF FLAGSTAFF REMOVALS						
200	150	REMOVE & DISPOSE OF TREES & ROOTBALL	8	EA	\$1,278.71	\$10,229.68
210	150	REMOVE & DISPOSE OF ASPEN TREES	1	LS	\$9,565.84	\$9,565.84
220		REMOVE & SALVAGE BOULDERS	4	EA	\$611.82	\$2,447.28
230	105	REMOVE CONCRETE SLABS AT OUTLET	1	LS	\$675.00	\$675.00
240	162	REMOVE & DISPOSE OF EXISTING WOOD PILE	1	LS	\$1,293.58	\$1,293.58
250	101	SAWCUT ASPHALT	40	LF	\$5.03	\$201.20
260	101	REMOVE ASPHALT	1,251.00	SY	\$13.19	\$16,500.69
270	126	REMOVE & SALVAGE PARKING BUMPER BLOCKS	26	EA	\$31.35	\$815.10
280	110	REMOVE & SALVAGE GRAND CANYON TRUST SIGN	1	EA	\$337.50	\$337.50
290		REMOVE & SALVAGE HISTORIC FENCE	1	LS	\$2,716.58	\$2,716.58
300	140	REMOVE & SALVAGE EXISTING WOOD SLAT FENCE	141	LF	\$11.97	\$1,687.77
310		REMOVE EXISTING ROCK STRUCTURE	1	EA	\$2,215.48	\$2,215.48
320	136	REMOVE EXISTING 48" STORM DRAIN	584	LF	\$37.50	\$21,900.00
330		REMOVE 48" END SECTION	1	EA	\$731.94	\$731.94
CITY OF FLAGSTAFF REMOVALS SUBTOTAL:						\$71,317.64
ADOT IMPROVEMENTS						
340		PURCHASE 20" DIP CLASS 250, RESTRAINED	125	LF	\$292.00	\$36,500.00
350		PURCHASE 20" BUTTERFLY VALVE CLASS 250	2	EA	\$6,890.00	\$13,780.00
360		PURCHASE 20" DIP 45 DEGREE BENDS	4	EA	\$3,215.00	\$12,860.00
370	1368	FURNISH & INSTALL 32" STEEL CASING WITH SPACERS	30	LF	\$739.44	\$22,183.20
380	1312	INSTALL 20" DIP CLASS 250, RESTRAINED	125	LF	\$610.63	\$76,328.75
390	1370	INSTALL 20" BUTTERFLY VALVE CLASS 250	2	EA	\$4,908.29	\$9,816.58
400	1312	INSTALL 20" DIP 45 DEGREE BENDS	4	EA	\$1,766.65	\$7,066.60
410	1312	PRESSURE TEST & BAC-T TEST - WATERLINE	125	LF	\$26.75	\$3,343.75
420	1312	WATERLINE BY-PASS	1	LS	\$73,143.13	\$73,143.13
430	1320	FURNISH & INSTALL 1" AIR RELEASE VALVE	2	EA	\$8,183.29	\$16,366.58
440	1510	INSTALL 24" CMP	12	LF	\$520.51	\$6,246.12
450	1530	CATCH BASIN TYPE 1 - ADOT C-15.10	1	EA	\$7,419.31	\$7,419.31
460		REINSTALL FLOW MEASURING DEVICE	1	EA	\$2,263.23	\$2,263.23
470	1204	CONCRETE DRIVEWAY ADOT C-06.10 ABC	1	EA	\$4,770.39	\$4,770.39
480	1230	CONCRETE SIDEWALK ADOT C-05.20 W/ 3" ABC	1,903.00	SF	\$13.45	\$25,595.35
490	1220	VERTICAL CURB & GUTTER ADOT C-05.10 D W/ ABC	930	LF	\$57.75	\$53,707.50
500	1210	INSTALL SALVAGED SIGN W/ NEW POST	1	EA	\$450.00	\$450.00
510	1200	SUBGRADE PREP - ADOT ASPHALT	791	SY	\$13.77	\$10,892.07
520	1200	12" CLASS 3 ABC - ADOT ASPHALT	791	SY	\$65.82	\$52,063.62
530	1200	ADOT ASPHALT PAVEMENT PER DETAIL A	791	SY	\$119.19	\$94,279.29
540	1200/1203	TACK COAT	1,620.00	SY	\$6.85	\$11,097.00

550	1203	3" ASPHALT OVERLAY	830	SY	\$61.35	\$50,920.50
560	1201	SUBGRADE PREP - BIKE PATH	371	SY	\$17.44	\$6,470.24
570	1201	6" ABC - BIKE PATH	371	SY	\$44.73	\$16,594.83
580	1201	BIKE PATH ASPHALT PAVEMENT PER DETAIL E	371	SY	\$66.08	\$24,515.68
590		ADJUST BUTTERFLY VALVES	2	EA	\$1,500.00	\$3,000.00
600		ADJUST AIR RELEASE VALVES	2	EA	\$2,000.00	\$4,000.00
610	1600	PERMANENT 6" YELLOW SOLID/BROKEN STRIPE	488	LF	\$0.90	\$439.20
620	1601	12" SOLID WHITE STRIPE	486	LF	\$0.90	\$437.40
ADOT IMPROVEMENTS SUBTOTAL:						\$646,550.32
CITY OF FLAGSTAFF IMPROVEMENTS						
630	235	12" GABION MATTRESS	524	SY	\$161.47	\$84,610.28
640	237	GABION BASKET CUTOFF WALL	40	LF	\$566.65	\$22,666.00
650	236	GABION BASKET STRUCTURE	122	LF	\$614.23	\$74,936.06
660	550	RIPRAP D50=12", T=24"	965	SF	\$28.83	\$27,820.95
670	551	RIPRAP LOW FLOW CHANNEL D50=12", T=24"	825	SF	\$40.18	\$33,148.50
680		REINSTALL SALVAGED HISTORIC FENCE	1	LS	\$4,199.86	\$4,199.86
690	216	REINSTALL SALVAGED WOOD FENCE	30	LF	\$246.90	\$7,407.00
700		REINSTALL ROCK STRUCTURE	1	EA	\$1,806.59	\$1,806.59
710	203	SUBGRADE PREP - ACCESS ROAD	288	SY	\$15.13	\$4,357.44
720	203	CONSTRUCT 6" ASPHALT MILLING ACCESS MAINTENANCE RD	288	SY	\$21.52	\$6,197.76
730	200	SUBGRADE PREP - PARKING LOT	1,296.00	SY	\$7.64	\$9,901.44
740	200	6" ABC - PARKING LOT	1,296.00	SY	\$26.57	\$34,434.72
750	200	PARKING LOT ASPHALT PER COF DETAIL	1,296.00	SY	\$34.19	\$44,310.24
760	205	ASPHALT THICKENED EDGE PER MAG 201 TYPE A	201	LF	\$11.68	\$2,347.68
770		REINSTALL PARKING BUMPER BLOCKS	26	EA	\$254.48	\$6,616.48
780		ADJUST ACCESS OPENING & MANHOLE	2	EA	\$1,500.00	\$3,000.00
790	601	4" SOLID WHITE STRIPE	378	LF	\$0.15	\$56.70
800		REINSTALL BOULDERS	4	EA	\$509.85	\$2,039.40
810		FURNISH & INSTALL RIPRAP & BOULDERS	1	LS	\$24,024.00	\$24,024.00
820		FURNISH & INSTALL PLANT MATERIAL	1	LS	\$13,086.00	\$13,086.00
830		FURNISH & HYDROSEED BASIN, SLOPES & DISTURBED AREA	1	LS	\$11,108.61	\$11,108.61
840		WATER & MAINTENANCE FOR HYDROSEED AREAS	1	LS	\$21,938.49	\$21,938.49
850		PLANT ESTABLISHMENT & MAINTENANCE	3	MO	\$1,740.52	\$5,221.56
860		LANDSCAPE CONTINGENCY	1	LS	\$0.00	\$0.00
CITY OF FLAGSTAFF IMPROVEMENTS SUBTOTAL:						\$445,235.76
EARTHWORK						
870		DRAINAGE EXCAVATION - ALLUVIAL FAN EXCAVATION	5,231.00	CY	\$13.54	\$70,827.74
880		DRAINAGE EXC. - ALLUVIAL FAN HAUL OFF & DISPOSE	4,935.00	CY	\$31.28	\$154,366.80
890		FINEGRADE - ALLUVIAL FAN	4,331.00	SY	\$2.45	\$10,610.95
900		EARTHWORK - SITE GRADING	1	LS	\$10,365.82	\$10,365.82
910		STRUCTURE EXCAVATION - BOX CULVERT	5,719.00	CY	\$22.62	\$129,363.78
920		STRUCTURE EXCAVATION - INLET HEADWALL	116	CY	\$38.17	\$4,427.72
930		STRUCTURE EXCAVATION - OUTLET HEADWALL	116	CY	\$38.17	\$4,427.72
940		HAUL OFF & DISPOSE OF STRUCTURE EXCAVATION	4,964.00	CY	\$31.65	\$157,110.60
950		STRUCTURE BACKFILL - BOX CULVERT	3,640.00	CY	\$119.94	\$436,581.60
960		STRUCTURE BACKFILL - INLET HEADWALL	146	CY	\$101.62	\$14,836.52
970		STRUCTURE BACKFILL - OUTLET HEADWALL	146	CY	\$101.62	\$14,836.52
EARTHWORK SUBTOTAL:						\$1,007,755.77
CONCRETE STRUCTURES						
980	1500/500	INSTALL PRECAST BOX CULVERT - 8' SEGMENTS	670	LF	\$688.74	\$461,455.80
990	1500/500	INSTALL PRECAST BOX CULVERT - 4' SEGMENTS	176	LF	\$1,450.97	\$255,370.72
1000	1500/500	INSTALL PRECAST BOX CULVERT - SKEW SEGMENTS	4	EA	\$11,600.27	\$46,401.08
1010	502	INSTALL ACCESS OPENING & MANHOLE	2	EA	\$8,961.47	\$17,922.94
1020	1500/500	REBAR - CAST-IN-PLACE BOX CULVERT	20	LF	\$659.65	\$13,193.00
1030	1500/500	CONCRETE BUY - ALL CIP ELEMENTS (LESS WEIR)	100	CY	\$215.50	\$21,550.00
1040	1500/500	CONCRETE PUMPING - ALL CIP ELEMENTS (LESS WEIR)	100	CY	\$180.73	\$18,073.00
1050	1500/500	CIP BOX CULVERT	5	LF	\$14,274.31	\$71,371.55
1060	1500/500	CIP CLOSURE COLLAR	1	EA	\$19,068.28	\$19,068.28
1070	1501	REBAR - INLET HEADWALL	1	EA	\$2,359.61	\$2,359.61
1080	1501	CIP INFLOW WING WALLS, WW CUTOFFS & WW FOOTERS	1	LS	\$28,136.52	\$28,136.52
1090	201	SUBGRADE PREP - INLET APRON	649	SY	\$13.97	\$9,066.53
1100	201	CIP INFLOW APRON & CUTOFF	10	CY	\$1,172.36	\$11,723.60
1110	1215	INSTALL SAFETY RAIL AT INLET HEADWALL	90	LF	\$100.00	\$9,000.00
1120	501	REBAR - OUTLET HEADWALL	1	EA	\$2,099.61	\$2,099.61
1130	501	CIP OUTFLOW WING WALLS, WW CUTOFFS & WW FOOTERS	1	LS	\$28,136.52	\$28,136.52
1140	201	SUBGRADE PREP - OUTLET APRON	36	SY	\$25.19	\$906.84
1150	201	CIP OUTFLOW APRON & CUTOFF	10	CY	\$1,172.36	\$11,723.60
1160	215	INSTALL SAFETY RAIL AT OUTLET HEADWALL	63	LF	\$100.00	\$6,300.00
1170		POINT & PATCH - ALL CIP WALLS	1,820.00	SF	\$4.34	\$7,898.80

1180		SHORING @ PHASE LINE	40	LF	\$3,233.99	\$129,359.60
1190		SHORING ALONG BOX	200	LF	\$2,356.80	\$471,360.00
1200		REMOVE SHORING	1	LS	\$92,070.49	\$92,070.49
1210		SAFETY	1	LS	\$21,650.97	\$21,650.97
CONCRETE STRUCTURES: SUBTOTAL						\$1,756,199.06
ADOT TEMPORARY MOT						
1220		CLEAR & GRUB LIMITS OF TEMPORARY PAVEMENT	1	LS	\$3,030.32	\$3,030.32
1230	1205	SUBGRADE PREP - TEMPORARY PAVEMENT	669	SY	\$12.50	\$8,362.50
1240	1205	AB UNDER TEMPORARY PAVEMENT	669	SY	\$21.15	\$14,149.35
1250	1205	TEMPORARY PAVEMENT	669	SY	\$46.06	\$30,814.14
1260	1205	REMOVE TEMPORARY ASPHALT	669	SY	\$11.56	\$7,733.64
1270	1205	RE-GRADE AT TEMPORARY AC LIMITS	669	SY	\$4.36	\$2,916.84
ADOT TEMPORARY MOT SUBTOTAL:						\$67,006.79
UTILITY RELOCATIONS						
1280		UTILITY RELOCATION - LUMEN	1	LS	\$18,660.24	\$18,660.24
1290		UTILITY RELOCATION - UNISOURCE	1	LS	\$81,560.23	\$81,560.23
1300		UTILITY RELOCATION - ALTICE	1	LS	\$75,489.45	\$75,489.45
1310		UTILITY RELOCATION - APS	1	LS	\$19,289.59	\$19,289.59
1320	160	REMOVE & RELOCATE EXISTING SOLAR INFRASTRUCTURE	1	EA	\$17,691.72	\$17,691.72
1330	1404	ENCASE EXISTING SEWER LINE	40	LF	\$962.49	\$38,499.60
UTILITY RELOCATIONS SUBTOTAL:						\$251,190.83
GENERAL CONDITIONS						
9991		CONSTRUCTION WATER	1	LS	\$156,595.24	\$156,595.24
9992		QUALITY CONTROL TESTING	1	LS	\$40,000.00	\$40,000.00
9993		MOBILIZATION / DE-MOBILIZATION	1	EA	\$174,404.88	\$174,404.88
9994		SURVEY / LAY-OUT	1	LS	\$20,000.00	\$20,000.00
9995		AS-BUILT DRAWINGS	1	LS	\$5,000.00	\$5,000.00
9996		MOT / TRAFFIC CONTROL	1	LS	\$174,579.00	\$174,579.00
9997		SWPPP	1	LS	\$10,787.37	\$10,787.37
9998		DE-WATER EXCAVATION	1	LS	\$40,417.23	\$40,417.23
9999		SUPERVISION AND TRUCKS, OFFICE, TOILETS, DRINK WATER, etc.	1	LS	\$506,353.46	\$506,353.46
GENERAL CONDITIONS: SUBTOTAL						\$1,128,137.18
Subtotal without General Conditions:						\$4,417,503.50
Subtotal with General Conditions (Less Bond & Insurance):						\$5,545,640.68

PRICE SUMMARY			
Item	Description	% Rate	Total
A.	Subtotal Direct Cost	Subtotal Direct Costs =	\$4,417,503.50
B.	General Conditions		\$1,128,137.18
C.	JBCI Performance & Payment Bond (Calculated on Subtotal Contract Price Less Contingency)	1.00%	\$ 65,569.50
D.	Subcontractor Performance & Payment Bond (Calculated on Subtotal Contract Price Less Contingency)	0.00%	\$ -
E.	JBCI Insurance (Calculated on Total Contract Price Less Contingency)	1.00%	\$ 65,569.50
F.		Subtotal General Conditions Costs = B + C + D + E	\$1,259,276.17
G.		Subtotal Direct Costs + Indirect Costs = A + F	\$5,676,779.67
H.	Construction Fee (Calculated on Subtotal Direct Costs + Indirect Costs = G)	9.00%	\$ 510,910.17
I.		Subtotal Direct Costs + Indirect Costs + Fee = G + H	\$6,187,689.84
J.	Sales Tax (Percentage of GMP Calculated on 65% of 6.90% for Coconino County + 2.281% for the COF)	5.9677%	\$ 369,259.67
K.		Guaranteed Maximum Price = H + J	\$6,556,949.51
L.	Owner's Contingency		\$ 350,000.00
M.	Banicki Contingency		\$ 150,000.00
Contract Price:			\$ 7,056,949.51



Project: Schultz Creek Drainage Improvements at US Highway 180 Project
Flagstaff Project #: WS3528/03-23021
Plan Set: SWI - 90% Design Preliminary - Dated 2/2024
Submitted: 2/29/2024 (Updated 03/13/2024)

GUARANTEED MAXIMUM PRICE - INFLOW ADD ALTERNATE

JBCI #	Keynote	Description	QTY	Unit	Unit Cost	Total
INFLOW ALTERNATE						
1340		CLEAR & GRUB	5	EA	\$1,034.77	\$5,173.85
1350		RIPRAP D50=12", T=24"	3,292.00	SF		\$0.00
1360		INSTALL BOLLARDS PER COF DETAIL 13-03-014	8	EA		\$0.00
1370		CONCRETE SECTION FOR MAINTENANCE ACCESS PER DET B	174	SF		\$0.00
1380		TYPE F MOUNTABLE CURB & GUTTER	13	LF		\$0.00
1390		CURB TRANSITION - MAG 220-2 MODIFIED	2	EA		\$0.00
1400		12' ACCESS GATE MAG 145	1	EA		\$0.00
1410		SUBGRADE PREP -ACCESS ROAD	303	SY		\$0.00
1420		CONSTRUCT 6" ASPHALT MILLING ACCESS MAINTENANCE RD	303	SY		\$0.00
1430		DRAINAGE EXCAVATION- SEDIMENT BASIN EXCAVATION	8,314.00	CY		\$0.00
1440		DRAINAGE EXC, - SEDIMENT BASIN HAUL OFF & DISPOSE	8,052.00	CY		\$0.00
1450		FINEGRADE SEDIMENT BASIN	4,926.00	SY	\$3.23	\$15,910.98
1460		SUBGRADE PREP - CONCRETE WEIR	120	LF		\$0.00
1470		CONCRETE WEIR	9,500.00	SF		\$0.00
1480		INSTALL 30" CMP	93	LF		\$0.00
INFLOW ALTERNATE: SUBTOTAL						\$21,084.83
Subtotal (Less Bond & Insurance):						\$21,084.83

PRICE SUMMARY

Item	Description	% Rate	Total
A.	Subtotal Direct Cost	Subtotal Direct Costs =	\$21,084.83
B.	General Conditions		NA
C.	JBCI Performance & Payment Bond (Calculated on Subtotal Contract Price Less Contingency)	1.00%	\$ 249.30
D.	Subcontractor Performance & Payment Bond (Calculated on Subtotal Contract Price Less Contingency)	0.00%	\$ -
E.	JBCI Insurance (Calculated on Total Contract Price Less Contingency)	1.00%	\$ 249.30
F.	Subtotal General Conditions Costs = B + C + D + E		\$498.60
G.	Subtotal Direct Costs + Indirect Costs = A + F		\$21,583.43
H.	Construction Fee (Calculated on Subtotal Direct Costs + Indirect Costs = G)	9.00%	\$ 1,942.51
I.	Subtotal Direct Costs + Indirect Costs + Fee = G + H		\$23,525.94
J.	Sales Tax (Percentage of GMP Calculated on 65% of 6.90% for Coconino County + 2.281% for the COF)	5.9677%	\$ 1,403.95
K.	Guaranteed Maximum Price = H + J		\$24,929.88
Contract Price (Inflow Alternate Only):			\$24,929.88



Project: Schultz Creek Drainage Improvements at US Highway 180 Project
Flagstaff Project #: WS3528/03-23021
Plan Set: SWI - 90% Design Preliminary - Dated 2/2024
Submitted: 2/29/2024 (Updated 03/13/2024)

GUARANTEED MAXIMUM PRICE - ADOT ADDITIONAL SCOPE ADD ALTERNATE

JBCI #	Keynote	Description	QTY	Unit	Unit Cost	Total
ADOT ADDITIONAL SCOPE						
1490		GROUT FILL EXISTING 48" STORM DRAIN	600	LF		\$0.00
1500		REMOVE STORMDRAIN JUNCTION STRUCTURE	1	EA	\$4,684.74	\$4,684.74
1510		REMOVE & DISPOSE ADDITIONAL CONCRETE BOX CULVERT	1	LS	\$36,312.96	\$36,312.96
1520		SHORING @ PHASE LINE	80	LF		\$0.00
1525		SEED DISTURBED AREAS	1	LS	\$2,400.00	\$2,400.00
1530		ADDITIONAL ADOT TRAFFIC CONTROL REQUIREMENTS	1	LS	\$77,160.00	\$77,160.00
ADOT ADDITIONAL SCOPE: SUBTOTAL						\$120,557.70
Subtotal (Less Bond & Insurance):						\$120,557.70

PRICE SUMMARY

Item	Description	% Rate	Total
A.	Subtotal Direct Cost	Subtotal Direct Costs =	\$120,557.70
B.	General Conditions		NA
C.	JBCI Performance & Payment Bond (Calculated on Subtotal Contract Price Less Contingency)	1.00%	\$ 1,425.43
D.	Subcontractor Performance & Payment Bond (Calculated on Subtotal Contract Price Less Contingency)	0.00%	\$ -
E.	JBCI Insurance (Calculated on Total Contract Price Less Contingency)	1.00%	\$ 1,425.43
F.		Subtotal General Conditions Costs = B + C + D + E	\$2,850.85
G.		Subtotal Direct Costs + Indirect Costs = A + F	\$123,408.55
H.	Construction Fee (Calculated on Subtotal Direct Costs + Indirect Costs = G)	9.00%	\$ 11,106.77
I.		Subtotal Direct Costs + Indirect Costs + Fee = G + H	\$134,515.32
J.	Sales Tax (Percentage of GMP Calculated on 65% of 6.90% for Coconino County + 2.281% for the COF)	5.9677%	\$ 8,027.40
K.		Guaranteed Maximum Price = H + J	\$142,542.73
Contract Price (ADOT Additional Alternate Only):			\$142,542.73

City of Flagstaff
Capital Improvements
3200 W Rte 66
Flagstaff, AZ 86001

February 2, 2024

Attention: Mac McNamara, P.E.
City of Flagstaff

Reference: Schultz Creek Drainage Improvements at US-180 Project
Flagstaff Project #: WS3528/03-23021

Subject: Procurement GMP – Precast Box Culvert

Good day Mac,

Please find attached Banicki's Guaranteed Maximum Price (GMP) proposal for the early procurement of ADOT SD 6.20 8' x 5' double precast box culvert for the above referenced Project.

The total value of Banicki's proposal is \$611,398.90.

Please note the total length of the precast double barrel box culvert to procure is 365 LF per barrel, less than the 60% plan total length of 423 LF per barrel. The reason for this is because portions of the box culvert will have to be cast-in-place (CIP) at the inlet below the APS overhead powerlines.

Also, please note there are 8' segment lengths, 4' segment lengths, and four skew segments. The skew pieces will ensure we are able to marry the culvert with the phase line on US-180 in order to maintain two lanes of traffic. The reason for the 4' segment lengths is to mitigate challenges when being installed around sensitive utilities.

Should you have any questions, comments, or need additional information, please do not hesitate to contact me directly at (480) 486-3012.

Respectfully,



George Lane-Roberts, P.E.
Preconstruction Manager
480.486.3012



GUARANTEED MAXIMUM PRICE

Project: Schultz Creek Drainage Improvements at US Highway 180 Project
Flagstaff Project #: WS3528/03-23021
Plan Set: SWI - 60% Design Preliminary - Dated 11/2023
Submitted: 2/2/2024

JBCI #	Keynote	Description	QTY	Unit	Unit Cost	Total
Precast Box Culvert - Early Procurement						
10	NA	Precast Box Culvert - ADOT SD 6.20 - Double Barrel 8' x 5' @ 8' Segment Lengths STA 2+97.73 (outlet) to STA 6+32.67 (US-180 phase line) <i>Note - Length is per barrel, thus 325 LF of total box culvert or 670 LF of double barrel box culvert.</i>	670	LF per barrel	\$ 670.00	\$ 448,900.00
20	NA	Precast Box Culvert - ADOT SD 6.20 - Double Barrel 8' x 5' @ 4' Segment Lengths STA 6+32.67 (US-180 phase line) to STA 6+62 (edge of NB US-180 curb) <i>Note - Length is per barrel, thus 30 LF of total box culvert or 60 LF of double barrel box culvert.</i>	60	LF per barrel	\$ 720.00	\$ 43,200.00
30	NA	Precast Box Culvert - Double Barrel 8' x 5' - custom skew <i>Note - 4 each custom skew pieces to accommodate phased construction on US-180.</i>	4	EA	\$ 6,250.00	\$ 25,000.00
Precast Box Culvert - Early Procurement - Subtotal:						\$ 517,100.00

PRICE SUMMARY			
Item	Description	% Rate	Total
A.	Subtotal Direct Cost		Subtotal Direct Costs = \$ 517,100.00
B.	General Conditions		\$ -
C.	JBCI Performance & Payment Bond (Calculated on Subtotal Contract Price Less Contingency)	1.00%	\$ 6,113.99
D.	Subcontractor Performance & Payment Bond (Calculated on Subtotal Contract Price Less Contingency)	0.00%	\$ -
E.	JBCI Insurance (Calculated on Total Contract Price Less Contingency)	1.00%	\$ 6,113.99
F.			Subtotal General Conditions Costs = B + C + D + E \$ 12,227.98
G.			Subtotal Direct Costs + Indirect Costs = A + F \$ 529,327.98
H.	Construction Fee (Calculated on Subtotal Direct Costs + Indirect Costs = G)	9.00%	\$ 47,639.52
I.			Subtotal Direct Costs + Indirect Costs + Fee = G + H \$ 576,967.50
J.	Sales Tax (Calculated on Subtotal Direct Costs + Indirect Costs + Fee = I) (Tax rate is 65% of 6.90% for Coconino County + 2.281% for the City of Flagstaff)	5.9677%	\$ 34,431.40
K.			Guaranteed Maximum Price = I + J \$ 611,398.90
L.	Owner's Contingency		\$ -
M.	JBCI Contingency		\$ -
Procurement Contract Price:			\$ 611,398.90



Quotation

Quote # QUO-619306-J2R1P7					
Date	01/25/2024	Account Name	J Banicki Construction Inc	Reply-To	
Quote #	QUO-619306-J2R1P7	Contact Name	George Lane	Account Manager	Edgardo Ayon
Revision #	0	Contact Phone	(480) 320-4355	Address	12600 W. Northern Ave, El Mirage, AZ 85335
Project Name	Schultz Creek	Contact Fax		Phone	(623) 889-3500
Project #	787963	Contact Email	george@banicki.com	Fax	
Project Address	3101 N Fort Valley Rd, Flagstaff, AZ 86001			Email	Edgardo.Ayon@rinkerpipe.com

Rinker Materials' offer to sell the products described in this quotation is expressly conditioned upon Buyer's assent to the Rinker Materials' Standard Terms and Conditions ("Rinker Materials STCs") viewable at www.rinkerpipe.com. A valid tax exemption certificate must be issued to Rinker Materials or sales tax will be added.

Item #	Description	Part #	Quantity	Unit	Extended Unit Price	Unit Total
10	8'X5' C1577 - 8' STA 2+97.73 to 6+32.67 -Includes 2 bends @ 5+85	BC0960600960815011	670.00	FT	\$670.00	\$448,900.00
15	8'X5' C1577 @ 4' STA 6+32.67 to STA 6+62	BC0960600480815011	60.00	FT	\$720.00	\$43,200.00
20	45 Degree Special Skews @ Sta 6+32	BC0960600960815011	4.00	EA	\$6,250.00	\$25,000.00
					Total	\$517,100.00
					(Tax not included)	Net Total \$517,100.00

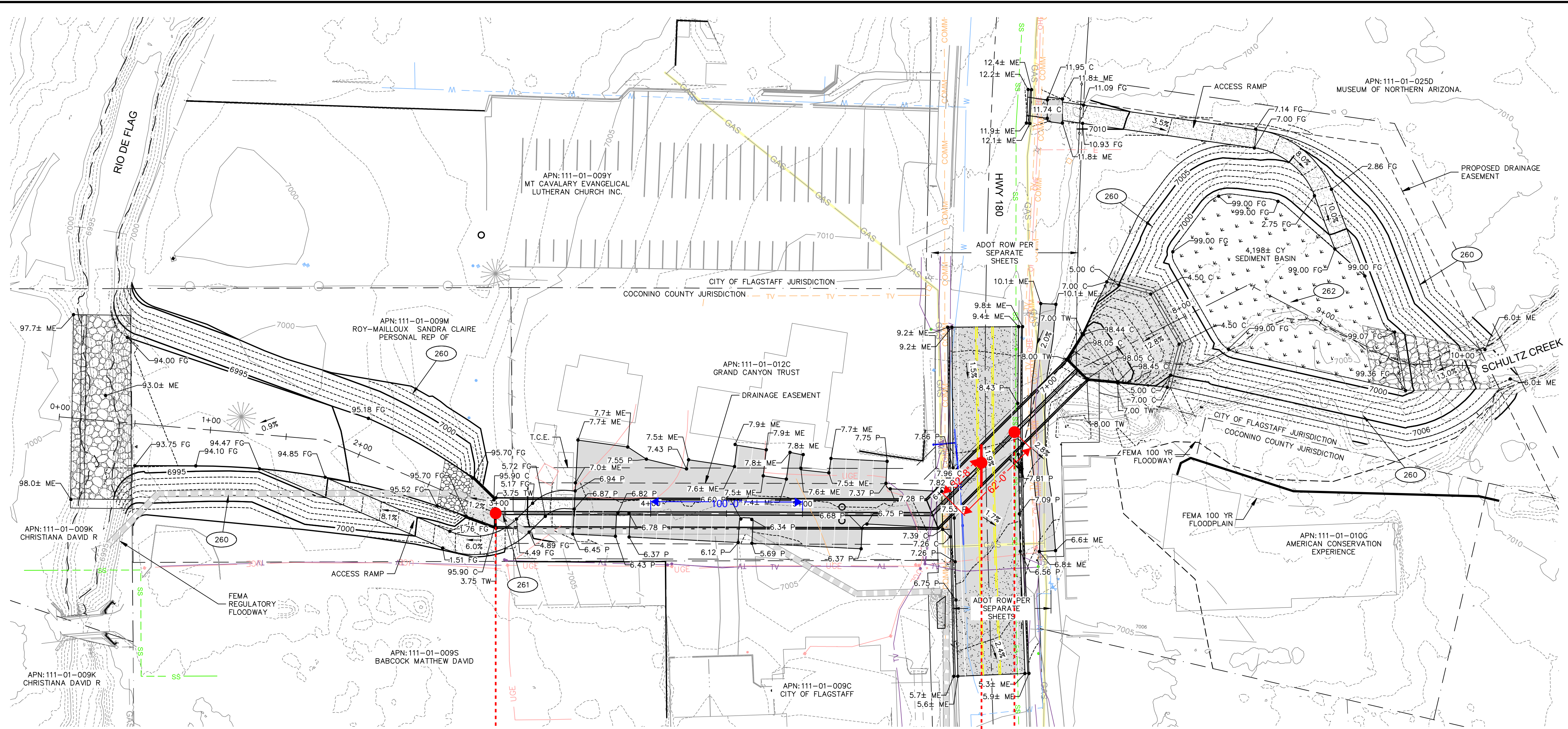
Standard Notes

1.****We can start pouring 10-12 weeks from approved submittals****
 ****We need 1 week per each special fitting (2 Bends & 4 Skews)****
 ****Trucking, shop drawings, submittals and engineering is included****
 ****Contractor to unload @ jobsite with their own rigging, each box section to have 4ea 2-1/2" lifting holes****

2.This quotation is presented without review of the plans and specifications for this project. Products quoted are specified to only meet ASTM C-1577, ASTM C990. Any required deviation from ASTM C-1577, ASTM C990 after review of plans and specifications will require re-quoting and void this quotation.

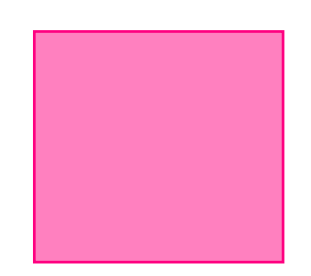
PAYMENT TERMS ARE NET 30, WITHOUT RETENTION OR SETOFF. THIS OFFER IS SUBJECT TO CREDIT APPROVAL. PRICES QUOTED APPLY ONLY TO THE REFERENCED PROJECT AND ARE IN EFFECT FOR 30 DAYS FROM THE DATE OF QUOTATION. PRICES ARE BASED ON THE QUANTITIES SHOWN. IF A DIFFERENT QUANTITY IS PURCHASED, RINKER MATERIALS RESERVES THE RIGHT TO ADJUST THE PRICES. THIS QUOTATION CONTAINS THE ENTIRE AGREEMENT WITH RESPECT TO PURCHASE AND SALE OF PRODUCTS DESCRIBED AND SUPERSEDES ALL PREVIOUS COMMUNICATIONS. BUYER'S SIGNATURE BELOW, DIRECTION TO MANUFACTURE, OR ACCEPTANCE OF DELIVERY OF GOODS DESCRIBED ABOVE, SHALL BE DEEMED AN ACCEPTANCE OF THE RINKER MATERIALS STCS. SELLER EXPRESSLY REJECTS ANY OTHER TERMS AND CONDITIONS. PRICES ARE F.O.B. ORIGIN (UNLESS OTHERWISE SPECIFIED IN THE STANDARD NOTES) WITH UNLOADING BY OTHERS AT A TRUCK ACCESSIBLE LOCATION.

Acceptance	
I WARRANT AND REPRESENT THAT I HAVE AUTHORITY TO ENTER INTO THIS AGREEMENT ON BEHALF OF THE BUYER. WE HEREBY ORDER THE DESCRIBED MATERIAL SUBJECT TO ALL TERMS AND CONDITIONS OF THIS QUOTATION AND IN THE RINKER MATERIALS STCS VIEWABLE AT www.rinkerpipe.com .	By Edgardo Ayon
Company	(O) (623) 889-3500
By	(F)
Title	(Cell)
Date	Title Sales Manager

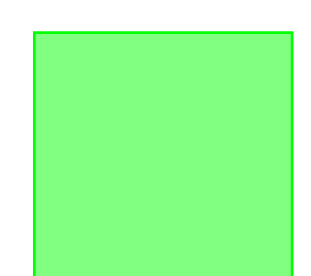


GRADING & DRAINAGE KEYNOTES

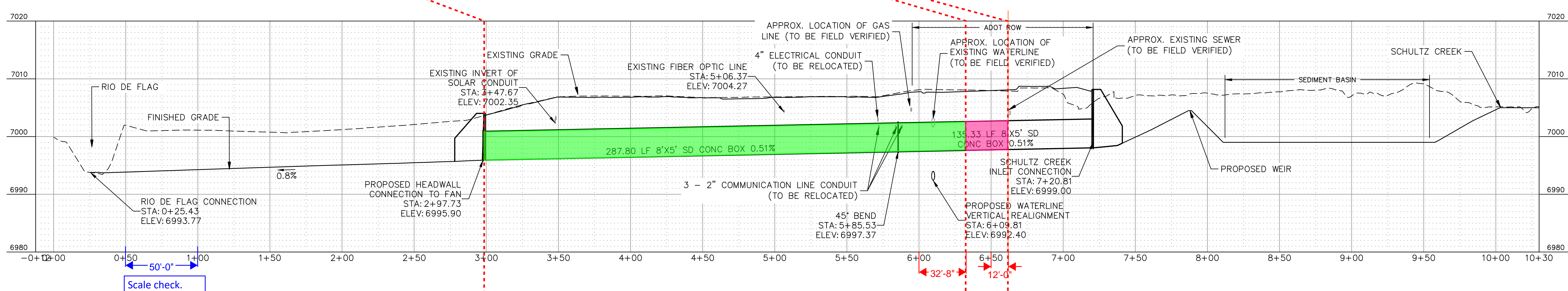
- (260) 1 LS CONSTRUCT CUT/FILL SLOPE (4' HORIZONTAL TO 1' VERTICAL) TO DAYLIGHT.
- (261) 1 LS CONSTRUCT CUT/FILL SLOPE (3' HORIZONTAL TO 1' VERTICAL) TO DAYLIGHT.
- (262) 4,198 CY CONSTRUCT SEDIMENT BASIN.



STA 6+32.67 to STA 6+62
4' precast segments plus two skew pieces to marry at phase line.



STA 2+97.73 to STA 6+32.67
8' precast segments plus two skew pieces to marry at phase line.



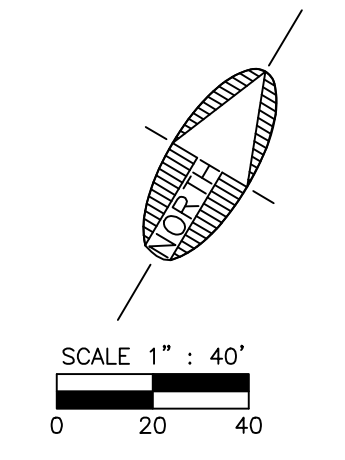
STA: 2+97.73
Details: Start precast.
Extend WWF or rebar as required per ADOT SD 6.20 to tie into CIP wing walls.

STA: 6+32.67
Details: **SKEW JOINT HERE** (to be in same alignment as road north-south)

STA: 6+62
Details: End precast.
Extend WWF or rebar as required per ADOT SD 6.20 to tie remaining portion of box which will be CIP.

223008 - Fire Dept Channel Alignment - Option 1 PRO

PROFILE SCALE
H: 1" = 40'
V: 1" = 10'



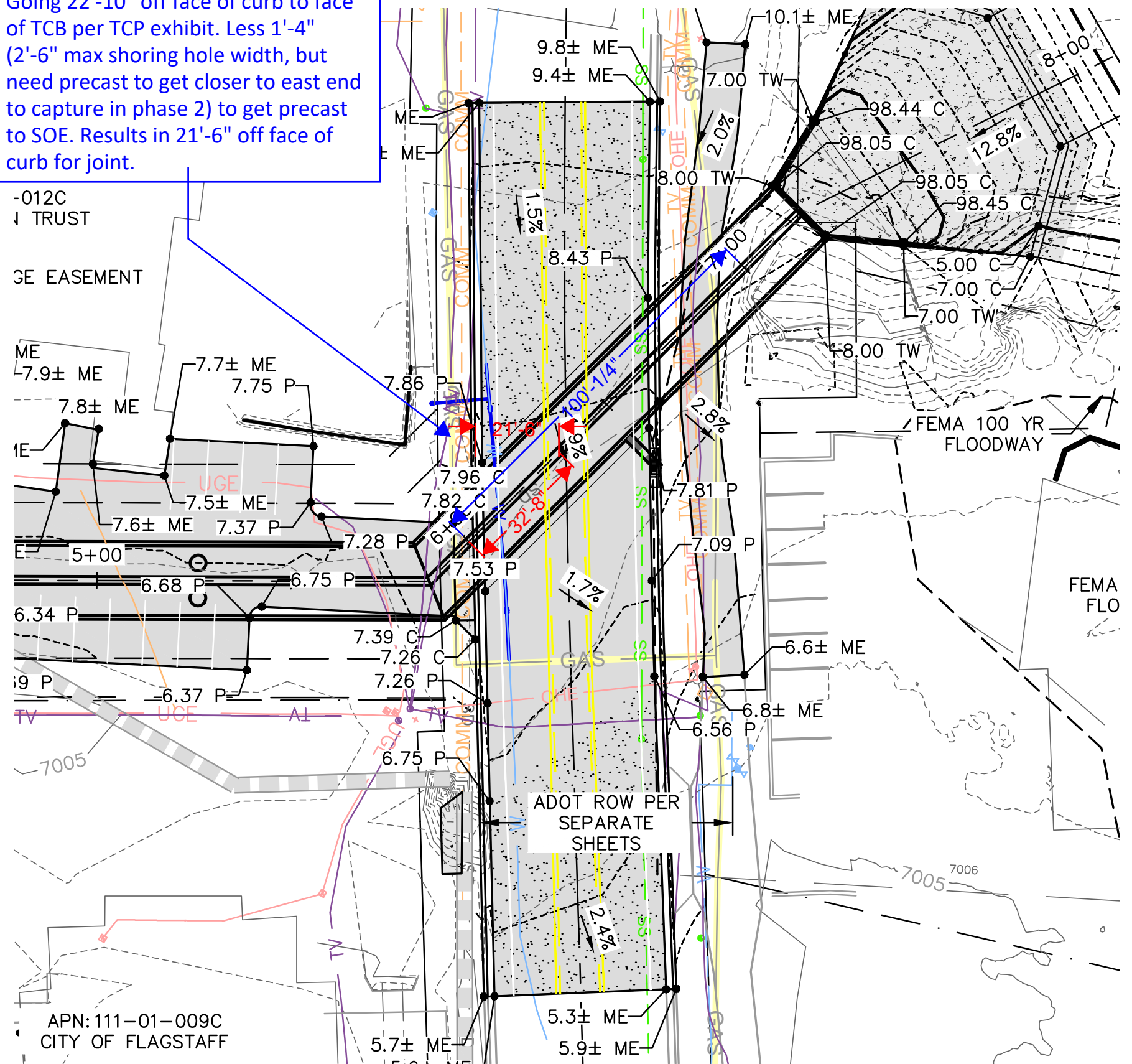
60% DESIGN PRELIMINARY
NOT FOR CONSTRUCTION, BIDDING OR RECORDING

JOB NO: 223008		DATE: NOV 23		SCALE: AS SHOWN		DRAWN: HAS		DESIGN: HAS, KMF		CHECKED: SCI	
110 W. Dole Avenue Flagstaff, AZ 86001 928.773.0354 928.774.8934 fax www.ardurra.com		HIGHWAY 180 CROSSING		FLAGSTAFF ARIZONA		GRADING & DRAINAGE PLAN		DRAWING NO. GD01		SHT NO. 13 OF 15	
 Shephard Wesnitzen Inc An ARZONA811 Company		REVISIONS NO. DESCRIPTION BY DATE		CONTACT ARIZONA 811 AT LEAST TWO FULL WORKING DAYS BEFORE YOU BEGIN EXCAVATION Call 811 or click Arizona811.com		60% DESIGN PRELIMINARY NOT FOR CONSTRUCTION, BIDDING OR RECORDING		DRAWING NO. GD01		SHT NO. 13 OF 15	

Phase Line Derivation

STA 6+32 is derived by:

Going 22'-10" off face of curb to face of TCB per TCP exhibit. Less 1'-4" (2'-6" max shoring hole width, but need precast to get closer to east end to capture in phase 2) to get precast to SOE. Results in 21'-6" off face of curb for joint.



Lane Widths - ADOT has confirmed 11' lanes are approved for construction. Currently, both US-180 lanes in permanent condition are 11' wide.

Current Lane Widths - Current roadway width from face of curb to face of curb as measured in the field is 47'-10". Lane widths are 11'-0" for SB lane, 13'-0" for suicide lane, 10'-10" for NB lane, and 6'-5" to 6'-9" for the bike lanes, depending on where measurements taken. Bike lane dimensions include the 1'-10" gutter pan.

TCB pinning - Can't find ADOT detail for pinning barrier in a pavement section. Only have pinning detail over bridge decks. We will have to pin TCB across the excavation and 20' (just a guess) on either side of excavation.

Temporary Striping - Lane tapers and temporary lanes for construction will be striped with temporary water-based paint.

Phase 1 Work Area:
Sidewalk on US-180 SB side closed and detoured.

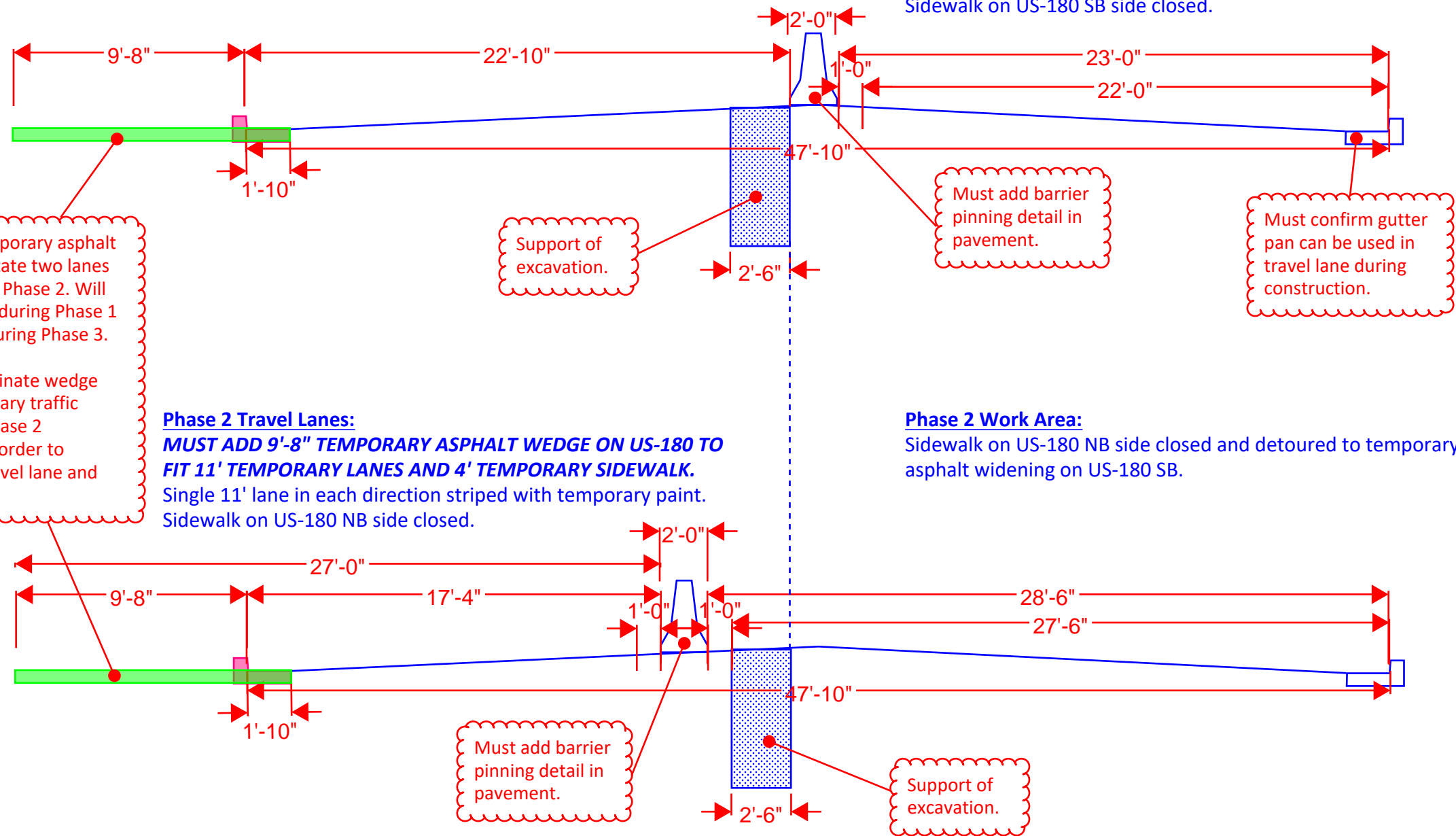
Phase 1 Travel Lanes:
Single 11' lane in each direction striped with temporary paint. Pedestrians remain on shared use path. Sidewalk on US-180 SB side closed.

Option #1: Temporary asphalt section to facilitate two lanes of traffic during Phase 2. Will be constructed during Phase 1 and removed during Phase 3.

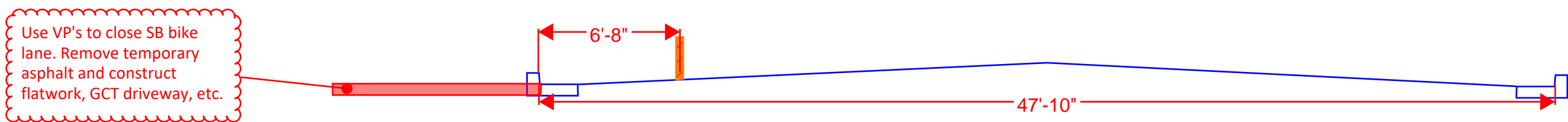
Option #2: Eliminate wedge and use temporary traffic signal during Phase 2 construction in order to maintain 11' travel lane and 6'-4" bike lane.

Phase 2 Travel Lanes:
MUST ADD 9'-8" TEMPORARY ASPHALT WEDGE ON US-180 TO FIT 11' TEMPORARY LANES AND 4' TEMPORARY SIDEWALK.
Single 11' lane in each direction striped with temporary paint. Sidewalk on US-180 NB side closed.

Phase 2 Work Area:
Sidewalk on US-180 NB side closed and detoured to temporary asphalt widening on US-180 SB.



Phase 3
Install VP's along US-180 SB edge line to delineate work area. Current bike lane width is 6'-8" from face of curb. Remove temporary asphalt wedge and construct new flatwork, GCT driveway, etc.



Use VP's to close SB bike lane. Remove temporary asphalt and construct flatwork, GCT driveway, etc.

Lane Widths - ADOT has confirmed 11' lanes are approved for construction. Currently, both US-180 lanes in permanent condition are 11' wide.

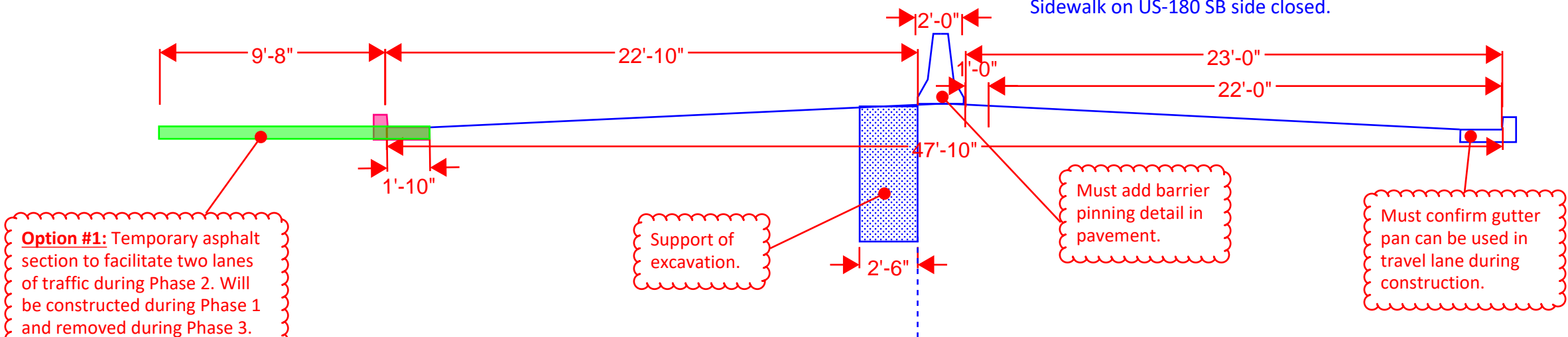
Current Lane Widths - Current roadway width from face of curb to face of curb as measured in the field is 47'-10". Lane widths are 11'-0" for SB lane, 13'-0" for suicide lane, 10'-10" for NB lane, and 6'-5" to 6'-9" for the bike lanes, depending on where measurements taken. Bike lane dimensions include the 1'-10" gutter pan.

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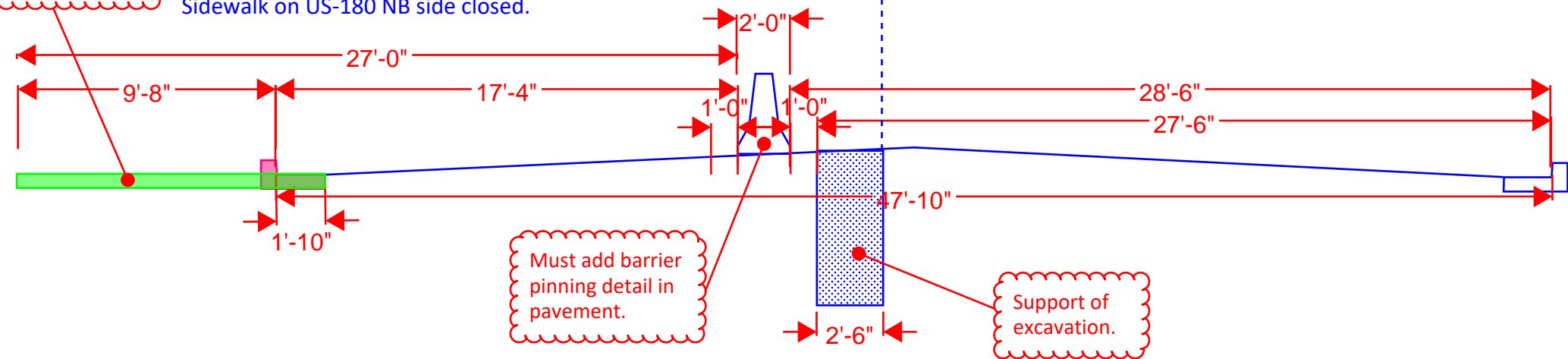


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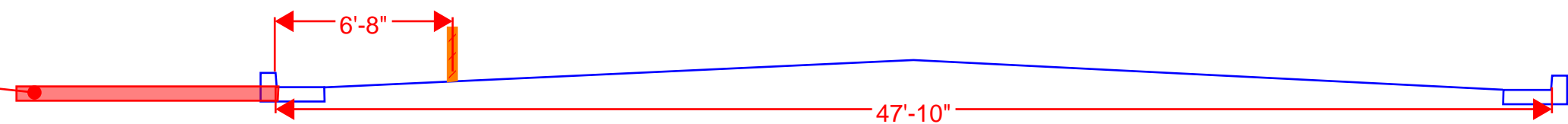
Phase 2 Work Area:
Sidewalk on US-180 NB side closed and detoured to temporary asphalt widening on US-180 SB.



Phase 3

Install VP's along US-180 SB edge line to delineate work area. Current bike lane width is 6'-8" from face of curb. Remove temporary asphalt wedge and construct new flatwork, GCT driveway, etc.

Use VP's to close SB bike lane. Remove temporary asphalt and construct flatwork, GCT driveway, etc.





FIRST AMENDMENT

Schultz Creek Drainage Improvements at US Highway 180 Project Construction Manager at Risk

Design Phase Services Agreement Contract No. 2024-45

This First Amendment ("First Amendment") to the fully executed Design Phase Services Agreement No. 2024-45 dated February 15, 2024 (the "Agreement") for the City of Flagstaff Schultz Creek Drainage Improvements at US Highway 180 Project (the "Project") is made and entered into this ____ day of _____, 2024, by and between the City of Flagstaff, an Arizona municipal corporation ("City"), and J. Banicki Construction, Inc. an Arizona corporation ("Construction Manager at Risk" or "CMAR").

The Parties to the Agreement, hereby agree to the following First Amendment. Deleted text has a ~~strikethrough~~ and new text is **bolded and ALLCAPS**.

AMENDMENT 1.

ARTICLE 4 - CONTRACT PRICE AND PAYMENTS

4.1 CONTRACT PRICE

4.1.1 The Owner shall pay CMAR a Contract Price for the design phase services Work as proposed by CMAR and accepted by the Owner:

Basic Design Phase Services	\$ 47,649.30
Additional Design Phase Services (SEE EXHIBIT A-1)	\$ 46,847.47
Total Design Phase Services Agreement Contract Price Not to Exceed	\$ 47,649.30
	<u>\$ 94,496.77</u>

AMENDMENT 2.

The Parties hereby agree that **EXHIBIT A-1**, reflects additional Scope of Work for the Design Phase Services Agreement and is considered a Contract Document.

All other provisions of the Initial Contract shall remain unchanged in full force and effect.

(Signatures on Following Page)

IN WITNESS WHEREOF, the Parties have caused this First Amendment to be executed by their duly authorized representatives as of the date first written above. This First Amendment will be in full force and effect only when it has been approved and executed by the duly authorized City officials.

City of Flagstaff

J. Banicki Construction, Inc.

By: _____
Greg Clifton, City Manager

By: _____

Title: _____

Dated: _____

Dated: _____

Attest:

City Clerk

Approved only as to form:

City Attorney

Exhibit A-1

**Additional Design Phase Services Agreement Scope of Work
(attached)**



A. Scope of Work

B. Scope of Services / Preconstruction Services Tasks

A. Scope of Work

Utility Potholing - Vacuum Excavation & Backfill

Mobilization	Mobilization for vacuum excavation truck and crew.
Core & Reinstatement	Cost to core and reinstate asphalt core per approved MAG standards in ADOT ROW. This will be used if ADOT inspector allows it.
Utility Potholing - Daily Rate	Daily rate for vacuum excavation of existing utilities, inclusive of slurry backfill or native backfill. Utilities whose owners require 6" of sand above utility is also included in this rate.

Traffic Control for Utility Potholing

Mid-Block Closure Equipment (Taxable)	Traffic control equipment.
Setup or Pickup Mid-Block Closure - Each Direction	Labor to install / remove mid-block lane closures.
Flaggers - 2 Each @ 10 Hours Per Day	Labor for flaggers to flag sidewalks when utility potholing is ongoing.
Traffic Control Plan (Taxable)	Traffic control plans required to perform utility potholing.
Flags (Taxable)	Traffic control equipment.
Sand Bags (Taxable)	Traffic control equipment.

Survey - As-Built Utilities

Survey & as-built all utilities after potholing	Survey and as-built all utilities after potholing is complete.
---	--

Asphalt Repair & Patching

Furnish & Install AC Hot-Mix for potholes in ADOT ROW	Cost to cover trucking, material purchase, and labor to place AC hot-mix patch for potholes within ADOT ROW. Cost also includes labor to sawcut 2'x2' area if ADOT requires.
---	--

B. Scope of Services / Preconstruction Services Tasks



	Cost Breakdown			Total Cost
	Quantity	Unit	Rate	
Utility Potholing - Vacuum Excavation & Backfill	Total =			\$32,177.00
Mobilization	2	EA (Allowance)	\$1,898.00	\$3,796.00
Core & Reinstate	15	EA (Allowance)	\$275.00	\$4,125.00
Utility Potholing - Daily Rate	4	DAYS (Allowance)	\$6,064.00	\$24,256.00
Traffic Control for Utility Potholing	Total =			\$7,770.47
Mid-Block Closure Equipment (Taxable)	5	EA (Allowance)	\$60.00	\$327.54
Setup or Pickup Mid-Block Closure - Each Direction	10	EA (Allowance)	\$220.00	\$2,200.00
Flaggers - 2 Each @ 10 Hours Per Day	100	HRS (Allowance)	\$50.00	\$5,000.00
Traffic Control Plan (Taxable)	2	EA (Allowance)	\$65.00	\$141.94
Flags (Taxable)	12	EA (Allowance)	\$2.50	\$32.75
Sand Bags (Taxable)	25	EA (Allowance)	\$2.50	\$68.24
Survey - As-Built Utilities	Total =			\$900.00
Survey & as-built all utilities after potholing	1	LS (Allowance)	\$2,000.00	\$900.00
Asphalt Repair & Patching	Total =			\$6,000.00
Furnish & Install AC Hot-Mix for potholes in ADOT ROW	1	LS (Allowance)	\$6,000.00	\$6,000.00
			Subtotal =	\$46,847.47
Summary				
Total =				\$46,847.47



QUOTE

Safe Site Utility Services LLC

Company Address	7623 N 73rd Dr Glendale, Arizona 85303	Created Date	12/7/2023
Phone	(602) 606-8882	Quote Number	00002980
Email:	Bids@safesitellc.com	Opportunity	OP23-4397
Licenses:	AZ: ROC 211956 / NV: NSC 0078575	Expiration Date	3/3/2024

Customer Information

Opportunity Name	City of Flagstaff Drainage CMAR	Phone	480-486-3012
Contact Name	George Lane-Roberts	Email	george@banicki.com
Account Name	J Banicki Construction, Inc.	Billing Address	Accounts Payable 4720 E Cotton Gin Loop S-240 Phoenix, AZ 85040

Work Site Info

Site Address 2601 N Fort Valley Rd, Flagstaff, AZ 86001

Scope of Work

1. Safe Site will verify 811 markings and assess the success probability of test hole locations indicated by client prior to excavation utilizing various geophysical locating means. Test hole locations may be adjusted or eliminated based on the results of this investigation and upon discussion with, and approval of client
2. Safe Site will supply a vacuum excavation crew on the project site for digging test holes and documenting utility locations.
3. Upon exposure of a target utility, Safe Site will record utility type, size, material, and depth of cover of each.
4. If Line Item charges for Survey are shown in Fees Section then Safe Site will provide survey and a CAD map file by a Registered Land Surveyor to document the locations and elevations of potholed utilities. If no Line Item for Survey is shown then pricing assumes Survey and CAD will be provided by others.
5. Safe Site will provide a Test Hole Summary Report detailing this information.
6. Safe Site will indicate the locations of exposed utilities by marking the ground surface using PK nails or stake chasers (nylon brushes).

Terms and Conditions

1. Client will provide available utility location information as well as project datum information to Safe Site to aid in facilitating this project.
2. A "Test Hole" will be considered one excavation up to 8 feet deep with lateral "belling" of up to a width of 4 feet. Excavating in excess of 12 feet in depth will be considered out of scope.
3. Test Holes will be backfilled per owner/agency specifications.
4. Asphalt on concrete pavement surfaces will be restored per method indicated in Fees section. If local authority requires a different restoration, any additional costs will be passed on to Client. These charges, if applicable, will be determined during the permitting stage and any fee charge will be presented to Client. Coring pavement in excess of 12" thickness will result in an additional fee of \$100 per hole.
5. Pricing assumes test hole locations are accessible within 15' with vacuum truck. Further distances, such as rear of lots, will be considered out of scope and additional fees will be presented to Client for approval.

6. Should caliche, tree roots, concrete, rocks in excess of 6" diameter, or other materials encumber vacuum excavation, work will be halted for that test hole and referred back to Client for alternative solutions which may include authorization to continue work at Hourly Rate.
7. Traffic control costs are included where applicable.
8. Expected Permitting/Bonding costs, if any, have been included in this proposal. Any out of ordinary costs incurred due to governing agency requirements will be presented to Client for approval as additional fee amount.
9. If excavation spoils are determined to be potentially hazardous waste by an enforcement agency having jurisdiction, then the cost of testing and disposal will be passed through to client. Work will cease until Client has been notified and agreement on how to proceed has been reached.
10. Safe Site will exercise due diligence in identifying and locating all utilities. However, due to factors beyond our control including lack of maps, inaccuracy of maps, lack of aboveground indications of utilities, the presence of unknown and non-electromagnetically conductive utilities and soil conditions being non-conductive to GPR scans, Safe Site cannot guarantee that all utilities will be found.
11. Payment terms are Net 30 days unless other arrangements have been made.
12. New Customer Policy - Payment will be required by credit card for the first job completed or if the job is over \$1000, we will require a 35% retainer to be paid prior to commencement of work. We prefer payment is made via ACH/Wire Transfer, otherwise credit card transactions would require an additional 3% Fee. After the first job completed, invoicing terms will be standard Net 30 Days.

Site Specific Details

Description	<p>Provide utility potholing services under day rate to include up to 8 hours on site per day. Perform approx. 28 utility test holes (potholes) for utility conflicts.</p> <p>Hotel and Per Diem for overnight stays & Backfill are included in Day Rate.</p> <p>Safe Site will core and reinstate utility test holes performed in asphalt per MAG 212B Specs.</p> <p>Safe Site will pin utility locations, document findings and provide un-stamped report.</p> <p>Safe Site will provide slurry backfill and associated sand when necessary.</p> <p>Client will provide permit and traffic control. Survey, if needed will be provided by others.</p> <p>Utility Designating & Mapping</p> <p>Designate & Map site utilities within the area depicted on the map provided and as directed by client. Utility locations will be captured using GPS data collectors and a 2D CAD and PDF map will be provided.</p> <p>Daily Rate to include up to 8 hours on site per day.</p> <p>Hotel and Per Diem are included in Day Rate.</p>
Additional Terms	<p>-Additional hours on site or dumping beyond 8 hours will be billed at \$320 per hour.</p> <p>-Mobilization Fee applies for each trip required.</p> <p>-Our designation markings are for design / pre-construction purposes only. Prior to digging Client must request a locate through 811 as required by law so that the public utilities can be marked by the utility owners.</p>

Project Fee

Product	Line Item Description	Sales Price	Quantity	Total Price
1 Technician - Port to Port Mobilization	Roundtrip (Utility Designating & Mapping)	\$2.00	292.00	\$584.00
AC Surface Restoration - Core & Reinstate	Per Core & Reinstatement (Min. of 3)	\$275.00	15.00	\$4,125.00
Lump Sum Mobilization	Roundtrip from Glendale Yard	\$1,898.00	1.00	\$1,898.00
Utility Locating	Utility Designating (Daily Rate)	\$1,555.00	2.00	\$3,110.00
Utility Mapping	GPS Data Collection & CAD Deliverable (Daily Rate)	\$1,310.00	1.00	\$1,310.00
Utility Potholing	Day Rate as Described	\$6,064.00	4.00	\$24,256.00

Total Price \$35,283.00

ACCEPTANCE STATEMENT AND AUTHORIZATION TO PROCEED

This Acceptance becomes a part of the Proposal Letter.

The Proposal is hereby accepted according to the Scope of Work and Terms and Conditions contained therein. Safe Site Utility Services, LLC is authorized to proceed with the work described therein. Payment will be made according to the payment terms specified in the Proposal. Any unpaid balance remaining beyond the due date will be subject to interest at an annual rate of 18% (1.5% per month).

For acceptance and scheduling of these services please sign, scan, and return this page to bids@safesitellc.com or fax to Safe Site @ 602-391-2934.

Client Name: _____
By:

Signature

Date

Printed Name

Title



Quail Construction LLC
 7200 E 31st Place
 Yuma, AZ 85365
 928-314-1212

QUOTATION

Quote Date	Quote ID
12/8/2023	SM-120823-001

Valid Through: 3/8/2024

J Banicki Construction Inc.

George Lane-Roberts
 4720 E Cotton Gin Loop #240
 Phoenix, AZ 85040
 Phone: 480-486-3012

Job Location:

Schultz Creek Drainage, Ft. Valley Road
 Flagstaff

Quote Created By: S. Miller

Email: george@banicki.com

Bid Line#	Item Description	Price	UOM	Qty/Day	Days	Total Qty.	Total
1	Mid-Block Closure (daytime Equip) *	\$60.00	Per Day	1	5	5	\$300.00
2	Setup or Pickup (Mid-Block)	\$220.00	Per Each	2	5	10	\$2,200.00
3	Flaggers (Qty: 2 @ 10 Hrs each)	\$50.00	Per Hour	20	5	100	\$5,000.00
4	Traffic Control Plan *	\$65.00	Per Each	2	1	2	\$130.00
5	Flag w/dowel *	\$2.50	Per Each	12	1	12	\$30.00
6	Sand Bag (filled) *	\$2.50	Per Each	25	1	25	\$62.50

Note: The * indicates taxable items.

5 Working Days- Rental shown on Quote. Invoiced per actual.
 Contractor to determine actual rental duration & Quantities.
 Will be invoiced per actual (+ or -).

Equipment Daily Rates include the following:
 Devices, signs, stands for Daytime hours only.

Initial Setup or Final Pickup does NOT include standby time.

Note:
 Any additional labor not quoted above will be invoiced
 at hourly Rates: This includes and is not limited to Standby,
 Flagging, Shadow, job Maintenance.

Additional Rates:
 1 Man/1 Truck- \$75 per/hour
 2 Man/1 Truck-\$110 per/hour
 Certified Flagger - \$50 per/hour
 Message Boards - \$50 Per Each/Day

Scope: All rental periods are based on calendar days.
 Hourly labor is charged port to port from branch location to job site.

EQUIPMENT	\$300.00
ONE TIME CHARGES	\$222.50
LABOR	\$7,200.00
SUBTOTAL	\$7,722.50
SALES TAX (9.181%)	\$47.97
QUOTE TOTAL	\$7,770.47

Quote For: J Banicki Construction Inc. - Quote ID: SM-120823-001 (cont.)

S. Miller
Quail Construction LLC

12/8/2023

Date

Accepted By: _____

Signature _____ Date _____

Print Name

Title

Company



December 11, 2023

J. Banicki Inc.
6423 S. Ash Avenue
Tempe, AZ 85283
Attn.: George-Lane Roberts

RE: Hwy. 180 Box Culvert Extension
Pot Hole Locations

Mr. Roberts,

Matrix Land Surveying, Inc. is pleased to submit this proposal for professional surveying services on the above-referenced project. We propose to provide the following services.

LIST OF SERVICES

- Verify existing horizontal and vertical control
- Locate pothole locations
- Provide Points file of locations

We agree to provide the above-listed professional surveying services for a **FIXED FEE** of ***NINE HUNDRED DOLLARS (\$900.00)***.

This Fee is based upon the following:

- 48-Hour Notice for scheduled work
- Contractor to schedule work to maximize efforts for each site visit
- One-Time Only staking of all items listed
- Horizontal and vertical control exists prior to commencement of our services

Thank you for considering Matrix Land Surveying, Inc. for this project. We look forward to working with you. If you have any questions regarding this proposal, please do not hesitate to contact me.

Sincerely,

William D. Nigro, R.L.S.

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Jennifer Caputo, Human Resources Manager
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE:

Consideration and Adoption of Ordinance No. 2024-08: An ordinance amending the Flagstaff City Code, Chapter 1-14, Personnel System by amending the Employee Handbook of Regulations, Section 1-70-030 Retiree Insurance; providing for repeal of conflicting ordinances, severability, authority for clerical correction, and establishing an effective date.

STAFF RECOMMENDED ACTION:

1. Read Ordinance No. 2024-08 by title only for the final time
2. City Clerk reads Ordinance No. 2024-08 by title only (if approved above)
3. Adopt Ordinance No. 2024-08

Executive Summary:

The Northern Arizona Public Employees Benefit Trust (NAPEBT) board voted in favor of phasing out the retiree insurance program. This decision was made due to multiple factors. 1) The Arizona State Retirement System (ASRS) retiree benefit program has become more comparable to the City's retiree insurance program. ASRS currently offers four plans through United Healthcare including a plan for retirees living outside of Arizona. 2) A network disruption analysis was conducted to determine if there is adequate access to providers in and around Flagstaff and showed there would be minimal disruption. 3) When NAPEBT evaluated the true cost of the retiree benefit program (unblended rates) the Arizona State Retirement System plans were between \$6,000 and \$17,000 less than the NAPEBT contribution rates on an annual basis. 4) The estimated savings in claims and expenses for the first year after implementation was approximately \$296,000 and savings would continue to compound each year to over \$11.9 million through FY2032. 5) The estimated reduction in Other Post-Employment Benefits (OPEB) liability reported for the NAPEBT's 4 major employers' June 30, 2022 financial statements was approximately a combined \$24 million. This impacts each individual employer and the amount of liability they carry due to subsidizing the retiree benefit program.

Financial Impact:

Eliminating the retiree insurance will help us control benefits costs and will positively impact the GASB liability.

Policy Impact:

The Employee Handbook amendment being considered modifies the language to clarify retiree insurance eligibility, stating "The City offers medical and dental insurance to eligible retirees who began working for the City of Flagstaff on or before June 30, 2024, under certain terms and conditions, all of which are subject to change in part or in whole depending on policy changes made by the Northern Arizona Public Employees Benefit Trust (NAPEBT)." It also removes the reference to the NAPEBT Administrative Manual.

**Connection to PBB, Carbon Neutrality Plan, 10-Year Housing Plan & Regional Plan:
Priority Based Budget Key Community Priorities and Objectives**

Become an employer of choice and provide employees with the necessary tools, training, and support.

Has There Been Previous Council Decision on This:

No.

Options and Alternatives:

1. Adopt the ordinance.
2. Update the ordinance.
3. Suggest an alternative to the ordinance.

Expanded Options and Alternatives:
Inform.

Attachments: Ord. 2024-08
 Addendum 33

ORDINANCE NO. 2024-08

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, CHAPTER 1-14, PERSONNEL SYSTEM, BY AMENDING THE EMPLOYEE HANDBOOK OF REGULATIONS, SECTION 1-70-030 RETIREE INSURANCE; PROVIDING FOR REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, the City Council has authority to approve the proposed amendments to the Flagstaff Employee Handbook of Regulations pursuant to the Flagstaff City Charter, Article IV.

ENACTMENTS:

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

The Flagstaff City Code, Chapter 1-14, Personnel System, is hereby amended by adopting the amendments contained in Addendum 33 to the Employee Handbook of Regulations (“Handbook”), as follows.

The Employee Handbook of Regulations, Section 1-70-030 Retiree Insurance, is hereby amended by as shown below (additions are underlined, deletions are stricken):

1-70-030. RETIREE INSURANCE

The City ~~may provide~~ OFFERS medical and dental insurance for TO eligible City retirees WHO BEGAN WORKING FOR THE CITY OF FLAGSTAFF ON OR BEFORE JUNE 30, 2024, under certain terms and conditions, all of which are subject to change in part or in whole depending on policy changes made by the Northern Arizona Public Employees Benefit Trust (NAPEBT). ~~Refer to the Retiree Insurance Chapter of the NAPEBT Administrative Manual.~~

SECTION 2. Repeal of Conflicting Ordinances

All ordinances and parts of ordinances in conflict with the provisions of the code adopted herein are hereby repealed.

SECTION 3. Severability

If any section, subsection, sentence, clause, phrase or portion of this ordinance or any part of the code adopted herein by reference is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

SECTION 4. Clerical Corrections

The City Clerk is hereby authorized to correct clerical and grammatical errors, if any, related to this ordinance, and to make formatting changes appropriate for purposes of clarity, form, or consistency with the Flagstaff City Code.

SECTION 5. Effective Date

This Ordinance shall be effective thirty (30) days following adoption by the City Council.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 19th day of March, 2024.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

1-70-030. RETIREE INSURANCE

The City offers medical and dental insurance to eligible City retirees who began working for the City of Flagstaff on or before June 30, 2024, under certain terms and conditions, all of which are subject to change in part or in whole depending on policy changes made by the Northern Arizona Public Employees Benefit Trust (NAPEBT).

(Ord. No. 2015-14, Amended, 09/01/15); (Ord. No. 2009-12, Amended, 05/19/09)

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Rick Tadder, Management Services Director
Co-Submitter: Brandi Suda, Finance Director
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE:

Consideration and Adoption of Ordinance No. 2024-07: An ordinance of the Council of the City of Flagstaff, Coconino County, Arizona (1) providing for sale and issuance of City of Flagstaff, Arizona General Obligation Bonds and General Obligation Refunding Bonds, in one or more series, and for the annual levy of a tax for the payment of the bonds; (2) approving the form and authorizing the execution and delivery of necessary agreements, instruments and documents related to the sale and issuance of the bonds; (3) delegating authority to the Mayor and Management Services Director of the City to determine certain matters and terms with respect to the foregoing as well as certain matters with respect to the bonds being refunded with the proceeds of the sale of the bonds; and (4) authorizing the taking of all other actions necessary to consummate the transactions contemplated by this ordinance and ratifying all actions taken to further this ordinance.

STAFF RECOMMENDED ACTION:

1. Read Ordinance No. 2024-07 by title only for the final time
2. City Clerk reads Ordinance No. 2024-07 by title only (if approved above)
3. Adopt Ordinance No. 2024-07

Executive Summary:

This ordinance allows for the issuance of General Obligation debt as approved by voters in 2022 and the refunding of prior General Obligation debt. New debt will be issued for the Public Safety vehicles, Stormwater projects, Wastewater projects and Housing programs. An ordinance for this action is required by City Charter ARTICLE VII - ORDINANCES AND RESOLUTIONS, Section 5 - WHEN ACTIONS ARE TO BE TAKEN BY ORDINANCE.

Financial Impact:

The City may issue up to 3 Series of General Obligation Bonds.

Series 2024A General Obligation Bonds will be issued as New Money Bonds in an amount not to exceed \$30,000,000 to include Proposition 441 -- November 2022 Election Projects: Investing in City of Flagstaff wildfire suppression, stormwater flood mitigation and wastewater treatment infrastructure.

Series 2024B Taxable General Obligation Bonds will be issued as New Money Bonds in an amount not to exceed \$10,000,000 to include Proposition 442 -- November 2022 Election Projects: Creating rental and home ownership opportunities for residents of Flagstaff.

Series 2024C General Obligation Bonds issued as Refunding Bonds in an amount to be determined by favorable financial returns and market conditions for the purpose of refinancing existing General Obligation Bonds issued. Actual amount of bonds refinanced will be based on market conditions analyzed at the time of issuance.

These bonds will be issued as General Obligation Bonds and will be repaid through secondary property tax collections within the current rate of \$0.8000 per \$100 of assessed valuation.

Policy Impact:

None.

**Connection to PBB, Carbon Neutrality Plan, 10-Year Housing Plan & Regional Plan:
Priority Based Budget Key Community Priorities and Objectives**

- Sustainable and Innovative Infrastructure: Deliver outstanding services to residents through a healthy, well-maintained infrastructure system.
- Safe and Health Community: Provide public safety services with resources, staff, and training responsive to the community's needs.
- Livable Community: Actively support attainable and affordable housing through the City's 10-Year Housing plan as well as other projects and opportunities.

Carbon Neutrality Plan

- Housing for All
 - HA-1: Create housing options for households at all income levels and family sizes occupied by local residents.
 - HA-2: Connect people to equitable housing solutions.
 - HA-3: Preserve affordable housing.

Regional Plan

- E&C.3: Strengthen community and natural environment resiliency through climate adaptation efforts.
- E&C.6. Protect, restore and improve ecosystem health and maintain native plant and animal community diversity across all land ownerships in the Flagstaff region.
- WR.2. Manage a coordinated system of water, wastewater, and reclaimed water utility service facilities and resources at the City level and identify funding to pay for new resources.
- WR.5. Manage watersheds and stormwater to address flooding concerns, water quality, environmental protections, and rainwater harvesting.
- LU.9. Focus reinvestment, partnerships, regulations, and incentives on developing or redeveloping urban areas.
- LU.13. Increase the variety of housing options and expand opportunities for employment and neighborhood shopping within all suburban neighborhoods.
- NH.3. Make available a variety of housing types at different price points, to provide housing opportunity for all economic sectors.
- PF.3. Provide high-quality emergency response and public safety services including law enforcement, fire, medical, and ambulance transport service.

10-Year Housing Plan

- Create 1.7: Explore ways to incentivize employers to offer Employer Assisted Housing (EAH) programs.
- Create 1.8: Explore the use of the community land trust model and public/private partnerships to incentivize the development of ownership units that are priced significantly below market rate.
- Create 3.1: Present 2022 Bond Measure to Council and Community for consideration for additional funding to be leveraged with local, state, and federal dollars.
- Create 3.3: Identify ongoing resource opportunities for the purpose of assisting households experiencing homelessness, households at risk of becoming homeless, first-time homebuyers, and affordable housing targeted to these populations.
- Preserve 2.2: Acquire and rehabilitate already built properties for affordable housing projects when financially feasible.

Has There Been Previous Council Decision on This:

Yes. Council authorized two ballot measures, Proposition 441 and 442, for the November 2022 elections which voters approved the issuance of debt for the specific projects. On February 7, 2023, Council adopted Reimbursement Resolution 2023-04 for the Proposition 441 Ballot Measures and the Proposition 442 Ballot

Measures.

Options and Alternatives:

- Approve the Ordinance as written allowing the City to move forward with the issuance of New Money Bonds and Refunding Bonds as General Obligation debt.
- Recommend changes to the Ordinance modifying the issuance of either or the New Money Bonds and Refunding Bonds.
- Do not approve the issuance of General Obligation Debt and provide direction.

Background and History:

On November 8, 2022, the City of Flagstaff voters approved two ballot measures to issue General Obligation Debt.

- Proposition 441 authorizes \$57,285,000 in General Obligation debt to be issued and used for investing in City of Flagstaff wildfire suppression, stormwater flood mitigation and wastewater treatment infrastructure. The initial debt issuance will be for up to \$30,000,000.
- Proposition 442 authorizes \$20,000,000 in General Obligation debt to be issued and used for creating rental and homeownership opportunities for residents of Flagstaff. The initial debt issuance will be for up to \$10,000,000.

The remaining debt authorization will be issued when the initial funds are spent and cash is needed for the remaining projects.

In addition, staff is considering refinancing existing outstanding General Obligation debt. Staff works closely with the City's Financial Advisor (Stifel) to review our current debt with regard to possible refinancing opportunities to save the City significant debt service savings. The City will only refinance existing outstanding debt if we can meet favorable savings. If interest rates or costs turn out to be unfavorable, we will not complete the refinancing.

The proposed ordinance includes the maximums contemplated to be issued to provide the greatest flexibility in both amount and timing. This authorization allows us to go into the market with the most favorable factors in play including market saturation, rates, and ratings.

While the purpose of this agenda item is to approve an ordinance to allow the City to issue debt, we have included a draft Preliminary Official Statement and Purchase Agreement as informational documents for your review. These documents have been reviewed by our Financial Advisors, Bond Counsel, Underwriters and Underwriters' Counsel. These are substantially complete however may have some changes prior to completion of the debt transactions. Final documents will be available upon request to the Management Services Director.

Community Benefits and Considerations:

The New Money Bonds and Refunding Bonds will be paid through the annual levy of secondary property taxes. The City will use strategies, including using secondary property tax reserves and issuing debt that is layered, so that the City can maintain the existing secondary property tax rate of \$0.8000 per \$100 of net limited assessed valuation.

Community Involvement:

The community benefits by having the City complete the projects as promised to the voters in the November 2022 election.

Expanded Options and Alternatives:

The process to select the projects that were voted on by the public involved: Consult, Involve, Collaborate and Empower.

The process to authorize the issuance of debt is to INFORM the public.

Attachments: [Ord. 2024-07](#)
[Ordinance Exhibits](#)
[Preliminary Official Statement](#)
[Draft Bond Purchase Agreement](#)

ORDINANCE NO. 2024-07

AN ORDINANCE OF THE COUNCIL OF THE CITY OF FLAGSTAFF, COCONINO COUNTY, ARIZONA (1) PROVIDING FOR THE SALE AND ISSUANCE OF CITY OF FLAGSTAFF, ARIZONA GENERAL OBLIGATION BONDS AND GENERAL OBLIGATION REFUNDING BONDS, IN ONE OR MORE SERIES, AND FOR THE ANNUAL LEVY OF A TAX FOR THE PAYMENT OF THE BONDS; (2) APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF NECESSARY AGREEMENTS, INSTRUMENTS AND DOCUMENTS RELATED TO THE SALE AND ISSUANCE OF THE BONDS; (3) DELEGATING AUTHORITY TO THE MAYOR AND MANAGEMENT SERVICES DIRECTOR OF THE CITY TO DETERMINE CERTAIN MATTERS AND TERMS WITH RESPECT TO THE FOREGOING AS WELL AS CERTAIN MATTERS WITH RESPECT TO BONDS BEING REFUNDED WITH THE PROCEEDS OF THE SALE OF THE BONDS; AND (4) AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO CONSUMMATE THE TRANSACTIONS CONTEMPLATED BY THIS ORDINANCE AND RATIFYING ALL ACTIONS TAKEN TO FURTHER THIS ORDINANCE

RECITALS:

WHEREAS, at a special bond election held in and for the City of Flagstaff, Arizona (the "City"), on November 8, 2022 (the "Election"), the issuance of general obligation bonds by the City was approved by the qualified electors of the City; and

WHEREAS, the returns of the Election were duly canvassed by the Mayor and Council of the City (the "Council"), and a certificate disclosing the purpose of the Election, the total number of votes cast thereat, the total number of votes for and against the issuance of such bonds, and stating that the creation of the indebtedness by the issuance of the bonds in accordance with the questions presented at the Election was ordered has been filed and recorded in the office of the County Recorder of Coconino County, Arizona; and

WHEREAS, the Council has determined to sell and issue a portion of the authorized amount of such bonds (the "New Money Bonds") as general obligation bonds for the purposes granted at the Election; and

WHEREAS, the Council has also determined that it is expedient to refund certain outstanding general obligation and/or general obligation refunding bonds of the City (collectively, the "Bonds Being Refunded") and that the sale and issuance of certain general obligation refunding bonds by the City (the "Refunding Bonds" and, collectively with the New Money Bonds, the "Bonds") and the application of the net proceeds thereof to pay at maturity or earlier redemption the Bonds Being Refunded is necessary and advisable and in the best interests of the City and shall result in a present value debt service savings, net of all costs associated with the Refunding Bonds, of not less than two and one-half percent (2.5%) of the principal amount of the Bonds Being Refunded; and

WHEREAS, the total aggregate of taxes levied to pay principal of and interest on the Refunding Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Refunding Bonds to the final date

of maturity of the Bonds Being Refunded, and the weighted average maturity of the Refunding Bonds will be at least seventy-five percent (75%) of the weighted average maturity of the Bonds Being Refunded; and

WHEREAS, the Council will receive a proposal from Piper Sandler & Co., serving in the capacity of and designated as the underwriter (the "Underwriter"), and has determined that the Bonds should be sold through negotiation to the Underwriter on such terms as may hereafter be approved by the Authorized Representatives (as defined herein); and

WHEREAS, all things required to be done preliminary to the authorization, sale and issuance of the Bonds have been duly done and performed in the manner required by law, and the Council is now empowered to proceed with the sale and issuance of the Bonds.

ENACTMENTS:

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. Authorization and Terms

(a) (1) The New Money Bonds, to provide funds for the purposes set forth in the ballot questions submitted to the qualified electors of the City at the Election, are hereby authorized to be sold and issued as one or more series of bonds of the City to be designated as provided in this ordinance (this "Ordinance"), all in accordance with this Ordinance and applicable law.

(2) The New Money Bonds are authorized by the provisions of Title 35, Chapter 3, Article 3, Arizona Revised Statutes, and constitute the first series of bonds of a total authorized amount of not to exceed \$77,285,000 principal amount of bonds of the City approved by the qualified electors of the City at the Election. The proceeds from the sale of the New Money Bonds shall be credited against the total principal amount of bonds and the specific amount of bonds so authorized by the qualified electors of the City at the Election and for each respective purpose and project as set forth in the applicable ballot questions, and the proceeds of the New Money Bonds shall be applied to each respective purpose and project as determined by the Authorized Representatives on behalf of the City.

(3) The Refunding Bonds, to provide funds for the refunding of the Bonds Being Refunded, are hereby authorized to be sold and issued as one or more series of bonds of the City to be designated as provided in this Ordinance, all in accordance with this Ordinance and applicable law.

(4) The Refunding Bonds are authorized by the provisions of Title 35, Chapter 3, Article 4, Arizona Revised Statutes, and the proceeds from the sale thereof shall be applied as hereinafter provided.

(b) The Mayor, any other member of the Council, the Management Services Director of the City or the designees of any of them (collectively, the "Authorized Representatives") are hereby authorized and directed to determine on behalf of the City: (1) the series name and designation of each series of the Bonds; (2) whether interest on each series of the Bonds will be excluded from gross income for federal income tax purposes; (3) the total principal amount of

each series of the Bonds (but not to exceed \$40,000,000 aggregate principal amount of the New Money Bonds) and the amounts of the New Money Bonds to be allocated to each of the purposes authorized by the Election; (4) the final principal and maturity schedules of each series of the Bonds (but none of the Bonds to mature later than July 1, 2044); (5) the interest rates with respect to each series of the Bonds (but none of the New Money Bonds to bear interest at a rate exceeding six percent (6%) per annum) and the dates for payment of such interest (the "interest payment dates"); (6) the provisions for redemption in advance of maturity of the Bonds; (7) the series designation and principal and maturity schedules for the Bonds Being Refunded and the determination of the exercise of redemption provisions for the Bonds Being Refunded; and (8) the sales date, sales price and other sales terms of the Bonds (including underwriter's compensation, original issue discount and original issue premium); provided, however, that such determinations must result in a present value debt service savings, net of all costs associated with the Refunding Bonds, of not less than two and one-half percent (2.5%) of the principal amount of the Bonds Being Refunded if the Refunding Bonds are issued.

(c) (1) The Bonds shall be dated the date of their initial authentication and delivery and issued in the denomination of \$5,000 of principal amount each or integral multiples thereof and only in fully registered form.

(2) The principal of and premium, if any, on the Bonds shall be payable at maturity or prior redemption upon presentation and surrender thereof at the designated corporate trust office of the Bond Registrar and Paying Agent (as defined herein).

(3) The Bonds shall bear interest at their respective rates from their date to the maturity or prior redemption of each Bond, payable commencing on the first interest payment date. Interest on the Bonds shall be payable by check, dated as of the interest payment date, mailed to the registered owners thereof and at the addresses appearing on the registration books maintained by the Bond Registrar and Paying Agent at the close of business on the fifteenth (15th) day of the month next preceding that interest payment date (the "regular record date"). Any such interest on a Bond which is not timely paid or duly provided for shall cease to be payable to the registered owner thereof (or of one or more predecessor Bonds) as of the regular record date, and shall be payable to the registered owner thereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Bond Registrar and Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the special record date shall be given to the registered owners of Bonds not less than ten (10) days prior thereto.

(4) The principal of and premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America.

SECTION 2. Prior Redemption of the Bonds

(a) Notice of redemption of any Bond shall be mailed by first class mail, postage prepaid, not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption to the registered owner of the Bond or Bonds being redeemed at the address shown on the registration books for the Bonds maintained by the Bond Registrar and Paying Agent. Failure to properly give such notice of redemption shall not affect the redemption of any Bond for which notice was properly given. Such notice may provide that the redemption is conditional upon moneys for payment of the redemption price being held in separate accounts by the Bond Registrar and Paying Agent.

(b) On the date designated for redemption by notice given as herein provided, the Bonds or portions thereof to be redeemed shall become and be due and payable at the redemption price for such Bonds or such portions thereof on such date, and, if moneys for payment of the redemption price are held in separate accounts by the Bond Registrar and Paying Agent, interest on such Bonds or such portions thereof shall cease to accrue, such Bonds or such portions thereof shall cease to be entitled to any benefit or security hereunder, the registered owners of such Bonds or such portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof and accrued interest thereon and such Bonds or such portions thereof shall be deemed paid and no longer outstanding.

(c) The City may redeem any amount which is included in a Bond in the denomination in excess of, but divisible by, \$5,000. In that event, the registered owner shall submit the Bond for partial redemption and the Bond Registrar and Paying Agent shall make such partial payment and shall cause to be issued a new Bond in a principal amount which reflects the redemption so made, to be authenticated and delivered to the registered owner thereof.

SECTION 3. Security; Defeasance

(a) After the Bonds are issued, the Council shall enter on its minutes a record of the Bonds sold and their numbers and dates. For the purpose of paying the principal of, interest on and costs of administration of the registration and payment of the Bonds, there shall be levied on all the taxable property in the City a continuing, direct, annual, ad valorem tax sufficient to pay all such principal, interest and administration costs of and on the Bonds as the same become due, such taxes to be levied, assessed and collected at the same time and in the same manner as other taxes of the City are levied, assessed and collected; provided, however, that the total aggregate of taxes levied to pay principal and interest on the Refunding Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Refunding Bonds to the final date of maturity of the Bonds Being Refunded. Subject to such limitation as to the Refunding Bonds (but without limitation as to the New Money Bonds), the tax shall be extended and collected for the City, and the officials of the City and Coconino County, Arizona, charged with the annual extension and collection of taxes, without further instructions from the Council, shall extend and collect the tax upon issuance of the Bonds. All moneys collected through such tax shall be paid into the treasury of the City, to the credit of a "Debt Service Fund" of the City for the Bonds, from which fund the Bonds shall be payable, which tax moneys shall be held in subfunds to be known as the "Interest Fund" and the "Redemption Fund," which funds shall be kept separate and apart from and not commingled with any other funds or moneys and which shall be used solely for, respectively, payment of interest on and principal of, and premium, if any, on the Bonds.

(b) As provided in Section 4(b) hereof, the net proceeds of the sale of the Refunding Bonds shall be deposited in the hereinafter defined Trust or invested in obligations issued by or guaranteed by the United States government ("Government Obligations"), so long as such Government Obligations shall mature with interest so as to provide funds to pay at maturity or upon earlier redemption the Bonds Being Refunded together with interest thereon and redemption premiums, if any, and such proceeds or Government Obligations shall, and other funds legally available for such purpose as determined by the City may, be deposited in respective principal and interest redemption funds and shall be held in trust (the "Trust") by the bond registrar and paying agent for the Bonds Being Refunded or by the hereinafter defined Escrow Trustee for the payment of the Bonds Being Refunded with interest and redemption premiums, if any, at maturity or upon redemption. The owners of the Refunding Bonds shall rely upon the sufficiency of the funds or Government Obligations held in the Trust for the payment of the Bonds Being Refunded.

The issuance of the Refunding Bonds shall in no way infringe upon the rights of the owners of the Bonds Being Refunded to rely upon a tax levy for the payment of principal and interest on the Bonds Being Refunded if the moneys or investments in the Trust prove insufficient.

(c) Any Bond or portion thereof in authorized denominations shall be deemed paid and defeased and thereafter shall have no claim on ad valorem taxes levied on taxable property in the City (i) if there is deposited with a bank or comparable financial institution, in trust, moneys or obligations issued by or guaranteed by the United States government (“Defeasance Obligations”) or both which, with the maturing principal of and interest on such Defeasance Obligations, if any, will be sufficient, as evidenced by a certificate or report of an accountant, to pay the principal of and interest and any premium on such Bond or portion thereof as the same matures, comes due or becomes payable upon prior redemption, and (ii) if such defeased Bond or portion thereof is to be redeemed, notice of such redemption has been given in accordance with provisions hereof or the City has submitted to the Bond Registrar and Paying Agent instructions expressed to be irrevocable as to the date upon which such Bond or portion thereof is to be redeemed and as to the giving of notice of such redemption. If the maturing principal of the Defeasance Obligations or other moneys, or both, is sufficient to pay the principal of, premium, if any, and interest on such Bond or portion thereof as the same matures, comes due or becomes payable upon prior redemption, a certificate or report of an accountant shall not be required. Bonds the payment of which has been provided for in accordance with this Section shall no longer be deemed payable or outstanding hereunder and thereafter such Bonds shall be entitled to payment only from the moneys or Defeasance Obligations deposited to provide for the payment of such Bonds.

SECTION 4. Use of Proceeds

(a) Proceeds of the sale of the New Money Bonds shall be deposited in the treasury of the City to the credit of the “General Obligation Bonds Series 2024 Project Fund” in the amounts determined as provided in Section 1(b)(3) hereof, to be used solely for the purposes specified in the ballot questions submitted to the qualified electors of the City at the Election; provided, however, that (i) such proceeds may be invested in the manner and under the circumstances allowed by law, and (ii) any moneys remaining after such purposes shall have been accomplished shall be transferred to the Debt Service Fund in the same fashion as taxes for payment of debt service with respect to the New Money Bonds.

(b) Proceeds of the sale of the Refunding Bonds shall be applied, along with the moneys, if any, determined by the City, to be transferred from the interest and redemption funds for the Bonds Being Refunded, to create the Trust, which shall be an irrevocable trust for the benefit of the owners of the Refunding Bonds. As provided in Section 3(b) hereof, amounts credited to the Trust, other than any beginning cash balance, may, as determined by the City, be invested immediately in Government Obligations, the maturing principal of and interest on which, together with any beginning cash balance, are to be sufficient to pay the principal of and premium, if any, and interest on the Bonds Being Refunded as the same become due. Any balance of the net proceeds of the Refunding Bonds remaining after creation of the Trust shall be transferred to the Debt Service Fund in the same fashion as taxes for payment of debt service with respect to the Refunding Bonds.

(c) The Authorized Representatives are hereby authorized to enter into, if necessary, a standard form contract (the “Escrow Trust Agreement”) with a national banking association authorized to do trust business in the State of Arizona appointed by the Authorized Representatives (the “Escrow Trustee”), with respect to the safekeeping and handling of moneys

and Government Obligations to be held in the Trust for the payment of the Bonds Being Refunded, with such additions, deletions and modifications as shall be approved by the Authorized Representatives. The Council hereby orders that the Bonds Being Refunded be redeemed on the respective redemption dates determined as provided in Section 1(b) hereof. All actions to refund the Bonds Being Refunded whether taken before or after adoption of this Ordinance are ratified, confirmed and approved, as applicable.

SECTION 5. Form of Bonds

(a) The New Money Bonds and the Refunding Bonds (including, in each case, the form of certificate of authentication and form of assignment therefor) shall be in substantially the form set forth in Exhibit A and Exhibit B attached hereto, respectively. There may be such necessary and appropriate omissions, insertions and variations as are permitted or required hereby and are approved by those officers executing the Bonds in such form. Execution thereof by such officers shall constitute conclusive evidence of such approval.

(b) The Bonds may have notations, legends or endorsements required by law, securities exchange rule or usage. Each Bond shall show both the date of the issue and the date of authentication and registration of each Bond.

(c) The Bonds are prohibited from being converted to coupon or bearer bonds without the consent of the Council and approval of a nationally recognized municipal bond counsel to the City.

SECTION 6. Execution and Delivery of Bonds

(a) The New Money Bonds shall be executed for and on behalf of the City by the Mayor of the City or the Vice Mayor of the City (if the Mayor is unavailable) and attested by the Clerk or the Deputy Clerk of the City. The Refunding Bonds shall be executed for and on behalf of the City by the Mayor of the City or the Vice Mayor of the City (if the Mayor is unavailable), attested by the Clerk or the Deputy Clerk of the City and countersigned by the Management Services Director of the City. Such signatures may be by mechanical reproduction; however, such officers shall manually sign a certificate adopting as and for such signatures on the Bonds the respective mechanically reproduced signatures affixed to the Bonds.

(b) If an officer whose signature is on a Bond no longer holds that office at the time such Bond is authenticated and registered, the Bond shall nevertheless be valid and binding so long as such Bond would otherwise be valid and binding.

(c) A Bond shall not be valid or binding until authenticated by the manual signature of an authorized representative of the Bond Registrar and Paying Agent. The signature of the authorized representative of the Bond Registrar and Paying Agent shall be conclusive evidence that the Bond has been authenticated and issued pursuant to this Ordinance.

SECTION 7. Mutilated, Lost or Destroyed Bonds.

In case any Bond becomes mutilated or destroyed or lost, the City shall cause to be executed and delivered a new Bond of like series, type, date, maturity date and tenor in exchange and substitution for and upon the cancellation of such mutilated Bond or in lieu of and in substitution for such Bond destroyed or lost, upon the registered owner paying the reasonable expenses and charges of the City in connection therewith and, in the case of a Bond destroyed or lost, filing with

the Bond Registrar and Paying Agent by the registered owner evidence satisfactory to the Bond Registrar and Paying Agent that such Bond was destroyed or lost, and furnishing the Bond Registrar and Paying Agent with a sufficient indemnity bond pursuant to Section 47 8405, Arizona Revised Statutes.

SECTION 8. Acceptance of Proposal

(a) Subject to the discretion delegated by Section 1(b) hereof, the Authorized Representatives are hereby authorized to accept a proposal of the Underwriter for the purchase of the Bonds which satisfies the terms and conditions of this Ordinance on behalf of the Council, and the Bonds are hereby ordered to be sold to the Underwriter in accordance with the terms of the Bond Purchase Agreement with the Underwriter presented to the Council at the meeting at which this Ordinance was adopted (the "Purchase Agreement"). Any of the Authorized Representatives are hereby authorized to execute the Purchase Agreement, for and on behalf of the Council, in a final form satisfactory to the Authorized Representatives, and such execution and delivery by the Authorized Representatives shall indicate the approval thereof on behalf of the Council by the Authorized Representatives.

(b) The Authorized Representatives are hereby requested to cause the Bonds to be delivered to the Underwriter upon receipt of payment therefor and satisfaction of the other conditions for delivery thereof in accordance with the terms of the sale provided in the Purchase Agreement.

SECTION 9. Official Statement and Continuing Disclosure

(a) (1) The preparation, distribution and use of a preliminary official statement relating to the Bonds (the "Preliminary Official Statement") in substantially the form presented to the Council at the meeting at which this Ordinance was adopted is in all respects hereby ratified, approved and confirmed, and the Authorized Representatives are hereby authorized to certify or otherwise represent that the Preliminary Official Statement, in original or revised form, is a "deemed final" official statement (except for permitted omissions) of the City as of a particular date for purposes of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

(2) The Underwriter is authorized to prepare or cause to be prepared, and the Authorized Representatives are authorized and directed to approve, on behalf of the Council, and to execute and deliver, a final Official Statement in substantially the form of the Preliminary Official Statement, modified to reflect matters related to the sale of the Bonds, for distribution and use in connection with the offering and sale of the Bonds. The execution and delivery of such final Official Statement by any of the Authorized Representatives shall be conclusively deemed to evidence the approval of the status, form and contents thereof by the Council.

(b) Subject to annual appropriation to cover the costs of compliance therewith, the City shall comply with and carry out all of the provisions of a Continuing Disclosure Undertaking, to be dated the date of issuance of the Bonds (the "Undertaking"), with respect to the Bonds, which any of the Authorized Representatives are hereby authorized, for and on behalf of the Council, to execute, and the Clerk or the Deputy Clerk of the City is hereby authorized to attest and deliver, in substantially the form submitted to the Council at the meeting at which this Ordinance was adopted, with such additions, deletions and modifications as shall be approved by the Authorized Representatives, and such execution and delivery shall constitute evidence of the approval of the Authorized Representatives of any departures from the form submitted to the Council at the time

of adoption of this Ordinance. Notwithstanding any other provision of this Ordinance, failure of the City (if obligated pursuant to the Undertaking) to comply with the Undertaking shall not be considered an event of default; however, any beneficial owner (i.e., any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes) may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations under this Section.

SECTION 10. Bond Registrar and Paying Agent

(a) The Authorized Representatives are hereby authorized to appoint the initial authenticating agent, bond registrar, transfer agent and paying agent with respect to the Bonds (the "Bond Registrar and Paying Agent"), and a standard form contract therewith covering such services, with such additions, deletions and modifications as shall be approved by the Authorized Representatives, is hereby approved, and any of the Authorized Representatives are hereby authorized to execute, and the Clerk or the Deputy Clerk of the City are hereby authorized to attest and deliver, such contract. The Bond Registrar and Paying Agent shall maintain the books of the City for the registration of ownership of each Bond.

(b) A Bond may be transferred on the registration books upon delivery and surrender of the Bond to the Bond Registrar and Paying Agent at its designated corporate trust office, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar and Paying Agent, duly executed by the registered owner of the Bond to be transferred or the attorney-in-fact or legal representative thereof, containing written instructions as to the details of the transfer of such Bond. No transfer of any Bond shall be effective until entered on the registration books.

(c) In all cases upon the transfer of a Bond, the Bond Registrar and Paying Agent shall enter the transfer of ownership in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of the same type and of the authorized denominations (except that no Bond shall be issued which relates to more than a single principal maturity) for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of this Section.

(d) All costs and expenses of initial registration and payment of the Bonds shall be borne by the City, but the City and the Bond Registrar and Paying Agent shall charge the registered owner of such Bond for every subsequent transfer of a Bond including an amount sufficient to reimburse them for any transfer fee, tax or other governmental charge required to be paid with respect to such transfer and may require that such charge including for such transfer fee, tax or other governmental charge be paid before any such new Bond shall be delivered.

(e) The City and the Bond Registrar and Paying Agent shall not be required to issue or transfer any Bonds during a period beginning with the opening of business on any regular record date and ending with the close of business on the corresponding interest payment date.

(f) The Bonds shall be subject to a Book-Entry System (as defined herein) of ownership and transfer, except as provided in subsection (3) of this subsection. The general provisions for effecting the Book-Entry System are as follows:

(1) The City hereby designates The Depository Trust Company, New York,

New York, as the initial Depository (as defined herein) hereunder.

(2) Notwithstanding the provisions of this Section or of the Bonds to the contrary and so long as the Bonds are subject to a Book-Entry System, the Bonds shall initially be evidenced by one typewritten certificate for each maturity in an amount equal to the aggregate principal amount thereof. The Bonds so initially delivered shall be registered in the name of "Cede & Co." as nominee for The Depository Trust Company. The Bonds may not thereafter be transferred or exchanged on the registration books of the City maintained by the Bond Registrar and Paying Agent except:

(a) to any successor Depository designated pursuant to subsection (3) of this subsection;

(b) to any successor nominee designated by a Depository; or

(c) if the City shall elect to discontinue the Book-Entry System pursuant to subsection (3) of this subsection, the City shall cause the Bond Registrar and Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the Beneficial Owners (as defined herein) or their nominees, as certified by the Depository, at the expense of the City; thereafter the other applicable provisions of this Ordinance regarding registration, transfer and exchange of the Bonds shall apply.

(3) The Bond Registrar and Paying Agent, pursuant to a request from the City for the removal or replacement of the Depository, and upon thirty (30) days' notice to the Depository, may remove or replace the Depository. The Bond Registrar and Paying Agent shall remove or replace the Depository at any time pursuant to the request of the City. The Depository may determine not to continue to act as Depository for the Bonds upon thirty (30) days' written notice to the City and the Bond Registrar and Paying Agent. If the use of the Book-Entry System is discontinued, then after the Bond Registrar and Paying Agent has made provision for notification of the Beneficial Owners of their book entry interests in the Bonds by appropriate notice to the then Depository, the City and the Bond Registrar and Paying Agent shall permit withdrawal of the Bonds from the Depository and authenticate and deliver the Bond certificates in fully registered form and in denominations authorized by this Section to the assignees of the Depository or its nominee. Such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing or otherwise preparing, and delivering, such replacement Bond certificates) of the City.

(4) So long as the Book-Entry System is used for the Bonds, the City and the Bond Registrar and Paying Agent shall give any notice of redemption or any other notices required to be given to registered owners of Bonds only to the Depository or its nominee registered as the owner thereof. Any failure of the Depository to advise any of its participants, or of any participant to notify the Beneficial Owner, of any such notice and its content or effect shall not affect the validity of the redemption of the Bonds to be redeemed or of any other action premised on such notice. Neither the City nor the Bond Registrar and Paying Agent shall be responsible or liable for the failure of the Depository or any participant thereof to make any payment or give any notice to a Beneficial Owner in respect of the Bonds or any error or delay relating thereto.

(5) Notwithstanding any other provision of this Section or Section 2(b) hereof

or of the Bonds to the contrary, so long as the Bonds are subject to a Book-Entry System, it shall not be necessary for the registered owner to present the applicable Bond for payment of mandatory redemption installments, if any. The mandatory redemption installments may be noted on books kept by the Bond Registrar and Paying Agent and the Depository for such purpose, and the Bonds shall be tendered to the Bond Registrar and Paying Agent at their maturity.

(6) For purposes of this Section, “Beneficial Owners” shall mean actual purchasers of the Bonds whose ownership interest is evidenced only in the Book-Entry System maintained by the Depository, “Book-Entry System” shall mean a system for clearing and settlement of securities transactions among participants of a Depository (and other parties having custodial relationships with such participants) through electronic or manual book-entry changes in accounts of such participants maintained by the Depository hereunder for recording ownership of the Bonds by Beneficial Owners and transfers of ownership interests in the Bonds and “Depository” shall mean The Depository Trust Company, New York, New York or any successor depository designated pursuant to this Section.

SECTION 11. General Federal Tax Law Covenants

(a) (1) The City shall execute and deliver on the date of original issuance of the Bonds a Certificate Relating To Federal Tax Matters (the “Tax Certificate”) and comply with the provisions thereof and of this Section 11 only with respect to those of the Bonds that are sold such that the interest with respect thereto is excluded from gross income for federal income tax purposes. References to the Bonds in this Section 11 are to such Bonds. As will be provided in greater detail in the Tax Certificate, the City shall not make or direct the making of any investment or other use of the proceeds of any Bonds which would cause such Bonds to be “arbitrage bonds” as that term is defined in Section 148 (or any successor provision thereto) of the Internal Revenue Code of 1986, as amended (the “Code”), or “private activity bonds” as that term is defined in Section 141 (or any successor provision thereto) of the Code, and shall comply with the requirements of the Code sections and the regulations promulgated thereunder (the “Regulations”) throughout the term of the Bonds. In consideration of the purchase and acceptance of the Bonds by such holders from time to time and of retaining such exclusion and as authorized by Title 35, Chapter 3, Article 7, Arizona Revised Statutes, the Council covenants, and the appropriate officials of the City are hereby directed, to take all action required to maintain such exclusion or to refrain from taking any action prohibited by the Code which would adversely affect in any respect such exclusion.

(2) The City shall be the owner of the facilities financed or refinanced with the proceeds of the sale of the Bonds (the “Facilities”) for federal income tax purposes. Except as otherwise advised in a Bond Counsel’s Opinion (as defined herein), the City shall not enter into (i) any management or service contract with any entity other than a governmental entity for the operation of any portion of the Facilities unless the management or service contract complies with the requirements of the Code, the Regulations and any applicable interpretive guidance with respect thereto as may control at the time, or (ii) any lease or other arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to any portion of the Facilities. Also, the payment of principal and interest with respect to the Bonds shall not be guaranteed (in whole or in part) by the United States or any agency or instrumentality of the United States. The proceeds of the Bonds, or amounts treated as proceeds of the Bonds, shall not be invested (directly or indirectly) in federally insured deposits or accounts, except to the extent such proceeds (i) may be so invested for an initial temporary period until needed for the

purpose for which the Bonds are being issued, (ii) may be so used in making investments of a bona fide debt service fund or (iii) may be invested in obligations issued by the United States Treasury.

(3) The procedures and covenants contained in any arbitrage rebate provision or separate agreement executed in connection with the issuance of the Bonds (initially Section 12 hereof) shall be complied with for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

(b) (1) The City shall take all necessary and desirable steps, as determined by the Council, to comply with the requirements hereunder in order to ensure that interest on the Bonds is excluded from gross income for federal income tax purposes under the Code; provided, however, compliance with any such requirement shall not be required in the event the City receives a Bond Counsel's Opinion that either (i) compliance with such requirement is not required to maintain the exclusion from gross income of interest on the Bonds, or (ii) compliance with some other requirement will meet the requirements of the Code. In the event the City receives such a Bond Counsel's Opinion, this Ordinance shall be amended to conform to the requirements set forth in such opinion.

(2) If for any reason any requirement hereunder is not complied with, the Council shall take all necessary and desirable steps, as determined by the City, to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence and the City shall pay any required interest or penalty under Regulations Section 1.148 3(h).

(c) The City has adopted post-issuance tax compliance procedures, with which the City shall comply.

SECTION 12. Arbitrage Rebate Covenants

The City shall comply with the provisions of this Section 12 only with respect to those of the Bonds that are sold such that the interest with respect thereto is excluded from gross income for federal income tax purposes. References to the Bonds in this Section 12 are to such Bonds.

(a) Terms not otherwise defined in Subsection (b) hereof shall have the meanings given to them in the Tax Certificate.

(b) The following terms shall have the following meanings:

“Bond Counsel's Opinion” shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the City.

“Bond Year” shall mean each one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year shall begin on the date of issue of the Bonds and shall end on the date selected by the City, provided that the first Bond Year shall not exceed one calendar year. The last Bond Year shall end on the date of retirement of the last Bond.

“Bond Yield” is as indicated in the Tax Certificate. Bond Yield shall be recomputed if required by Regulations Section 1.148 4(b)(4) or 4(h)(3). Bond Yield shall mean the discount rate that produces a present value equal to the Issue Price of all unconditionally payable payments of

principal, interest and fees for qualified guarantees within the meaning of Regulations Section 1.148 4(f) and amounts reasonably expected to be paid as fees for qualified guarantees in connection with the Bonds as determined under Regulations Section 1.148 4(b). The present value of all such payments shall be computed as of the date of issue of the Bonds and using semiannual compounding on the basis of a 360-day year.

“Gross Proceeds” shall mean:

(i) any amounts actually or constructively received by the City from the sale of the Bonds but excluding amounts used to pay accrued interest on the Bonds within one year of the date of issuance of the Bonds;

(ii) transferred proceeds of the Bonds under Regulations Section 1.148 9;

(iii) any amounts actually or constructively received from investing amounts described in (i), (ii) or this (iii); and

(iv) replacement proceeds of the Bonds within the meaning of Regulations Section 1.148 1(c). Replacement proceeds include amounts reasonably expected to be used directly or indirectly to pay debt service on the Bonds, pledged amounts where there is reasonable assurance that such amounts will be available to pay principal or interest on the Bonds in the event the City encounters financial difficulties and other replacement proceeds within the meaning of Regulations Section 1.148 1(c)(4). Whether an amount is Gross Proceeds is determined without regard to whether the amount is held in any fund or account.

“Investment Property” shall mean any security, obligation (other than a tax-exempt bond within the meaning of Code Section 148(b)(3)(A)), annuity contract or investment-type property within the meaning of Regulations Section 1.148 1(b).

“Issue Price” is as indicated in the Tax Certificate and shall be determined as provided in Regulations Section 1.148-1(b).

“Nonpurpose Investment” shall mean any Investment Property acquired with Gross Proceeds, and which is not acquired to carry out the governmental purposes of the Bonds.

“Payment” shall mean any payment within the meaning of Regulations Section 1.148 3(d)(1) with respect to a Nonpurpose Investment.

“Rebate Requirement” shall mean at any time the excess of the future value of all Receipts over the future value of all Payments. For purposes of calculating the Rebate Requirement the Bond Yield shall be used to determine the future value of Receipts and Payments in accordance with Regulations Section 1.148 3(c). The Rebate Requirement is zero for any Nonpurpose Investment meeting the requirements of a rebate exception under Section 148(f)(4) of the Code or Regulations Section 1.148 7.

“Receipt” shall mean any receipt within the meaning of Regulations Section 1.148 3(d)(2) with respect to a Nonpurpose Investment.

“Regulations” shall mean Sections 1.148 1 through 1.148 11 and Section 1.150 1 of the regulations of the United States Department of the Treasury promulgated under the Code, including and any amendments thereto or successor regulations.

(c) The City shall cause the Rebate Requirement to be calculated and shall pay to the United States of America:

(1) not later than 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, an amount which, when added to the future value of all previous rebate payments with respect to the Bonds (determined as of such Computation Date), is equal to at least 90% of the sum of the Rebate Requirement (determined as of the last day of such Bond Year) plus the future value of all previous rebate payments with respect to the Bonds (determined as of the last day of such Bond Year); and

(2) not later than 60 days after the retirement of the last Bond, an amount equal to 100% of the Rebate Requirement (determined as of the date of retirement of the last Bond).

Each payment required to be made under this Section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201, on or before the date such payment is due, and shall be accompanied by IRS Form 8038 T.

(d) No Nonpurpose Investment shall be acquired for an amount in excess of its fair market value. No Nonpurpose Investment shall be sold or otherwise disposed of for an amount less than its fair market value.

(e) For purposes of Subsection (d), whether a Nonpurpose Investment has been purchased or sold or disposed of for its fair market value shall be determined as follows:

(1) The fair market value of a Nonpurpose Investment generally shall be the price at which a willing buyer would purchase the Nonpurpose Investment from a willing seller in a bona fide arm's length transaction. Fair market value shall be determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding.

(2) Except as provided in Subsection (f) or (g), a Nonpurpose Investment that is not of a type traded on an established securities market, within the meaning of Code Section 1273, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(3) If a United States Treasury obligation is acquired directly from or sold or disposed of directly to the United States Treasury, such acquisition or sale or disposition shall be treated as establishing the fair market value of the obligation.

(f) The purchase price of a certificate of deposit that has a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal is considered to be its fair market value if the yield on the certificate of deposit is not less than:

(1) the yield on reasonably comparable direct obligations of the United States; and

(2) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(g) A guaranteed investment contract shall be considered acquired and disposed of for an amount equal to its fair market value if:

(1) A bona fide solicitation in writing for a specified guaranteed investment contract, including all material terms, is timely forwarded to all potential providers. The solicitation must include a statement that the submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the City or any other person (whether or not in connection with the Bonds), and that the bid is not being submitted solely as a courtesy to the City or any other person for purposes of satisfying the requirements in the Regulations that the City receive bids from at least one reasonably competitive provider and at least three providers that do not have a material financial interest in the Bonds.

(2) All potential providers have an equal opportunity to bid, with no potential provider having the opportunity to review other bids before providing a bid.

(3) At least three reasonably competitive providers (i.e. having an established industry reputation as a competitive provider of the type of investments being purchased) are solicited for bids. At least three bids must be received from providers that have no material financial interest in the Bonds (e.g., a lead underwriter within 15 days of the issue date of the Bonds or a financial advisor with respect to the investment) and at least one of such three bids must be from a reasonably competitive provider. If the City uses an agent to conduct the bidding, the agent may not bid.

(4) The highest-yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees) is purchased.

(5) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the reasonably expected deposit and drawdown schedule for the amounts to be invested.

(6) The terms for the guaranteed investment contract are commercially reasonable (i.e. have a legitimate business purpose other than to increase the purchase price or reduce the yield of the guaranteed investment contract).

(7) The provider of the investment contract certifies the administrative costs (as defined in Regulations Section 1.148 5(e)) that it pays (or expects to pay) to third parties in connection with the guaranteed investment contract.

(8) The City retains until three years after the last outstanding Bond is retired, (i) a copy of the guaranteed investment contract, (ii) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by the City and a copy of the provider's certification described in (7) above, (iii) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (iv) the bid solicitation form and, if the terms of the guaranteed investment contract deviates from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation.

(h) The employment of such experts and consultants to make, as necessary, any calculations in respect of rebates to be made to the United States of America in accordance with Section 148(f) of the Code is hereby authorized.

SECTION 13. Ordinance a Contract; Severability; Ratification of Actions

(a) This Ordinance shall constitute a contract between the City and the registered owners of the Bonds and shall not be repealed or amended in any manner which would impair, impede or lessen the rights of the registered owners of the Bonds then outstanding.

(b) If any section, paragraph, subdivision, sentence, clause or phrase of this Ordinance is for any reason held to be illegal or unenforceable, such decision will not affect the validity of the remaining portions of this Ordinance. The Council hereby declares that it would have adopted this Ordinance and each and every other section, paragraph, subdivision, sentence, clause or phrase hereof and authorized the issuance of the Bonds, pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Ordinance may be held illegal, invalid or unenforceable.

(c) All actions of the officers, employees and agents of the City including the Council which conform to the purposes and intent of this Ordinance and which further the sale and issuance of the Bonds as contemplated by this Ordinance, including retention of consultants and counsel necessary to carry out the purposes of this Ordinance, whether taken before or after adoption of this Ordinance, are hereby ratified, confirmed and approved. The proper officers and agents of the City are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the City as may be necessary to carry out the terms and intent of this Ordinance.

(d) All acts and conditions necessary to be performed by the City or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the City will at the time of delivery of the Bonds have been performed and have been met, in regular and due form as required by law, and no statutory, charter or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Bonds.

(e) All formal actions of the Council concerning and relating to the passage of this Ordinance were taken in an open meeting of the Council, and all deliberations of the Council and of any committees that resulted in those formal actions were in meetings open to the public, in compliance with all legal requirements.

SECTION 14. Repeal of Conflicting Ordinances

All ordinances and parts of ordinances in conflict with the provisions of the code adopted herein are hereby repealed.

SECTION 15. Clerical Corrections

The City Clerk is hereby authorized to correct clerical and grammatical errors, if any, related to this ordinance, and to make formatting changes appropriate for purposes of clarity, form, or consistency with the Flagstaff City Code.

SECTION 16. Effective Date

This Ordinance shall be effective thirty (30) days following adoption by the City Council.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 19th day of March, 2024.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

Exhibits:

A – Form of Bond

B – Form of Assignment

EXHIBIT A

[FORM OF NEW MONEY BOND]

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (“DTC”) TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.*

REGISTERED
NO.

REGISTERED
\$......

UNITED STATES OF AMERICA
STATE OF ARIZONA

CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BOND, [TAXABLE] SERIES 2024[A/B]**

Interest Rate:%	Maturity Date: July 1,	Dated:, 2024	CUSIP: 338423
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REGISTERED OWNER: CEDE & CO.*

PRINCIPAL AMOUNT: DOLLARS

THE CITY OF FLAGSTAFF, ARIZONA, a body politic and corporate, duly incorporated and existing pursuant to the laws of the State of Arizona (the “City”), for value received, hereby promises to pay to the aforesaid registered owner, or registered assigns, the aforesaid principal amount on the aforesaid maturity date unless earlier redeemed and then on the applicable redemption date, and to pay interest on the principal amount from the date this Bond is dated, at the aforesaid interest rate (computed on the basis of a 360-day year of twelve 30-day months) on each January 1 and July 1 (each an “interest payment date”), commencing,, to its maturity or its redemption prior to maturity. The principal of and

* Insert only while The Depository Trust Company, New York, New York, is the Securities Depository.

** The series name and designation of this Bond is subject to change as determined in the Ordinance to which this Form is attached as Exhibit A.

premium, if any, on this Bond are payable upon presentation and surrender hereof at the designated corporate trust office of, as the “Bond Registrar and Paying Agent.” Interest on this Bond is payable by check, dated as of the interest payment date, mailed to the registered owner hereof and at the address appearing on the registration books maintained by the Bond Registrar and Paying Agent at the close of business on the 15th day of the month next preceding that interest payment date (the “regular record date”). Any such interest which is not timely paid or duly provided for shall cease to be payable to the registered owner hereof (or of one or more predecessor Bonds) as of the regular record date and shall be payable to the registered owner hereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Bond Registrar and Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the special record date shall be given to the registered owner of this Bond not less than 10 days prior thereto.

The principal of and interest and premium, if any, on this Bond are payable in lawful money of the United States of America, on the respective dates when principal and interest become due.

This Bond is one of a series of bonds (the “Bonds”) indicated above in the aggregate principal amount of \$.....,000 of like tenor except as to amount, maturity date, rate of interest and number. The Bonds represent the first installment of an aggregate principal amount of \$77,285,000 approved by the qualified electors of the City at a special bond election duly called and held in and for the City on November 8, 2022. The Bonds are being issued by the City pursuant to an Ordinance of the Mayor and Council of the City, duly adopted prior to the issuance hereof, all of the terms of which are hereby incorporated herein (the “Ordinance”), and pursuant to the Constitution and laws of the State of Arizona relative to the sale and issuance of general obligation bonds of municipalities, and all amendments thereto, the Charter of the City and all other laws of the State of Arizona thereunto enabling.

For the purpose of paying the principal of, interest on and costs of administration of the registration and payment of this Bond, there shall be levied on all taxable property in the City a continuing, direct, annual, ad valorem tax sufficient to pay all such principal, interest and administration costs of and on this Bond as the same become due, such taxes to be levied, assessed and collected at the same time and in the same manner as other taxes of the City are levied, assessed and collected.

The Bonds maturing before and on July 1,, are not subject to redemption prior to maturity. The Bonds maturing on and after July 1,, are subject to redemption prior to maturity, in whole or in part, on July 1,, or any date thereafter, by the payment of a redemption price equal to the principal amount of each such Bond redeemed plus interest accrued to the date fixed for redemption plus a premium (calculated as a percentage of the principal amount of such Bonds to be redeemed) to be computed as follows:

<u>Redemption Dates</u>	<u>Premium</u>
July 1,, and January 1,%
July 1,, and January 1,
July 1,, and thereafter	0.0

The Bonds maturing on July 1,, shall be redeemed prior to maturity on July 1, in the years and amounts set forth below, by payment of the principal amount of each Bond to be redeemed plus interest accrued to the date fixed for redemption, but without a premium:

<u>Year</u>	<u>Amount</u>
	\$

A remaining principal amount of \$.....,000 of Bonds maturing on July 1,, shall mature on July 1,

Not more than seventy-five (75) nor less than sixty (60) days prior to the mandatory redemption date for the Bonds maturing on July 1,, the Bond Registrar and Paying Agent shall proceed to select for redemption (by lot in such manner as the Bond Registrar and Paying Agent may determine) from all the Bonds maturing on July 1,, outstanding a principal amount of the Bonds maturing on July 1,, equal to the aggregate principal amount of the Bonds maturing on July 1,, to be redeemed and shall redeem such Bonds maturing on July 1,, on the next July 1 and give notice of such redemption.

Notice of redemption of any such Bond will be mailed not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption to the registered owner of such Bond or Bonds being redeemed at the address shown on the registration books for the Bonds maintained by the Bond Registrar and Paying Agent. Failure to properly give such notice of redemption shall not affect the redemption of any such Bond for which notice was properly given.

The Bond Registrar and Paying Agent shall maintain the registration books of the City for the registration of ownership of each Bond as provided in the Ordinance. (The Bond Registrar and Paying Agent may be changed without notice or consent.)

This Bond may be transferred on the registration books upon delivery and surrender hereof to the Bond Registrar and Paying Agent at its designated corporate trust office, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory

to the Bond Registrar and Paying Agent, duly executed by the registered owner of this Bond or his or her attorney-in-fact or legal representative, containing written instructions as to the details of the transfer. No transfer of this Bond shall be effective until entered on the registration books.

In all cases upon the transfer of this Bond, the Bond Registrar and Paying Agent shall transfer the ownership in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations (except that no Bond shall be issued which relates to more than a single principal maturity) for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of the Ordinance. The City and the Bond Registrar and Paying Agent shall charge the owner of such Bond for every transfer of a Bond, including an amount sufficient to reimburse them for any transfer fee, tax or other charge required to be paid with respect to such transfer and may require that such charge, including such transfer fee, tax or other charge be paid before any such new Bond shall be delivered.

The City and the Bond Registrar and Paying Agent shall not be required to issue or transfer any Bonds during a period beginning with the opening of business on any regular record date and ending with the close of business on the corresponding interest payment date.

This Bond shall not be entitled to any security or benefit under the Ordinance or be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Bond Registrar and Paying Agent.

Pursuant to the Ordinance, payment of all or any part of the Bonds may be provided for by the irrevocable deposit, in trust, of moneys or obligations issued or guaranteed by the United States government ("Defeasance Obligations") or both which, with the maturing principal of and interest on such Defeasance Obligations, if any, will be sufficient, as evidenced by a certificate or report of an accountant, to pay the principal or redemption price of and interest on such Bonds. Any Bonds so provided for will no longer be outstanding under the Ordinance or payable from ad valorem taxes on taxable property in the City, and the owners of such Bonds shall thereafter be entitled to payment only from the moneys and Defeasance Obligations deposited in trust.

It is hereby certified, recited and declared (i) that all conditions, acts and things required by the Constitution and laws of the State of Arizona to happen, to be done, to exist and to be performed precedent to and in the issuance of this Bond and of the series of which it is one, have happened, have been done, do exist and have been performed in regular and due form and time as required by law, (ii) that the obligation evidenced by the series of Bonds of which this is one, together with all other existing indebtedness of the City, does not exceed any applicable constitutional or statutory limitation, and (iii) that due provision has been made for the levy and collection of a direct, annual, ad valorem tax upon taxable property within the City, over and above all other taxes authorized or limited by law, sufficient to pay the principal hereof and the interest hereon as each becomes due.

IN WITNESS WHEREOF, THE CITY OF FLAGSTAFF, ARIZONA, has caused this Bond to be executed in the name of the City by the facsimile signature of the Mayor of the City and such signature of the Mayor of the City to be attested by the facsimile signature of the Clerk of the City.

CITY OF FLAGSTAFF, ARIZONA

By (Facsimile)
Mayor

ATTEST:

By (Facsimile)
Clerk

[FORM OF CERTIFICATE OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Ordinance and is one of the City of Flagstaff, Arizona General Obligation Bonds, [Taxable] Series 2024[A/B].

Date of Authentication:

.....,
as Bond Registrar and Paying Agent

By.....
Authorized Representative

[FORM OF ASSIGNMENT]

ASSIGNMENT

For value received, the undersigned sells, assigns and transfers unto the within Bond and irrevocably constitutes and appoints attorney to transfer this Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: Signature

Signature Guaranteed:

..... Signature
[Insert proper legend]

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT/TRANS MIN ACT - Custodian
(Cust) (Minor)

under Uniform Gifts/Transfers to Minors Act
(State)

Additional abbreviations may also be used though not included in the above list

ALL FEES AND COSTS OF TRANSFER
SHALL BE PAID BY THE TRANSFEROR

[FORM OF REFUNDING BOND]

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (“DTC”) TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.*

REGISTERED
NO.

REGISTERED
\$.....

UNITED STATES OF AMERICA
STATE OF ARIZONA

CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION REFUNDING BOND, SERIES 2024C**

Interest Rate: Maturity Date: Dated: CUSIP:
.....% July 1,, 2024 338423

REGISTERED OWNER: CEDE & CO.*

PRINCIPAL AMOUNT: DOLLARS

THE CITY OF FLAGSTAFF, ARIZONA, a body politic and corporate, duly incorporated and existing pursuant to the laws of the State of Arizona (the “City”), for value received, hereby promises to pay to the aforesaid registered owner, or registered assigns, the aforesaid principal amount on the aforesaid maturity date unless earlier redeemed and then on the applicable redemption date, and to pay interest on the principal amount from the date this Bond is dated, at the aforesaid interest rate (computed on the basis of a 360-day year of twelve 30-day months) on each January 1 and July 1 (each an “interest payment date”), commencing,, to its maturity or its redemption prior to maturity. The principal of and premium, if any, on this Bond are payable upon presentation and surrender hereof at the designated corporate trust office of, as the “Bond Registrar and Paying

* Insert only while The Depository Trust Company, New York, New York, is the Securities Depository.
** The series name and designation of this Bond is subject to change as determined in the Ordinance to which this Form is attached as Exhibit B.

Agent.” Interest on this Bond is payable by check, dated as of the interest payment date, mailed to the registered owner hereof and at the address appearing on the registration books maintained by the Bond Registrar and Paying Agent at the close of business on the 15th day of the month next preceding that interest payment date (the “regular record date”). Any such interest which is not timely paid or duly provided for shall cease to be payable to the registered owner hereof (or of one or more predecessor Bonds) as of the regular record date and shall be payable to the registered owner hereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Bond Registrar and Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the special record date shall be given to the registered owner of this Bond not less than 10 days prior thereto.

The principal of and interest and premium, if any, on this Bond are payable in lawful money of the United States of America, on the respective dates when principal and interest become due.

This Bond is one of a series of bonds (the “Bonds”) indicated above in the aggregate principal amount of \$.....,000 of like tenor except as to amount, maturity date, rate of interest and number. The Bonds are being issued by the City to provide funds to refund certain previously issued and outstanding general obligation and/or general obligation refunding bonds of the City (the “Bonds Being Refunded”) pursuant to an Ordinance of the Mayor and Council of the City, duly adopted prior to the issuance hereof, all of the terms of which are hereby incorporated herein (the “Ordinance”), and pursuant to the Constitution and laws of the State of Arizona relative to the sale and issuance of general obligation refunding bonds of municipalities, and all amendments thereto, the Charter of the City and all other laws of the State of Arizona thereunto enabling.

For the purpose of paying the principal of, interest on and costs of administration of the registration and payment of this Bond, there shall be levied on all taxable property in the City a continuing, direct, annual, ad valorem tax sufficient to pay all such principal, interest and administration costs of and on this Bond as the same become due, such taxes to be levied, assessed and collected at the same time and in the same manner as other taxes of the City are levied, assessed and collected; provided, however, that the issuance of the Bonds shall in no way infringe upon the rights of the Bonds Being Refunded to rely upon a tax levy for payment of the principal and interest on the Bonds Being Refunded if the obligations issued by or guaranteed by the United States government in which net proceeds of the Bonds are invested and which mature with interest so as to provide funds to pay when due, or called for redemption, the Bonds Being Refunded together with interest thereon and redemption premiums, if any, and with other funds legally available for such purpose as determined by the City deposited in the respective principal and interest redemption funds and held in trust for the payment of the Bonds Being Refunded with interest and redemption premiums, if any, on maturity or upon an available redemption date prove insufficient and further that the total aggregate of taxes levied to pay principal and interest on the Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded. The owners of the Bonds must rely on the sufficiency of the funds and securities held irrevocably in trust for payment of the Bonds Being Refunded.

The Bonds maturing before and on July 1,, are not subject to redemption prior to maturity. The Bonds maturing on and after July 1,, are subject to redemption prior to maturity, in whole or in part, on July 1,, or any date thereafter, by the payment of a redemption price equal to the principal amount of each such Bond redeemed plus interest accrued to the date fixed for redemption plus a premium (calculated as a percentage of the principal amount of such Bonds to be redeemed) to be computed as follows:

<u>Redemption Dates</u>	<u>Premium</u>
July 1,, and January 1,%
July 1,, and January 1,
July 1,, and thereafter	0.0

The Bonds maturing on July 1,, shall be redeemed prior to maturity on July 1, in the years and amounts set forth below, by payment of the principal amount of each Bond to be redeemed plus interest accrued to the date fixed for redemption, but without a premium:

<u>Year</u>	<u>Amount</u>
	\$

A remaining principal amount of \$.....,000 of Bonds maturing on July 1,, shall mature on July 1,

Not more than seventy-five (75) nor less than sixty (60) days prior to the mandatory redemption date for the Bonds maturing on July 1,, the Bond Registrar and Paying Agent shall proceed to select for redemption (by lot in such manner as the Bond Registrar and Paying Agent may determine) from all the Bonds maturing on July 1,, outstanding a principal amount of the Bonds maturing on July 1,, equal to the aggregate principal amount of the Bonds maturing on July 1,, to be redeemed and shall redeem such Bonds maturing on July 1,, on the next July 1 and give notice of such redemption.

Notice of redemption of any such Bond will be mailed not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption to the registered owner of such Bond or Bonds being redeemed at the address shown on the registration books for the Bonds maintained by the Bond Registrar and Paying Agent. Failure to properly give such notice of redemption shall not affect the redemption of any such Bond for which notice was properly given.

The Bond Registrar and Paying Agent shall maintain the registration books of the City for the registration of ownership of each Bond as provided in the Ordinance. (The Bond Registrar and Paying Agent may be changed without notice or consent.)

This Bond may be transferred on the registration books upon delivery and surrender hereof to the Bond Registrar and Paying Agent at its designated corporate trust office, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar and Paying Agent, duly executed by the registered owner of this Bond or his or her attorney-in-fact or legal representative, containing written instructions as to the details of the transfer. No transfer of this Bond shall be effective until entered on the registration books.

In all cases upon the transfer of this Bond, the Bond Registrar and Paying Agent shall transfer the ownership in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations (except that no Bond shall be issued which relates to more than a single principal maturity) for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of the Ordinance. The City and the Bond Registrar and Paying Agent shall charge the owner of such Bond for every transfer of a Bond, including an amount sufficient to reimburse them for any transfer fee, tax or other charge required to be paid with respect to such transfer and may require that such charge, including such transfer fee, tax or other charge be paid before any such new Bond shall be delivered.

The City and the Bond Registrar and Paying Agent shall not be required to issue or transfer any Bonds during a period beginning with the opening of business on any regular record date and ending with the close of business on the corresponding interest payment date.

This Bond shall not be entitled to any security or benefit under the Ordinance or be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Bond Registrar and Paying Agent.

Pursuant to the Ordinance, payment of all or any part of the Bonds may be provided for by the irrevocable deposit, in trust, of moneys or obligations issued or guaranteed by the United States government (“Defeasance Obligations”) or both which, with the maturing principal of and interest on such Defeasance Obligations, if any, will be sufficient, as evidenced by a certificate or report of an accountant, to pay the principal or redemption price of and interest on such Bonds. Any Bonds so provided for will no longer be outstanding under the Ordinance or payable from ad valorem taxes on taxable property in the City, and the owners of such Bonds shall thereafter be entitled to payment only from the moneys and Defeasance Obligations deposited in trust.

It is hereby certified, recited and declared (i) that all conditions, acts and things required by the Constitution and laws of the State of Arizona to happen, to be done, to exist and to be performed precedent to and in the issuance of this Bond and of the series of which it is one, have happened, have been done, do exist and have been performed in regular and due form and time as required by law, (ii) that the obligation evidenced by the series of Bonds of which this is one, together with all other existing indebtedness of the City, does not exceed any applicable constitutional or statutory limitation, and (iii) that due provision has been made for the levy and collection of a direct, annual, ad valorem tax upon taxable property within the City, over and above

all other taxes authorized or limited by law, except as otherwise described herein, sufficient to pay the principal hereof and the interest hereon as each becomes due.

IN WITNESS WHEREOF, THE CITY OF FLAGSTAFF, ARIZONA, has caused this Bond to be executed in the name of the City by the facsimile signature of the Mayor of the City and such signature of the Mayor of the City to be attested by the facsimile signature of the Clerk of the City and to be countersigned by the facsimile signature of the Management Services Director of the City.

CITY OF FLAGSTAFF, ARIZONA

By (Facsimile)
Mayor

ATTEST:

By (Facsimile)
Clerk

COUNTERSIGNED:

By (Facsimile)
Management Services Director

[FORM OF CERTIFICATE OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Ordinance and is one of the City of Flagstaff, Arizona General Obligation Refunding Bonds, Series 2024C.

Date of Authentication:

.....,
as Bond Registrar and Paying Agent

By.....
Authorized Representative

[FORM OF ASSIGNMENT]

ASSIGNMENT

For value received, the undersigned sells, assigns and transfers unto the within Bond and irrevocably constitutes and appoints attorney to transfer this Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: Signature

Signature Guaranteed:

..... Signature
[Insert proper legend]

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT/TRANS MIN ACT - Custodian
(Cust) (Minor)

under Uniform Gifts/Transfers to Minors Act
(State)

Additional abbreviations may also be used though not included in the above list

ALL FEES AND COSTS OF TRANSFER
SHALL BE PAID BY THE TRANSFEROR

CERTIFICATION

I hereby certify that the foregoing Ordinance No. was duly passed and adopted by the Mayor and the Council of the City of Flagstaff, Arizona, at a regular meeting held on the 19th day of March 2024, and the vote was ayes and nays and that the Mayor and Councilmembers were present thereat.

.....
Clerk, City of Flagstaff, Arizona

PRELIMINARY OFFICIAL STATEMENT DATED MARCH __, 2024

NEW ISSUE – BOOK-ENTRY-ONLY

RATING: See “RATING” herein.

*In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications and the continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, interest on the Tax-Exempt Bonds (i) is excludable from gross income for federal income tax purposes and (ii) is exempt from income taxation under the laws of the State of Arizona. Further, interest on the Tax-Exempt Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals but in the case of the alternative minimum tax imposed by Section 55(b)(2) of the Internal Revenue Code of 1986, as amended (the “Code”), on applicable corporations (as defined in Section 59(k) of the Code), interest on the Tax-Exempt Bonds is not excluded from the determination of adjusted financial statement income for tax years beginning after 2022. See “TAX MATTERS WITH RESPECT TO TAX-EXEMPT BONDS” herein for a description of certain other federal tax consequences of ownership of the Tax-Exempt Bonds. **INTEREST ON THE TAXABLE BONDS IS NOT EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.** In the opinion of Bond Counsel, interest on the Taxable Bonds is exempt from income taxation under the laws of the State of Arizona. See “TAX MATTERS WITH RESPECT TO TAXABLE BONDS” herein.*

\$30,000,000*

\$10,000,000*

\$3,270,000*

**CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS,
SERIES 2024A**

**CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS,
TAXABLE SERIES 2024B**

**CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION
REFUNDING BONDS, SERIES 2024C**

Dated: Date of Initial Authentication and Delivery

Due: July 1, as shown on the inside front cover pages

The \$30,000,000* principal amount of General Obligation Bonds, Series 2024A (the “2024A Bonds”), the \$10,000,000* principal amount of General Obligation Bonds, Taxable Series 2024B (the “Taxable Bonds” and, collectively with the 2024A Bonds, the “New Money Bonds”) and the \$3,270,000* principal amount of General Obligation Refunding Bonds, Series 2024C (the “Refunding Bonds” and, collectively with the 2024A Bonds, the “Tax-Exempt Bonds”) of the City of Flagstaff, Arizona (the “City”), will be issued in the form of fully-registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). The Tax-Exempt Bonds and the Taxable Bonds are referred to collectively herein as the “Bonds.” Beneficial ownership interests in the Bonds may be purchased in amounts of \$5,000 of principal of a series due on a specific maturity date or integral multiples thereof. The Bonds will mature on the dates and in the principal amounts and will bear interest from their date of delivery to their maturity or prior redemption as set forth on the inside front cover pages. Interest on the Bonds will accrue from the date of initial authentication and delivery and will be payable semiannually on January 1 and July 1 of each year commencing on July 1, 2024*, until maturity or prior redemption.

The Bonds are being issued for the purpose of providing funds to (i) finance the costs of the Projects (as defined herein), (ii) refund and redeem prior to maturity certain outstanding general obligation bonds of the City (the “Bonds Being Refunded”), and (iii) pay costs relating to the issuance of the Bonds. See “THE BONDS – Authorization and Use of Funds” and “SOURCES AND USES OF FUNDS.”

SEE MATURITY SCHEDULES ON INSIDE FRONT COVER PAGES

The City will initially utilize DTC’s “book-entry-only system,” although the City and DTC each reserve the right to discontinue the book-entry-only system at any time. Utilization of the book-entry-only system will affect the method and timing of payment of principal of and interest on the Bonds and the method of transfer of the Bonds. So long as the book-entry-only system is in effect, a single fully-registered Bond, for each maturity of the Bonds, will be registered in the name of Cede & Co., as nominee of DTC, on the registration books maintained by [PAYING AGENT / ESCROW TRUSTEE], the initial bond registrar and paying agent for the Bonds. DTC will be responsible for distributing the principal and interest payments to its direct and indirect participants who will, in turn, be responsible for distribution to the beneficial owners of the Bonds (the “Beneficial Owners”). So long as the book-entry-only system is in effect and Cede & Co. is the registered owner of the Bonds, all references herein (except under the headings “TAX MATTERS WITH RESPECT TO TAX-EXEMPT BONDS” and “TAX MATTERS WITH RESPECT TO TAXABLE BONDS”) to owners of the Bonds will refer to Cede & Co. and not the Beneficial Owners. See APPENDIX F - “BOOK-ENTRY-ONLY SYSTEM” herein.

The 2024A Bonds will be subject to optional redemption prior to their stated maturity dates as described under the heading “THE BONDS – Redemption Provisions” herein*. The Taxable Bonds and the Refunding Bonds will not be subject to optional redemption prior to their stated maturity dates.

The New Money Bonds will be payable as to both principal and interest from a continuing, direct, annual ad valorem tax to be levied against all taxable property within the City, such tax to be levied without limitation as to rate or amount. See “SECURITY AND SOURCES OF PAYMENT OF THE BONDS”.

The Refunding Bonds will be payable as to both principal and interest from a continuing, direct, annual ad valorem tax to be levied against all taxable property within the City, such tax to be levied without limitation as to rate, but limited in amount so that the total aggregate of taxes levied to pay principal and interest on the Refunding Bonds in the aggregate will not exceed the total aggregate of principal of and interest due on the Bonds Being Refunded from the date of issuance of the Refunding Bonds to the final date of maturity of the Bonds Being Refunded. The application of such taxes to the payment of the Refunding Bonds will be subject to the rights vested in the owners of the Bonds Being Refunded to the payment of the Bonds Being Refunded from the same source in the event of a deficiency in the proceeds of the Refunding Bonds held in trust to pay principal of and interest on the Bonds Being Refunded. The owners of the Refunding Bonds must rely on the sufficiency of the moneys held in trust for payment of the Bonds Being Refunded. See “SECURITY AND SOURCES OF PAYMENT OF THE BONDS” and “PLAN OF REFUNDING.”

The Bonds will be offered when, as and if issued by the City and received by the underwriter identified below (the “Underwriter”), subject to the legal opinion of Greenberg Traurig, LLP, Bond Counsel, as to validity and tax matters. Certain legal matters will be passed on for the Underwriter by Squire Patton Boggs (US) LLP. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about April 18, 2024*.

This cover page contains certain information with respect to the Bonds for convenience of reference only. It is not a summary of the issue of which the Bonds are a part. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.

* Subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$30,000,000*
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS, SERIES 2024A

MATURITY SCHEDULE*

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® ⁽¹⁾ No. 338423
2025	\$ 4,055,000	%	%	
2026	2,695,000			
2027	285,000			
2028	290,000			
2029	780,000			
2030	830,000			
2031	1,140,000			
2032	980,000			
2033	965,000			
2034	945,000			
2035	960,000			
2036	1,015,000			
2037	2,545,000			
2038	2,930,000			
2039	3,315,000			
2040	985,000			
2041	1,210,000			
2042	1,425,000			
2043	1,300,000			
2044	1,350,000			

* Subject to change.

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\$10,000,000*
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS, TAXABLE SERIES 2024B

MATURITY SCHEDULE*

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® ⁽¹⁾ No. 338423
2024	\$ 9,720,000	%	%	
2025	280,000			

\$3,270,000*
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024C

MATURITY SCHEDULE*

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® ⁽¹⁾ No. 338423
2024	\$ 815,000	%	%	
2025	540,000			
2026	565,000			
2027	595,000			
2028	620,000			
2029	655,000			
2030	685,000			
2031	720,000			
2032	755,000			
2033	795,000			
2034	835,000			

* Subject to change.

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CITY OF FLAGSTAFF, ARIZONA

CITY COUNCIL

Becky Daggett, *Mayor*
Austin Aslan, *Vice Mayor*
Deborah Harris, *Member*
Khara House, *Member*
Lori Matthews, *Member*
Jim McCarthy, *Member*
Miranda Sweet, *Member*

ADMINISTRATIVE OFFICIALS

Greg Clifton, *City Manager*
Shannon Anderson, *Senior Deputy City Manager*
Joanne Keene, *Deputy City Manager*
Rick Tadder, *Management Services Director, City Treasurer*
Sterling Solomon, *City Attorney*
Stacy Saltzburg, *City Clerk*

FINANCIAL ADVISOR

Stifel, Nicolaus & Company, Incorporated
Phoenix, Arizona

BOND COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

BOND REGISTRAR AND PAYING AGENT AND ESCROW TRUSTEE

[PAYING AGENT / ESCROW TRUSTEE]
Phoenix, Arizona

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the City of Flagstaff, Arizona (the “City”), Stifel, Nicolaus & Company, Incorporated (the “Financial Advisor”) or Piper Sandler & Co. (the “Underwriter”) to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale of the City’s General Obligation Bonds, Series 2024A (the “2024A Bonds”), General Obligation Bonds, Taxable Series 2024B (the “Taxable Bonds”) and General Obligation Refunding Bonds, Series 2024C (collectively with the 2024A Bonds and the Taxable Bonds, the “Bonds”) by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement, which includes the cover page, inside front cover pages and appendices hereto, has been obtained from the City, the Arizona Department of Revenue, the Assessor, the Finance Department and the Treasurer of Coconino County, Arizona, and other sources that are considered to be accurate and reliable and customarily relied upon in the preparation of similar official statements, but such information has not been independently confirmed or verified by the City, the Financial Advisor or the Underwriter, is not guaranteed as to accuracy or completeness, and is not to be construed as the promise or guarantee of the City, the Financial Advisor or the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement: “The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.”

None of the City, the Financial Advisor, the Underwriter, Bond Counsel or counsel to the Underwriter are actuaries. None of them have performed any actuarial or other analysis of the City’s share of the unfunded liabilities of the Arizona State Retirement System, the Public Safety Personnel Retirement System or the Elected Officials Retirement Plan.

The presentation of information, including tables of receipts from taxes and other sources, shows recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. All information, estimates and assumptions contained herein are based on past experience and on the latest information available and are believed to be reliable, but no representations are made that such information, estimates and assumptions are correct, will continue, will be realized or will be repeated in the future. To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized. All forecasts, projections, opinions, assumptions or estimates are “forward looking statements” that must be read with an abundance of caution and that may not be realized or may not occur in the future. Information other than that obtained from official records of the City has been identified by source and has not been independently confirmed or verified by the City, the Financial Advisor or the Underwriter and its accuracy cannot be guaranteed. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made pursuant hereto will, under any circumstances, create any implication that there has been no change in the affairs of the City or any of the other parties or matters described herein since the date hereof.

The Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

References to website addresses presented herein are for information purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

The City will undertake to provide continuing disclosure as described in this Official Statement under the heading “CONTINUING DISCLOSURE” and in APPENDIX D – “FORM OF CONTINUING DISCLOSURE UNDERTAKING,” all pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

A wide variety of information, including financial information, concerning the City is available from publications and websites of the City and others. Any such information that is inconsistent with the information set forth in this Official

Statement should be disregarded. No such information is a part of, or incorporated into, this Official Statement, except as expressly noted herein.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM THE INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS, AND THE UNDERWRITER MAY OVERALLOT OR ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET IN ORDER TO FACILITATE THEIR DISTRIBUTION. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$30,000,000*
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS,
SERIES 2024A

\$10,000,000*
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS,
TAXABLE SERIES 2024B

\$3,270,000*
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION
REFUNDING BONDS, SERIES 2024C

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, inside front cover pages and Appendices hereto, sets forth information concerning the offering by the City of Flagstaff, Arizona (the “City”) of its \$30,000,000* principal amount of General Obligation Bonds, Series 2024A (the “2024A Bonds”), \$10,000,000* principal amount of General Obligation Bonds, Taxable Series 2024B (the “Taxable Bonds” and, collectively with the 2024A Bonds, the “New Money Bonds”) and the \$3,270,000* principal amount of General Obligation Refunding Bonds, Series 2024C (the “Refunding Bonds” and, collectively with the 2024A Bonds, the “Tax-Exempt Bonds”). The Tax-Exempt Bonds and the Taxable Bonds are referred to collectively herein as the “Bonds.” See APPENDIX A – “CITY OF FLAGSTAFF, ARIZONA – GENERAL AND DEMOGRAPHIC INFORMATION”, APPENDIX B – “CITY OF FLAGSTAFF, ARIZONA – FINANCIAL INFORMATION” and APPENDIX E – “CITY OF FLAGSTAFF, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023” for certain information regarding the City.

Reference to provisions of State of Arizona (the “State” or “Arizona”) law, whether codified in the Arizona Revised Statutes or uncodified, or of the Arizona Constitution, are references to those current provisions. The provisions may be amended, repealed or supplemented.

THE BONDS

Authorization and Use of Funds

The New Money Bonds are being issued by the City pursuant to Title 35, Chapter 3, Article 3, Arizona Revised Statutes, and an ordinance adopted by the Mayor and Council of the City on March 5, 2024 (the “Ordinance”). The New Money Bonds will constitute a portion of the bonds authorized by the voters at a special bond election held in the City on November 8, 2022 (the “2022 Election”) and will be issued for the following purposes (collectively, the “Projects”) and to pay costs of issuance of the Bonds:

- (i) \$30,000,000* Proposition No. 441 – Wildfire suppression, stormwater flood mitigation, wastewater treatment infrastructure
- (ii) \$10,000,000* Proposition No. 442 – Creating rental and homeownership opportunities for residents of the City

After the sale and delivery of the New Money Bonds, the City will have \$37,285,000* principal amount of authorized but unissued general obligation bonds remaining from the 2022 Election and \$2,800,000 principal amount of unauthorized but unissued general obligation bonds remaining from a special bond election held in the City on May 18, 2004 (together with the 2022 Election, the “Elections”). The City has general obligation bonds currently outstanding, and additional general obligation bonds may be issued pursuant to the authority approved at the Elections or authority to be approved at future special bond elections. See TABLE 16A – Direct General Obligation Bonded Debt Outstanding and to be Outstanding in APPENDIX B – “CITY OF FLAGSTAFF, ARIZONA – FINANCIAL INFORMATION.”

The Refunding Bonds are being issued by the City pursuant to Title 35, Chapter 3, Article 4, Arizona Revised Statutes, and the Ordinance.

Proceeds from the sale of the Refunding Bonds will be placed in trust (the “Trust”) with _____ (the “Escrow Trustee”) pursuant to the terms of an Escrow Trust Agreement, to be dated as of April 1, 2024* between the City and the Escrow Trustee, to be applied to the payment of the bonds being refunded (the “Bonds Being Refunded”) as described under the heading “PLAN OF REFUNDING”, which will be fully sufficient to provide funds to pay at maturity or upon earlier redemption the Bonds Being Refunded. See “SOURCES AND USES OF FUNDS.”

* Subject to change. See footnote (b) to TABLE 17 for a description of the treatment of certain proceeds of the Bonds for State voter authorization and debt limit purposes.

Terms of the Bonds - Generally

The Bonds will be dated the date of delivery, and will be registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), under the book-entry-only system described herein (the “Book-Entry-Only System”). See APPENDIX F – “BOOK-ENTRY-ONLY SYSTEM.” The Bonds will mature on the dates and in the principal amounts and will bear interest from their dated date at the rates set forth on the inside front cover pages of this Official Statement. Beneficial ownership interests in the Bonds may be purchased in amounts of \$5,000 of principal of a series due on a specific maturity date or integral multiples thereof. Interest on the Bonds will be payable semiannually on each January 1 and July 1, commencing July 1, 2024*, until maturity or prior redemption.

See “TAX MATTERS WITH RESPECT TO TAX-EXEMPT BONDS” and “TAX MATTERS WITH RESPECT TO TAXABLE BONDS” herein for a discussion of the treatment of interest income on the Bonds for federal or State income tax purposes.

Bond Registrar and Paying Agent

[PAYING AGENT / ESCROW TRUSTEE] will serve as the initial bond registrar, transfer agent and paying agent (the “Bond Registrar and Paying Agent”) for the Bonds. The City may change the Bond Registrar and Paying Agent without notice to or consent of the owners of the Bonds.

Redemption Provisions*

Optional Redemption of the 2024A Bonds. The 2024A Bonds maturing on and prior to July 1, 20__ will not be subject to redemption prior to their stated maturity dates. The 2024A Bonds maturing on and after July 1, 20__ will be subject to optional redemption prior to their stated maturity dates, at the direction of the City, in whole or in part in denominations of \$5,000 or integral multiples thereof from maturities selected by the City, on July 1, 20__ and on any date thereafter, at a redemption price equal to the principal amount of 2024A Bonds being redeemed plus accrued interest to the date fixed for redemption, without premium.

No Optional Redemption of the Taxable Bonds or the Refunding Bonds. The Taxable Bonds and the Refunding Bonds will not be subject to optional redemption prior to their stated maturity dates.

Notice of Redemption. So long as the 2024A Bonds are held under the Book-Entry-Only System, notices of redemption will be sent to DTC in the manner required by DTC. See APPENDIX F – “BOOK-ENTRY-ONLY SYSTEM.” If the Book-Entry-Only System is discontinued, notice of redemption of any Bond will be mailed to the registered owner of the 2024A Bond or 2024A Bonds being redeemed at the address shown on the bond register maintained by the Bond Registrar and Paying Agent not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption. Notice of redemption may be sent to any securities depository by mail, facsimile transmission, wire transmission or any other means of transmission of the notice generally accepted by the respective securities depository. Neither the failure of any registered owner of 2024A Bonds to receive a notice of redemption nor any defect therein will affect the validity of the proceedings for redemption of 2024A Bonds as to which proper notice of redemption was given.

Notice of any redemption will also be provided as set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE UNDERTAKING,” but no defect in said further notice or record nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

If monies for the payment of the redemption price and accrued interest are not held in separate accounts by the City or the Bond Registrar and Paying Agent prior to sending the notice of redemption, such redemption shall be conditional on such monies being so held on the date set for redemption and if not so held by such date, the redemption shall be cancelled and be of no force and effect.

* *Subject to change.*

SECURITY AND SOURCES OF PAYMENT OF THE BONDS

General

The New Money Bonds will be payable as to principal and interest from a continuing, direct, annual ad valorem tax to be levied against all taxable property within the City, such tax to be levied without limitation as to rate or amount.

The Refunding Bonds will be payable as to both principal and interest from a continuing, direct, annual ad valorem tax to be levied against all taxable property within the City, such tax to be levied without limitation as to rate, but limited, by statutory provision, so that the total aggregate of taxes levied to pay principal and interest on the Refunding Bonds in the aggregate will not exceed the total aggregate of principal of and interest due on the Bonds Being Refunded from the date of issuance of the Refunding Bonds to the final date of maturity of the Bonds Being Refunded. The application of such taxes to the payment of the Refunding Bonds will be subject to the rights vested in the owners of the Bonds Being Refunded to the payment of the Bonds Being Refunded from the same source in the event of a deficiency in the proceeds of the Refunding Bonds held in Trust to pay principal of and interest on the Bonds Being Refunded. The owners of the Refunding Bonds must rely on the sufficiency of the moneys held in Trust for payment of the Bonds Being Refunded. See "PLAN OF REFUNDING."

Such taxes are to be levied, assessed and collected as other taxes of the City, in an amount sufficient to pay the interest on all the Bonds then outstanding and installments of the principal of the Bonds becoming due and payable in the ensuing year (subject to the limitations with respect to the Refunding Bonds described in the immediately preceding paragraph).

General obligation bonds heretofore and hereafter issued by the City have and will have an equal claim with the Bonds upon the proceeds of taxes levied for debt service on the Bonds. See TABLE 16A – Direct General Obligation Bonded Debt Outstanding and to be Outstanding in APPENDIX B – "CITY OF FLAGSTAFF, ARIZONA – FINANCIAL INFORMATION."

Defeasance

Pursuant to the Ordinance, payment of all or any part of the Bonds may be provided for by the irrevocable deposit, in trust, of moneys or obligations issued or guaranteed by the United States of America ("Defeasance Obligations") or both, which, with the maturing principal of and interest on such Defeasance Obligations, if any, will be sufficient, as evidenced by a certificate or report of an accountant, to pay when due the principal or redemption price of and interest on such Bonds. If the maturing principal on the Defeasance Obligations or other moneys, or both, is sufficient to pay the principal of, premium, if any, and interest on such Bond or portion thereof as the same matures, comes due or becomes payable upon prior redemption, a certificate or report of an accountant shall not be required. Any Bonds so provided for will no longer be outstanding under the Ordinance or payable from ad valorem taxes on taxable property in the City, and the owners of such Bonds shall thereafter be entitled to payment only from the moneys and Defeasance Obligations deposited in trust.

PLAN OF REFUNDING*

The proceeds received from the sale of the Refunding Bonds, net of amounts used to pay costs of issuance on the Refunding Bonds, will be placed in the Trust with the Escrow Trustee pursuant to the terms of the Escrow Trust Agreement, to be applied to the payment of the Bonds Being Refunded, which will be fully sufficient to provide funds to pay at maturity or upon earlier redemption the Bonds Being Refunded together with interest thereon and redemption premiums, if any. The owners of the Refunding Bonds must rely upon the sufficiency of the funds held by the Escrow Trustee for the payment of the Bonds Being Refunded. The issuance of the Refunding Bonds shall in no way infringe upon the rights of the owners of the Bonds Being Refunded to rely upon a tax levy for the payment of principal of and interest on the Bonds Being Refunded if the moneys held by the Escrow Trustee prove insufficient. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS” and “VERIFICATION OF MATHEMETICAL COMPUTATIONS.”

Issue Series	Maturity Date (July 1)	Coupon	Principal Amount Outstanding	Bonds Being Refunded	Redemption Date* (July 1)	CUSIP® ⁽¹⁾ No. 338423
2014A	2026 ⁽¹⁾	4.50%	\$335,000	\$335,000	2024	PK6
2014A	2027 ⁽¹⁾	4.50%	350,000	350,000	2024	PK6
2014A	2028	4.50%	365,000	365,000	2024	PK6
2014A	2029 ⁽²⁾	4.00%	380,000	380,000	2024	PL4
2014A	2030 ⁽²⁾	4.00%	395,000	395,000	2024	PL4
2014A	2031 ⁽²⁾	4.00%	410,000	410,000	2024	PL4
2014A	2032 ⁽²⁾	4.00%	425,000	425,000	2024	PL4
2014A	2033 ⁽²⁾	4.00%	445,000	445,000	2024	PL4
2014A	2034	4.00%	460,000	460,000	2024	PL4
			<u>\$3,565,000</u>	<u>\$3,565,000</u>		

* *Subject to change.*

⁽¹⁾ *See footnote ⁽¹⁾ on the inside front cover pages.*

⁽²⁾ *Represents mandatory redemptions of a term bond with a final maturity date of July 1, 2028.*

⁽³⁾ *Represents mandatory redemptions of a term bond with a final maturity date of July 1, 2034.*

To the extent the moneys held by the Escrow Trustee are not sufficient to pay, when due, the principal of and interest on the Bonds Being Refunded, the ad valorem taxes levied to pay debt service on the Refunding Bonds will be subject to the prior right of the owners of the Bonds Being Refunded to payment from the same tax levy. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS”

VERIFICATION OF MATHEMATICAL COMPUTATIONS

[disclosure to be added if Refunding Bonds are sold and require verification]

SOURCES AND USES OF FUNDS

	2024A Bonds	Taxable Bonds	Refunding Bonds	Total
Principal Amount	\$30,000,000.00*	\$10,000,000.00*	\$3,270,000.00*	\$43,270,000.00*
Net Original Issue Premium (a)				
Total Sources of Funds				
Cost of Projects				
Deposit to Trust				
Payment of Costs of Issuance (b)				
Total Uses of Funds				

* *Subject to change.*

(a) *Net original issue premium consists of original issue premium on the Bonds, less original issue discount on the Bonds.*

(b) *Will include compensation and costs of the Underwriter (as defined herein) with respect to the Bonds.*

ESTIMATED DEBT SERVICE REQUIREMENTS

The following table illustrates the (i) estimated annual debt service on the outstanding general obligation bonds of the City net of debt service with respect to the Bonds Being Refunded, (ii) estimated annual debt service on the Bonds and (iii) total estimated annual debt service on all general obligation bonds of the City outstanding after issuance of the Bonds.

TABLE 1

**Schedule of Estimated Annual Debt Service Requirements (a)
City of Flagstaff**

Fiscal Year	Bonds Outstanding (b) *		The 2024A Bonds*		The Taxable Bonds*		The Refunding Bonds*		Total Estimated Annual Debt Service Requirements*
	Principal	Interest	Principal	Interest (c)	Principal	Interest (c)	Principal	Interest (c)	
2023/24	\$ 2,669,218	\$ 921,542		\$ 177,917(d)	\$ 9,720,000	\$ 72,014(d)	\$ 350,000	\$ 27,250(d)	\$ 13,937,941
2024/25	2,758,605	748,980	\$4,055,000	1,050,000	\$280,000	11,900	235,000	146,000	9,285,486
2025/26	2,523,074	646,961	2,695,000	908,075			245,000	134,250	7,152,361
2026/27	2,607,627	560,109	285,000	813,750			255,000	122,000	4,643,486
2027/28	2,732,265	470,220	290,000	803,775			270,000	109,250	4,675,511
2028/29	1,116,990	375,796	780,000	793,625			280,000	95,750	3,442,161
2029/30	1,156,804	336,582	830,000	766,325			295,000	81,750	3,466,461
2030/31	1,196,707	295,879	1,140,000	737,275			310,000	67,000	3,746,861
2031/32	1,241,703	253,683	980,000	697,375			325,000	51,500	3,549,261
2032/33	1,286,792	209,794	965,000	663,075			345,000	35,250	3,504,911
2033/34	1,331,976	164,210	945,000	629,300			360,000	18,000	3,448,486
2034/35	1,377,257	116,928	960,000	596,225					3,050,411
2035/36	1,427,638	67,948	1,015,000	562,625					3,073,211
2036/37	298,119	17,067	2,545,000	527,100					3,387,286
2037/38	303,702	11,483	2,930,000	438,025					3,683,211
2038/39	309,391	5,795	3,315,000	335,475					3,965,661
2039/40			985,000	219,450					1,204,450
2040/41			1,210,000	184,975					1,394,975
2041/42			1,425,000	142,625					1,567,625
2042/43			1,300,000	92,750					1,392,750
2043/44			1,350,000	47,250					1,397,250
	<u>\$24,337,867</u>		<u>\$30,000,000</u>		<u>\$10,000,000</u>		<u>\$3,270,000</u>		

* Subject to change.

(a) Prepared by Stifel, Nicolaus & Company, Incorporated (the "Financial Advisor").

(b) Net of the Bonds Being Refunded.

(c) Interest on the Bonds is estimated.

(d) The first interest payment on the Bonds will be due on July 1, 2024*. Thereafter, interest payments will be made semiannually on each January 1 and July 1 until maturity or prior redemption.

LITIGATION

To the knowledge of the City, no litigation or administrative action or proceeding is pending, restraining or enjoining, or seeking to restrain or enjoin, the issuance or delivery of the Bonds, the refunding of the Bonds Being Refunded or the levy, collection or receipt of *ad valorem* property taxes to pay the debt service on the Bonds, contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds. An authorized representative of the City will deliver a certificate to the same effect at the time of the original delivery of the Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, sale and issuance by the City of the Bonds and with regard to the tax status thereof will be passed upon by Greenberg Traurig, LLP, Phoenix, Arizona, as Bond Counsel, whose services have been retained by the City. The signed legal opinion of Bond Counsel, dated and premised on the law in effect as of the date of the Bonds, will be delivered to the Underwriter at the time of original delivery of the Bonds. The form of that opinion is included as APPENDIX C – “FORM OF APPROVING LEGAL OPINION” hereto. The legal opinion to be delivered may vary from the text of APPENDIX C – “FORM OF APPROVING LEGAL OPINION” if necessary to reflect the facts and law existing on the date of delivery. The opinion will speak only as of its date, and subsequent distribution, by recirculation of this Official Statement or otherwise, should not be construed as a representation that Bond Counsel has reviewed or expressed any opinion concerning any matters relating to the Bonds subsequent to the original delivery of the Bonds.

Certain legal matters will be passed upon for the Underwriter by Squire Patton Boggs (US) LLP, counsel to the Underwriter.

From time to time, there are legislative proposals (and interpretations of such proposals by courts of law and other entities and individuals) which, if enacted, could alter or amend the property tax system of the State and numerous matters, both financial and nonfinancial, impacting the operations of municipalities which could have a material impact on the City and could adversely affect the secondary market value or marketability of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

The legal opinions to be delivered concurrently with the delivery of the Bonds will express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein dated and speaking only as of the date of delivery of the Bonds. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS WITH RESPECT TO TAX-EXEMPT BONDS

General

The Internal Revenue Code of 1986, as amended (the “Code”), includes requirements which the City must continue to meet after the issuance of the Tax-Exempt Bonds in order that the interest on the Tax-Exempt Bonds be and remain excludable from gross income for federal income tax purposes. The City’s failure to meet these requirements may cause the interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Tax-Exempt Bonds. The City has covenanted in the Ordinance to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds.

In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications of the City and continuing compliance by the City with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the interest on the Tax-Exempt Bonds will be excludable from gross income of the owners thereof

for federal income tax purposes. Interest on the Tax-Exempt Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, but in the case of the alternative minimum tax imposed by Section 55(b)(2) of the Code on applicable corporations (as defined in Section 59(k) of the Code), interest on the Tax-Exempt Bonds is not excluded from the determination of adjusted financial statement income for tax years beginning after 2022. Bond Counsel is further of the opinion that the interest on the Tax-Exempt Bonds will be exempt from income taxation under the laws of the State. Bond Counsel will express no opinion as to any other tax consequences regarding the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult with their own tax advisors as to the status of interest on the Tax-Exempt Bonds under the tax laws of any state other than the State.

The above opinion on federal tax matters with respect to the Tax-Exempt Bonds will be based on and will assume the accuracy of certain representations and certifications of the City, and compliance with certain covenants of the City to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Tax-Exempt Bonds will be and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of those certifications and representations. Bond Counsel will express no opinion as to any other consequences regarding the Tax-Exempt Bonds.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the interest on the Tax-Exempt Bonds, or the ownership or disposition of the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should be aware that the ownership of the Tax-Exempt Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Tax-Exempt Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the interest on the Tax-Exempt Bonds, (iii) the inclusion of the interest on the Tax-Exempt Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the interest on the Tax-Exempt Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, (v) the inclusion of interest on the Tax-Exempt Bonds in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits, (vi) net gain realized upon the sale or other disposition of property such as the Tax-Exempt Bonds generally must be taken into account when computing the Medicare tax with respect to net investment income or undistributed net investment income, as applicable, imposed on certain high income individuals and specified trusts and estates, and (vii) receipt of certain investment income, including interest on the Tax-Exempt Bonds, is considered when determining qualification limits for obtaining the earned income credit provided by Section 32(a) of the Code. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors as to the impact of these other tax consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

Original Issue Discount and Original Issue Premium

Certain of the Tax-Exempt Bonds ("Discount Bonds") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond determined under Code Section 1273 or 1274 (i.e., for obligations issued for money in a public offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering). For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that

accrues during the period of ownership of a Discount Bond (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Tax-Exempt Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond.

Certain of the Tax-Exempt Bonds ("Premium Bonds") may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity (or earlier for certain Premium Bonds callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond.

Owners of Discount Bonds and Premium Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount Bonds or Premium Bonds and as to other federal tax consequences, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress or in the State legislature that, if enacted into law, could alter or amend one or more of the federal tax matters, or State tax matters, respectively, described above including, without limitation, the excludability from gross income of interest on the Tax-Exempt Bonds, adversely affect the market price or marketability of the Tax-Exempt Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult their tax advisors as to the impact of any proposed or pending legislation.

On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (H.R. 5376) into law. For tax years beginning after 2022, this legislation will impose a minimum tax of 15 percent on the adjusted financial statement income of applicable corporations as defined in Section 59(k) of the Code (which is primarily designed to impose a minimum tax on certain large corporations). For this purpose, adjusted financial statement income is not reduced for interest earned on tax-exempt obligations. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential consequences of owning the Tax-Exempt Bonds.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the Tax-Exempt Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of the Tax-Exempt Bonds, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Tax-Exempt Bonds and proceeds from the sale of the Tax-Exempt Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of the Tax-Exempt Bonds. This withholding generally applies if the owner of the Tax-Exempt Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup

withholding. Prospective purchasers of the Tax-Exempt Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

TAX MATTERS WITH RESPECT TO TAXABLE BONDS

General

INTEREST ON THE TAXABLE BONDS IS NOT EXCLUDABLE FROM GROSS INCOME FROM FEDERAL INCOME TAX PURPOSES. In the opinion of Bond Counsel, interest on the Taxable Bonds is exempt from income taxation under the laws of the State. In general, prospective purchasers of the Taxable Bonds should consult their tax advisors regarding the federal, state, local, and foreign tax consequences of acquisition, ownership, and disposition of Taxable Bonds. For example, the legal defeasance of the Taxable Bonds may result in a deemed sale or exchange of the Taxable Bonds under certain circumstances, with concomitant tax consequences.

The following summary is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, a particular owner of Taxable Bonds, and is generally limited to U.S. Owners except as set forth below. This summary is based upon the Code, the Treasury Regulations promulgated or proposed thereunder, and administrative and judicial interpretations thereof, all as of the date hereof and all of which are subject to change or differing interpretations, possibly on a retroactive basis. There can be no assurances that the IRS will agree with such statements and conclusions. As used in this summary, “U.S. Owners” are beneficial owners of the Taxable Bonds that for U.S. federal income tax purposes are individual citizens or residents of the United States, corporations or other entities taxable as corporations created or organized in or under the laws of the United States or any state or the District of Columbia, and certain estates or trusts with specific connections to the United States. As used in this summary, the term “Non-U.S. Owner” means a beneficial owner of Taxable Bonds that is not a U.S. Owner.

In particular, this summary does not address (a) special classes of taxpayers that are subject to special treatment under the U.S. federal income tax laws, such as S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the United States, broker-dealers, traders in securities, controlled foreign corporations, passive foreign investment companies, and tax-exempt organizations, (b) persons that own Taxable Bonds as a hedge against, or as obligations that are hedged against, currency risk, or that are part of a hedge, straddle, conversion, or other integrated transaction, or (d) persons whose functional currency is not the U.S. dollar. Unless specifically addressed herein, this summary does not address U.S. federal estate and gift tax consequences, U.S. federal alternative minimum tax consequences, or consequences under the tax laws of any state, local, or non-U.S. jurisdiction. In addition, this summary also does not address the tax consequences to an owner of Taxable Bonds held through a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes. **Partnerships holding Taxable Bonds, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of an investment in the Taxable Bonds, including their status as U.S. Owners.**

Further, this discussion is limited to persons purchasing the Taxable Bonds for cash in this original offering at their “issue prices” (as described below) and who hold such Taxable Bonds as capital assets within the meaning of Code Section 1221. Owners that purchase the Taxable Bonds at prices other than their respective issue prices or after their original execution and delivery should consult their tax advisors regarding other tax considerations, such as market discount, as to all of which Special Counsel expresses no opinion.

Certain U.S. Federal Income Tax Consequences to U.S. Holders

Interest. In general, interest paid or accrued on the Taxable Bonds will be taxable to a U.S. Owner as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for federal income tax purposes.

Under recently-enacted legislation known as the Tax Cuts and Jobs Act, U.S. Owners that use an accrual method of accounting for U.S. federal income tax purposes generally are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements. This rule generally is effective for tax years

beginning after December 31, 2017 (or, for debt securities issued with original issue discount, for tax years beginning after December 31, 2018). Accrual method U.S. Owners should consult their tax advisors regarding the potential applicability of this rule to their particular situation.

Disposition of the Taxable Bonds. Upon the sale, exchange, retirement, or other taxable disposition of a Taxable Bond, a U.S. Owner, in general, will recognize gain or loss equal to the difference between (a) the amount realized from the sale, exchange, retirement, or other disposition (except to the extent that the amount realized is attributable to accrued and unpaid stated interest, which will be treated as a payment of interest and taxed in the manner described above under “Interest” to the extent not previously included in income), and (b) the owner’s adjusted tax basis, or applicable portion of the adjusted tax basis, in the Taxable Bond. The owner’s adjusted tax basis generally will equal the owner’s cost of the Taxable Bond, reduced by any principal payments (and any other payments on the Taxable Bonds not treated as qualified stated interest). Any such gain or loss generally will be long-term capital gain or loss, provided that the Taxable Bonds have been held for more than one year at the time of disposition. Net long-term capital gain recognized by individual or other non-corporate U.S. Owners generally will be subject to tax at a lower rate than that for net short-term capital gain or ordinary income. The deductibility of capital losses is subject to limitations.

Additional Tax on Net Investment Income. A 3.8% tax is imposed on the “net investment income” of certain U.S. citizens and residents, and on the undistributed “net investment income” of certain estates and trusts. Among other items, “net investment income” generally includes gross income from interest and certain net gain from the sale, exchange, redemption, or other taxable disposition of a debt instrument that produces interest, minus certain deductions. **A U.S. Owner that is an individual, estate, or trust should consult its tax advisor regarding the applicability of this additional tax.**

Information Reporting and Backup Withholding. The Trustee must report annually to the IRS and to each U.S. Owner any interest paid on, and the proceeds from the sale or other taxable disposition of, the Taxable Bonds and the amount of tax withheld, for each calendar year, except as to certain exempt recipients. In addition, a non-corporate U.S. Owner of the Taxable Bonds may be subject to backup withholding (currently at a rate of 24%) with respect to “reportable payments,” which include interest paid on the Taxable Bonds and the gross proceeds of a sale, exchange, redemption, or retirement of the Taxable Bonds, unless the owner provides an accurate taxpayer identification number and certifies on an IRS Form W-9, under penalties of perjury, that the owner is not subject to backup withholding and otherwise complies with applicable requirements of the backup rules or otherwise establishes an exemption.

Certain U.S. Federal Income and Estate Tax Consequences to Non-U.S. Holders

Interest. Subject to the discussion below under “Application of Foreign Account Tax Compliance Act”, interest on any Taxable Bond owned by a Non-U.S. Owner is generally not subject to U.S. federal income or withholding tax, provided that:

- the Non-U.S. Owner does not own, actually or constructively, 10% or more of the total combined voting power of all classes of voting stock of the Issuer, and is not a controlled foreign corporation related to the Issuer, directly or indirectly, through stock ownership;
- the Non-U.S. Owner is not a bank receiving such interest in the manner described in Code Section 881(c)(3)(A); and
- the Non-U.S. Owner certifies on IRS Form W-8BEN or W-8BEN-E, under penalties of perjury, that it is not a United States person. Special certification rules apply to Taxable Bonds that are held through foreign intermediaries.

If, however, a Non-U.S. Owner is engaged in a trade or business in the United States, and if interest on the Taxable Bonds is effectively connected with the conduct of such trade or business (and, if an income tax treaty applies, the interest is attributable to a permanent establishment or fixed base maintained by the Non-U.S. Holder in the United States), such interest will be subject to U.S. federal income tax in a manner similar to that for Taxable Bonds owned by a U.S. Owner, as described above, and, in the case of a Non-U.S. Owner that is a foreign corporation, may also be subject to an additional branch profits tax (currently imposed at a rate of 30%, or a lower applicable treaty rate) on its

effectively connected earnings and profits, subject to adjustments. **Non-U.S. Owners should consult their tax advisors regarding the tax consequences of owning the Taxable Bonds.**

Disposition of the Taxable Bonds. Subject to the discussion below under “*Application of Foreign Account Tax Compliance Act*”, a Non-U.S. Owner generally will not be subject to U.S. federal income or withholding tax on any amount of gain recognized by the Non-U.S. Owner upon the sale, exchange, retirement, or other taxable disposition of a Taxable Bond unless:

- the gain is effectively connected with the conduct of a trade or business in the United States by the Non-U.S. Owner (and, if an income tax treaty applies, is attributable to a permanent establishment or fixed base maintained by the Non-U.S. Owner in the United States); or
- in the case of an individual, the Non-U.S. Owner is present in the United States for 183 days or more in the taxable year in which the sale, exchange, retirement, or other taxable disposition takes place and certain other conditions are met.

Application of Foreign Account Tax Compliance Act. The Foreign Account Tax Compliance Act (“FATCA”) generally imposes a 30% withholding tax on interest payments and proceeds from the sale of interest-bearing obligations for payments made after the relevant effective date to (i) certain foreign financial institutions that fail to certify their FATCA information and (ii) investment funds and non-financial foreign entities if certain disclosure requirements are not satisfied related to direct and indirect United States shareholders and/or United States accountholders.

Under applicable Treasury Regulations, a 30% FATCA withholding tax generally will be imposed, subject to certain exceptions, on payments of (i) interest on Taxable Bonds and (ii) gross proceeds from the sale or other disposition of Taxable Bonds on or after January 1, 2020, where such payments are made to persons described in the immediately preceding paragraph.

With respect to payments made to a “foreign financial institution” (generally including an investment fund) either as a beneficial owner or as an intermediary, the FATCA withholding tax generally will be imposed, subject to certain exceptions, unless such institution (i) enters into (or is otherwise subject to) and complies with an agreement with the U.S. government (a “FATCA Agreement”) or (ii) is required by and complies with applicable foreign law enacted in connection with an intergovernmental agreement between the United States and a foreign jurisdiction (an “IGA”), in either case to, among other things, collect and provide to the United States or other relevant tax authorities certain information regarding U.S. account holders of such institution. With respect to payment made to a foreign entity that is not a financial institution (as a beneficial owner), the FATCA withholding tax generally will be imposed, subject to certain exceptions, unless such entity provides to the withholding agent a certification that such entity does not have any “substantial” U.S. owner (generally, any specified U.S. person that owns, directly or indirectly, more than a specified percentage of such entity) or identifies its “substantial” U.S. owners.

If the Taxable Bonds are held through a foreign financial institution that enters into (or is otherwise subject to) a FATCA Agreement, subject to certain exceptions, such foreign financial institution (or, in certain cases, a person paying amounts to such foreign institution) generally will be required to withhold the 30% FATCA tax on the payment of dividends or the items described above made to (i) a person (including an individual) that fails to comply with certain information requests, or (ii) a foreign financial institution that has not entered into (and is not otherwise subject to) a FATCA Agreement, and that is not required to comply with FATCA pursuant to applicable foreign law enacted in connection with an IGA. Coordinating rules may limit duplicative withholding where the withholding described above under “Interest or Information Reporting and Backup Withholding” also applies.

If any amount of, or in respect of, U.S. withholding tax were to be deducted or withheld from payments made on Taxable Bonds because of a failure by the investor (or an entity or intermediary through which an investor holds the Taxable Bonds) to comply with FATCA, none of the Issuer, any paying agent, or any person would, pursuant to the terms of the Taxable Bonds, be required to pay additional amounts with respect to any Taxable Bonds because of the deduction or withholding of such tax. **Non-U.S. Owners should consult their tax advisors regarding the application of FATCA to the ownership or disposition of Taxable Bonds.**

Considerations for ERISA and other U.S. Benefit Plan Investors

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to Title I of ERISA. Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, other than governmental and church plans as defined herein, and on Individual Retirement Accounts described in Section 408(b) of the Code. Certain employee benefit plans such as governmental plans (as defined in Section 3(32) of ERISA), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to ERISA requirements. Additionally, such governmental and non-electing church plans are not subject to the requirements of Section 4975 of the Code. Accordingly, assets of such plans may be invested in the Bonds without regard to the applicable ERISA and Code considerations; however, such plans may be subject to similar provisions under applicable federal and state law, including, without limitation, Section 503(b) of the Code. Furthermore, non-United States plans may be subject to requirements under non-U.S. law that are similar to such provisions of ERISA and the Code. Any fiduciary of a benefits plan considering whether to purchase, directly or indirectly, any of the Bonds on behalf of a such plan should consult with its counsel regarding the applicability of the fiduciary prohibited transaction provisions of ERISA and Sections 4975 and 503(b) of the Code and other similar requirements to such an investment.

RATING

S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”) has assigned the rating of “__” to the Bonds. Such rating reflects only the views of S&P. An explanation of the significance of a rating assigned by S&P may be obtained at One California Street, 31st Floor, San Francisco, CA 94111. Such rating may be revised or withdrawn entirely at any time by S&P, if, in its respective judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Bonds. The City will covenant in its continuing disclosure undertaking with respect to the Bonds that it will file notice of any formal change in any ratings relating to the Bonds. See “CONTINUING DISCLOSURE” and APPENDIX D – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” herein.

UNDERWRITING

The Bonds will be purchased by Piper Sandler & Co. (the “Underwriter”) at an aggregate purchase price of \$_____, pursuant to a bond purchase agreement (the “Purchase Contract”) entered into by and between the City and the Underwriter. If the Bonds are sold to produce the yields shown on the inside front cover page hereof, the Underwriter’s compensation will be \$_____. The Purchase Contract provides that the Underwriter will purchase all of the Bonds so offered if any are purchased. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into unit investment trusts) and others at yields lower than the public offering yields stated on the inside front cover page hereof. The initial offering yields set forth on the inside front cover page may be changed, from time to time, by the Underwriter without amendment of the Official Statement.

The Underwriter has entered into a distribution agreement (“Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co”) for the retail distribution of certain securities offerings, including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co will purchase the Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co sells.

RELATIONSHIP AMONG PARTIES

Bond Counsel has previously represented the Underwriter and the Financial Advisor, and is currently representing the Financial Advisor, with respect to other financings and has acted or is acting as bond counsel with respect to other bonds underwritten by the Underwriter and the Financial Advisor and may do so in the future. Bond Counsel also serves and has served as bond counsel for one or more of the political subdivisions that the City territorially overlaps.

Counsel to the Underwriter has previously acted as bond counsel with respect to other bonds underwritten by the Underwriter and the Financial Advisor and may continue to do so in the future if requested.

CONTINUING DISCLOSURE

The City will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the City by not later than February 1 in each year commencing February 1, 2025 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices of Listed Events”). The Annual Reports, the Notices of Listed Events and any other document or information required to be filed by the City as such will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access System, each as described in APPENDIX D – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.” The specific nature of the information to be contained in the Annual Reports and the Notices of Listed Events is also set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.” These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission’s Rule 15c2-12(b)(5) (the “Rule”). A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. *Pursuant to Arizona Law, the ability of the City to comply with such covenants will be subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants.* Should the City not comply with such covenants due to a failure to appropriate for such purpose, the City has covenanted to provide notice of such fact to the MSRB. Absence of continuing disclosure, due to non-appropriation or otherwise, could adversely affect the Bonds and specifically their market price and transferability.

The City previously entered into continuing disclosure undertakings (the “Prior Undertakings”) in connection with the issuance of certain bonds, which require the filing on or before February 1 of each year of audited financial statements and annual updates with respect to certain financial information and operating data related to the City (collectively, the “Prior Annual Report”). [disclosure portion to be discussed/reviewed] The City has implemented procedures to facilitate compliance with the Prior Undertakings, the continuing disclosure undertaking related to the Bonds and future similar undertakings in all material respects.

FINANCIAL ADVISOR

The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance of the Bonds. The Financial Advisor participated in the preparation of the Official Statement but has not verified, and does not assume any responsibility for, the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement: “The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City, but the Financial Advisor does not guarantee the accuracy or completeness of such information.”

FINANCIAL STATEMENTS

The financial statements of the City as of June 30, 2023 and for its fiscal year then ended, which are included as APPENDIX E of this Official Statement, have been audited by Heinfeld Meech & Co. PC, as stated in its opinion which appears in APPENDIX E – “CITY OF FLAGSTAFF, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023.” The City neither requested nor obtained the consent of Heinfeld Meech & Co. PC to include its report and Heinfeld Meech & Co. PC has performed no procedures subsequent to rendering its opinion on the financial statements.

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these opinions or estimates have been or will be realized. Information in this Official Statement has been derived by the City from official and other sources and is believed by the City to be accurate and reliable. Information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed. Neither this Official Statement nor any statement that may have been or that may be made orally or in writing is to be construed as part of a contract with the original purchasers or subsequent owners of the Bonds.

CITY OF FLAGSTAFF, ARIZONA

By: _____
Management Services Director

**CITY OF FLAGSTAFF, ARIZONA
GENERAL AND DEMOGRAPHIC INFORMATION**

General

The City is northern Arizona’s principal population, commerce and education center. The City is situated in a mountainous region at an elevation of 7,000 feet. At the base of the San Francisco Peaks, including Mount Humphreys (the highest point in the State with an elevation of 12,670 feet), the City is known for its proximity to such Arizona attractions as the Grand Canyon, Wupatki National Monument, Sunset Crater, Walnut Canyon, Oak Creek Canyon and Meteor Crater.

The City was originally founded in the late 1800’s as a work camp for construction crews working on the transcontinental railroad. It was incorporated as a town in 1894 and as a city in 1928. It has served as the county seat for Coconino County, Arizona (the “County”) since 1891.

Listed below are U.S. Census population figures for the City, the County and the State.

**TABLE 2
POPULATION STATISTICS**

	City of Flagstaff	Coconino County	State of Arizona
2023 Estimated (a)	79,705	150,722	7,525,113
2020 Census	76,831	145,101	7,151,502
2010 Census	65,870	134,421	6,392,017
2000 Census	52,894	116,320	5,130,632
1990 Census	45,857	96,591	3,665,228
1980 Census	34,743	75,008	2,716,633

(a) Estimates as of July 1, 2023 (data released December 2023).

Source: Arizona Office of Economic Opportunity and the U.S. Census Bureau.

Municipal Government

The City operates under a Council-Manager form of government as provided by its Charter, which was originally adopted on October 3, 1958. The City Council is comprised of a Mayor and six Council members. The Council members are elected on a non-partisan ballot for four-year staggered terms while the Mayor is elected at large for a two-year term. The Mayor and Council members have equal voting power. The Council is responsible for policy-making, as well as making appointments to advisory boards, commissions and committees. It also appoints Municipal Court Judges and the City Attorney. Additionally, the City Council hires the City Manager who has full responsibility for carrying out Council policies and administering City operations. The City Manager in turn appoints City employees and department heads under civil service procedures as specified in the Charter.

Economy

The economy of the City is based primarily on government, small and medium-sized manufacturing, the service industry, trade and tourism. As the home of Northern Arizona University (“NAU”), the City is a center of educational, governmental and scientific employment and is becoming a center for research and development as well as the distribution and manufacturing of high technology products. The location of the City at the junction of Interstates 40 and 17, plus the close proximity of seven national parks and monuments, makes tourism a major source of employment and a strong

contributor to the revenue base of the City. In addition, the City serves as the major trade and service center for a wide area of northern Arizona.

The table below sets forth the major employers in the City.

TABLE 3
MAJOR EMPLOYERS
City of Flagstaff, Arizona

Employer	Product/Service	Approximate Employment
Northern Arizona University	Education	4,394
W.L. Gore & Associates	Manufacturing	2,500
Flagstaff Medical Center	Healthcare	2,487
Flagstaff Unified School District	Education	1,283
Coconino County	Government	1,185
City of Flagstaff	Government	996
Arizona Snowbowl	Recreation	700
Little America Hotel	Hospitality	245
Coconino Community College	Education	335
Nestle Purina	Manufacturing	323

Source: Community Investment Section – Economic Vitality, City of Flagstaff Human Resources, websites of non-municipal entities and Datanyze.

The table below sets forth the unemployment rate averages for the City, the County, the State and the United States for the years indicated.

TABLE 4
UNEMPLOYMENT RATE AVERAGES

Year	City of Flagstaff	Coconino County	State of Arizona	United States
2023	3.4%	4.1%	3.9%	3.6%
2022	3.2	4.4	3.8	3.7
2021	4.4	6.2	5.1	5.4
2020	7.2	9.6	7.8	8.1
2019	4.2	5.7	4.9	3.7

Source: Arizona Office of Economic Opportunity, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

The table below shows a comparison of the changes in annual average employment levels in the various non-agriculture sectors of the County for calendar years 2019 into 2023.

TABLE 5
LABOR FORCE AND NONFARM EMPLOYMENT
Coconino County, Arizona

	2023	2022	2021	2020	2019
Mining and construction	3,100	2,900	2,800	2,700	2,600
Manufacturing	3,800	3,500	3,200	3,700	3,800
Trade, transportation, and utilities	9,300	9,900	9,500	8,800	9,300
Information	400	400	400	400	400
Financial activities	1,800	1,800	1,700	1,500	1,500
Professional and business services	4,100	4,100	3,700	3,200	3,500
Educational and health services	9,800	9,200	8,900	9,200	9,500
Leisure and hospitality	16,000	15,800	14,600	12,600	15,700
Other Services	1,700	1,700	1,700	1,600	1,800
Government	19,200	17,900	17,600	18,700	19,900
	<u>69,200</u>	<u>67,200</u>	<u>64,100</u>	<u>62,400</u>	<u>68,000</u>

Source: Arizona Office of Economic Opportunity, prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Commerce

The following table illustrates the past five fiscal years of sales tax collections.

TABLE 6
TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
City of Flagstaff, Arizona

Fiscal Year	Amount
2022/23	\$78,692,305
2021/22	75,421,270
2020/21	66,364,941
2019/20	56,238,188
2018/19	50,717,362

Source: Arizona Department of Revenue.

Tourism

Flagstaff is located near such tourist attractions as the Grand Canyon, the Glen Canyon Dam and Lake Powell, Sunset Crater, Walnut Canyon, and the scenic recreational attraction of Oak Creek Canyon. Located near Flagstaff are various United States Forest Service park areas for camping, stream and lake fishing, swimming, water skiing and hunting. Snow-skiing is available in the winter at the Arizona Snowbowl, a few miles north of Flagstaff. Annual summer festivities in Flagstaff include an art, music, and theater festival. The J. Lawrence Walkup Skydome at NAU, with a seating capacity of 16,000, can be adapted to a variety of events including football, basketball, ice hockey, badminton, volleyball, track, intramurals, and cultural and entertainment events.

The following table sets forth the number of visitors to selected national parks and monuments, which are located near Flagstaff.

TABLE 7

TOURISM STATISTICS BY NUMBER OF VISITORS

Calendar Year	Grand Canyon National Park	Montezuma Castle National Monument	Sunset Crater National Monument	Walnut Canyon National Monument	Wupatki National Monument
2023 (a)	4,736,778	365,393	93,519	151,196	222,234
2022	4,732,101	364,014	54,787	179,396	194,448
2021	4,532,677	418,147	125,653	212,328	207,445
2020	2,897,098	242,028	83,669	107,422	146,074
2019	5,974,411	376,254	108,379	152,333	187,059
2018	4,756,771	390,151	104,583	167,736	205,122

(a) Data for 2023 is preliminary and subject to change.

Source: National Park Service – U.S. Department of the Interior.

**CITY OF FLAGSTAFF, ARIZONA –
FINANCIAL INFORMATION**

Introduction

The City's fiscal year is from July 1 through June 30. City budgeting for a fiscal year formally begins with the preparation of a proposed budget for submission to the City Council for tentative adoption in early June of each year. After publication of the budget and a public hearing, a final budget is adopted for the upcoming fiscal year. The budget must contain detailed information concerning the sums required to be expended for each purpose and the City's tax levy is then set based on the adopted figures.

Expenditure Limitation

Beginning in fiscal year 1982/83, the City became subject to the annual expenditure limitation which is set by the Arizona Economic Estimates Commission. This limitation is based on the City's annual expenditures for fiscal year 1979/80, with this base adjusted to reflect interim population, cost of living and boundary changes. Certain expenditures are specifically exempt from the limit, including expenditures made from federal funds and bond sale proceeds, as well as debt service payments. The limitations can be exceeded for certain emergency expenditures or if approved by the voters. The constitutional provisions that relate to the expenditure limitation provide four processes to exceed the spending limit: a local home rule option, a permanent base adjustment, a one-time override, and a capital project accumulation.

Since the inception of expenditure limitations, the City has not exceeded its limitation in any fiscal year.

Budget Process

The annual budget serves as the foundation for the City's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for all funds and entities related to the City. All of these funds and entities are included in the basic financial statements. The City Manager submits to the Council each spring a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Two public hearings are held prior to the budget's final adoption in order to obtain taxpayer comments. The budget is legally enacted through the passage of a resolution. The resolution sets the limit for expenditures during the fiscal year. The legal level of control for the budget is the division level. Additional expenditures may be authorized for unanticipated and/or inadequately budgeted events threatening the public health or safety as prescribed in the State Constitution, Article 9, Section 20.

The City's financial plan requires many elements working in concert with one another. Some of these financial plan elements are financial resource planning, multi-year budget planning, strategic capital improvement project planning, and financial policy impacts, all of which are further identified below.

Financial Resource Planning – Strategic financial planning begins with determining the City's fiscal capacity based upon long-term financial forecasts of recurring available revenues. Financial forecasts coupled with financial trend analysis help preserve the fiscal well-being of the City. Strategic financial capacity planning is a critical element to reach long-term financial stability goals and to determine special financial needs for critical objectives of the City Council.

Multi-Year Budget Planning – Multi-year budget planning encompasses long-range operating expenditure plans (including the operating impacts of capital projects), which are linked to the community expectations and broad goals of the City Council. The multi-year approach provides a better opportunity for staff to change its financial paradigm from what do we need this year to how do we accomplish our service objectives over-time, given our financial capacity.

While the City is required to adopt an annual budget to meet State statutory requirements, the City builds a financial plan for five years to help anticipate future impacts and ensure achievement of City objectives within limited or decreasing resources.

Strategic Capital Improvement Project Planning – The City’s Capital Improvement Projects are planned for five or more years and analyzed using City specific prioritization criteria. The operating cost impacts of projects are also planned and considered in developing future operating budget plans. Projects with significant operating impacts are carefully timed to avoid contingent liabilities, which future operating resources cannot meet. Pay-as-you-go funding sources are also conservatively estimated to avoid over-committing to capital construction using revenues that are not certain. To the extent debt financing is used and/or required, capital project plans are sized to conform to existing debt management policies.

Financial Policy Planning – The City’s financial policies dictate minimum fund balance levels for the General, Special Revenue, and Enterprise Funds. The General Fund is required to maintain a fund balance of 15% of ongoing revenues and special revenue and enterprise funds are to maintain a 10% fund balance, as calculated against ongoing revenues. The City had a 15% fund balance in FY 2013 and made a commitment to increase the fund balance to 20% over the next few years. Since FY 2015, the City has adopted General Fund budgets with an excess of 20% fund balance in the five-year plans.

Financial Reports and Examination of Accounts

State law requires that the City’s financial books and records be audited by independent auditors, on an annual basis. Annually, independent certified public accountants audit the financial records as required by State law and the City’s Charter. See APPENDIX E – “THE CITY – AUDITED ANNUAL FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2023” for the financial statements from the City’s June 30, 2023, Annual Comprehensive Financial Report. The City received a Certificate of Achievement for Excellence in Financial Reporting from GFOA for its 2023 Annual Comprehensive Financial Report as well as in each of the 29 preceding years.

PROPERTY TAXES

As described under the heading “SECURITY AND SOURCES OF PAYMENT OF THE BONDS,” the City will be required by law to cause to be levied on all the taxable property in the City a continuing, direct, annual, *ad valorem* property tax sufficient to pay all principal, interest, and costs of administration for the Bonds as the same become due. The State’s *ad valorem* property tax levy and collection procedures are summarized under this heading “PROPERTY TAXES.”

Taxable Property

Real property and improvements and personal property are either valued by the Assessor of the County or the Arizona Department of Revenue (the “Department of Revenue”). Property valued by the Assessor of the County is referred to as “locally assessed” property and generally encompasses residential, agricultural and traditional commercial and industrial property. Property valued by the Department of Revenue is referred to as “centrally valued” property and generally includes large mine and utility entities.

Locally assessed property is assigned two values: Full Cash Value and Limited Property Value (both as defined herein). Centrally valued property is assigned one value: Full Cash Value.

Full Cash Value

In the context of a specific property parcel, full cash value (“Full Cash Value”) is statutorily defined to mean “the value determined as prescribed by statute” or if a statutory method is not prescribed it is “synonymous with market value, which means the estimate of value that is derived annually by using standard appraisal methods and techniques,” which generally include the market approach, the cost approach and the income approach. In valuing locally assessed property, the Assessor of the County generally uses a cost approach to value commercial/industrial property and a market approach to value residential property. In valuing centrally valued property, the Department of Revenue begins generally with information provided by taxpayers and then applies procedures provided by State law. State law allows taxpayers to appeal such Full Cash Values by providing evidence of a lower value, which may be based upon another valuation approach. Full Cash Value is used as the ceiling for determining Limited Property Value. Unlike Limited Property Value, increases in Full Cash Value are not limited.

Limited Property Value

In the context of a specific property parcel, limited property value (“Limited Property Value”) is a property value determined pursuant to the Arizona Constitution and the Arizona Revised Statutes. Except as described in the next sentence, for locally assessed property in existence in the prior year, Limited Property Value is limited to the lesser of Full Cash Value or an amount 5% greater than Limited Property Value determined for the prior year for such specific property parcel. In the following circumstances, Limited Property Value is established at a level or percentage of Full Cash Value that is comparable to that of other properties of the same or a similar use or classification: property that was erroneously totally or partially omitted from the property tax rolls in the preceding tax year, except as a result of the matters described in this sentence; property for which a change in use has occurred since the preceding tax year and property that has been modified by construction, destruction, or demolition since the preceding valuation year such that the total value of the modification is equal to or greater than fifteen percent of the Full Cash Value. (Limited Property Value of property that has been split, subdivided or consolidated varies depending on when the change occurred.) A separate Limited Property Value is not provided for centrally valued property.

Full Cash Value and Limited Property Value for Taxing Jurisdictions

The Full Cash Value in the context of a taxing jurisdiction is the sum of the Full Cash Value associated with each parcel of property in the jurisdiction. Full Cash Value of the jurisdiction is the basis for determining constitutional and statutory debt limits for certain political subdivisions in Arizona, including the City.

The Limited Property Value in the context of a taxing jurisdiction is the sum of the Limited Property Value associated with each parcel of locally assessed property within the jurisdiction plus the sum of the Full Cash Value associated with each parcel of centrally valued property within the jurisdiction. Limited Property Value of the jurisdiction is used as the basis for levying both primary and secondary taxes. See “Primary Taxes” and “Secondary Taxes” below.

Property Classification and Assessment Ratios

All property, both real and personal, is assigned a classification (defined by property use) and related assessment ratio that is multiplied by the Limited Property Value or Full Cash Value of the property, as applicable, to obtain the “Limited Assessed Property Value” and the “Full Cash Assessed Value,” respectively.

The assessment ratios for each property classification are set forth by tax year in the following table.

TABLE 8

Property Tax Assessment Ratios (Tax Year)

Property Classification (a)	2020	2021	2022	2023	2024
Mining, utilities, commercial and industrial (b)	18%	18%	17.5%	17%	16.5%
Agricultural and vacant land	15	15	15	15	15
Owner occupied residential	10	10	10	10	10
Leased or rented residential	10	10	10	10	10
Railroad, private car company and airline flight property (c)	15	15	15	14	14

- (a) *Additional classes of property exist, but seldom amount to a significant portion of a municipal body’s total valuation.*
- (b) *The assessment ratio for this property classification will decrease to 16% for tax year 2025, 15.5% for tax year 2026 and 15% for each tax year thereafter.*
- (c) *This percentage is determined annually pursuant to Section 42-15005, Arizona Revised Statutes.*

Source: *State and County Abstract of the Assessment Roll, Arizona Department of Revenue, 2024 Final Property Class Summary, Arizona Department of Revenue.*

Primary Taxes

Per State statute, taxes levied for the maintenance and operation of counties, cities, towns, school districts, community college districts and the State are “primary taxes.” Primary taxes are levied against Net Limited Assessed Property Value (as defined herein). “Net Limited Assessed Property Value” is determined by excluding the value of property exempt from taxation from Limited Assessed Property Value of locally assessed property and from Full Cash Assessed Value of centrally valued property and combining the resulting two amounts.

The primary taxes levied by each county, city, town and community college district are constitutionally limited to a maximum increase of 2% over the maximum allowable prior year’s levy limit plus any taxes on property not subject to taxation in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). The 2% limitation does not apply to primary taxes levied on behalf of school districts.

The combined taxes on owner occupied residential property only, for purposes other than voter-approved bond indebtedness and overrides and certain special district assessments, are constitutionally limited to 1% of the Limited Property Value of such property. This constitutional limitation on the combined tax levies for owner occupied residential property is implemented by reducing the school district's taxes. To offset the effects of reduced school district property taxes, the State compensates the school district by providing additional State aid.

Secondary Taxes

Per State statute, taxes levied for payment of bonds like the Bonds, voter-approved budget overrides, the maintenance and operation of special purpose districts such as sanitary, fire, road improvement, water conservation and career technical education districts, and taxes levied by school districts for qualified desegregation expenditures are "secondary taxes." Like primary taxes, secondary taxes are also levied against Net Limited Assessed Property Value. There is no constitutional or statutory limitation on annual levies for voter-approved bond indebtedness and overrides and certain special district assessments.

Calculating Debt Limitations

Net Full Cash Assessed Value is determined by excluding the value of property exempt from taxation from Full Cash Assessed Value of both locally assessed and centrally valued property and combining the resulting two amounts. Net Full Cash Assessed Value is the basis for determining bonded debt limitations for certain political subdivisions in Arizona, including the City.

Tax Procedures

The State tax year has been defined as the calendar year, notwithstanding the fact that tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year.

On or before the third Monday in August each year the Board of Supervisors of the County prepares the tax roll setting forth certain valuations by taxing district of all property in the County subject to taxation. The tax roll is then forwarded to the Treasurer of the County. (The Assessor of the County is required to have completed the assessment roll by December 15th of the year prior to the levy. This roll identifies the valuation and classification of each parcel located within the County for the tax year).

With the various budgetary procedures having been completed by the governmental entities, the appropriate tax rate for each jurisdiction is then levied upon each non-exempt parcel of property in order to determine the total tax owed by each property owner. Any subsequent decrease in the value of the tax roll due to appeals or other reasons reduces the amount of taxes received by each jurisdiction.

The property tax lien on real property attaches on January 1 of the year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years. Set forth below is a record of property taxes levied and collected in the City for a portion of the current fiscal year and all of the previous five fiscal years.

TABLE 9

**Property Taxes Levied and Collected (a)
City of Flagstaff, Arizona**

Fiscal Year	City Tax Rate	Adopted City Tax Levy	Collected to June 30th of Initial Fiscal Year		Cumulative Collections to January 31, 2024	
			Amount	% of Adj. Levy as of	Amount	% of Adj. Levy as of
2023/24	\$1.4634	\$15,793,382	(b)	(b)	\$10,085,066	63.86 %
2022/23	1.4954	15,393,949	\$15,199,190	98.73%	15,347,953	99.70
2021/22	1.5186	14,845,646	14,639,562	98.61	14,833,009	99.91
2020/21	1.5510	14,367,679	14,129,497	98.34	14,333,032	99.76
2019/20	1.6299	14,158,001	13,834,856	97.72	14,099,385	99.59
2018/19	1.6700	13,527,514	13,311,900	98.41	13,468,832	99.57

(a) *Taxes are collected by the Treasurer of the County. Taxes in support of debt service are levied by the Board of Supervisors of the County as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County’s General Fund. Interest and penalties with respect to the first half tax collections (delinquent November 1) are waived if the full year’s taxes are paid by December 31.*

(b) *2023/24 taxes in course of collection:
First installment due 10-01-23; delinquent 11-01-23
Second installment due 03-01-24; delinquent 05-01-24*

Source: Office of the Treasurer of the County.

Delinquent Tax Procedures

The property taxes due the City are billed, along with State and other taxes, each September and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1, respectively. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of each subsequent month. (Delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year’s tax bill by December 31.) After the close of the tax collection period, the Treasurer of the County prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent taxes.

After three years from the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the Treasurer of the County to deliver a treasurer’s deed to the certificate holder as prescribed by law.

In the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the “Bankruptcy Code”), the law is currently unsettled as to whether a lien can attach against the taxpayer’s property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly non-interest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect *ad valorem* taxes on property of a taxpayer within the City. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on delinquent property. When an owner of land or property within the City (a “debtor”) files or is forced into bankruptcy, any act to obtain possession of the debtor’s estate, any act to create or perfect any lien against the property of the debtor or any act to

collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy is stayed pursuant to the Bankruptcy Code. While the automatic stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of bankruptcy court. It is reasonable to conclude that “tax sale investors” may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of the payment of post-bankruptcy petition tax collections becomes uncertain.

It cannot be determined what impact any deterioration of the financial conditions of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. None of the City, the Financial Advisor, the Underwriter or their respective agents or consultants has undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

In the event the County is expressly enjoined or prohibited by law from collecting taxes due from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the City’s tax rate charged to non-bankrupt taxpayers during such subsequent tax years.

ASSESSED VALUATIONS AND TAX RATES

TABLE 10

**Direct and Overlapping Net Limited Assessed Property Values and Tax Rates (a)
Per \$100 Net Limited Assessed Property Value**

<u>Overlapping Jurisdiction</u>	<u>2023/24 Net Limited Assessed Property Value</u>	<u>2023/24 Total Tax Rate Per \$100 Net Limited Assessed Property Value</u>
State of Arizona	\$83,026,514,349	\$0.0000
Coconino County	2,171,931,018	0.5009
Coconino County Community College District	2,171,931,018	0.6056
Coconino County Public Health Services	2,171,931,018	0.2500
Coconino County Library District	2,171,931,018	0.2756
Coconino County Fire District Assistance Fund	2,171,931,018	0.1000
Coconino County Flood Control District (a)	1,969,898,488	0.5000
Flagstaff Unified School District No. 1	1,611,268,436	4.8443
Coconino County Joint Vocational Education District	1,878,512,902	0.0500
City of Flagstaff	1,079,225,196	1.4634

(a) *The assessed value of the Coconino County Flood Control District does not include the personal property assessed valuation of the County.*

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association and Finance Department of the County.

TABLE 11**Net Limited Assessed Property Value by Property Classification (a)
City of Flagstaff, Arizona**

Class	2023/24	2022/23	2021/22	2020/21	2019/20
Commercial, Industrial, Utilities & Mines	\$ 327,776,872	\$ 315,613,401	\$ 314,720,301	\$ 301,442,682	\$ 286,601,339
Agricultural and Vacant	39,682,001	36,642,071	36,730,887	37,445,972	38,036,195
Residential (owner occupied)	354,732,991	337,759,347	320,436,993	303,230,248	289,965,626
Residential (rental)	353,857,156	332,323,531	304,262,258	280,069,825	249,724,242
Railroad	2,065,303	2,438,126	2,501,736	2,338,115	2,430,712
Historical Property	833,423	790,719	739,922	733,520	1,568,037
Commercial Historical Property	77,241	72,697	71,243	473,349	457,160
Residential Historical Property (rental)	8,257	6,597	6,141	5,688	5,338
Certain Government Property Improvements	191,952	192,795	27,225	25,691	17,998
Totals (a)	<u>\$ 1,079,225,196</u>	<u>\$ 1,025,839,285</u>	<u>\$ 979,496,706</u>	<u>\$ 925,765,090</u>	<u>\$ 868,806,647</u>

(a) Totals may not add up due to rounding.

Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue.

TABLE 12

**Net Limited Assessed Property Value of Major Taxpayers
City of Flagstaff, Arizona**

Major Taxpayer (a)	2023/24 Net Limited Assessed Property Value	As % of 2023/24 Net Limited Assessed Property Value
Arizona Public Service	\$ 23,183,581	2.15 %
W.L. Gore & Associates, Inc.	19,398,631	1.80
Nestle Purina Petcare Company	9,994,728	0.93
Standard at Flagstaff LLC	9,189,812	0.85
CCC-Flagstaff LLC	8,032,889	0.74
CA Student Living Flagstaff Property Owner LLC	6,449,075	0.60
Unisource Energy Corporation	6,001,272	0.56
Little America Hotels & Resorts Inc	5,315,286	0.49
NNC VAP DE LLC	5,161,572	0.48
Core Campus Flagstaff LLC	5,059,221	0.47
	\$ 97,786,067	9.06 %

(a) *Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected, copied and obtained at prescribed rates at the Commission's public reference facilities at 100 F Street, N.E., Washington, D.C. 20549-2736. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR data base at <http://www.sec.gov>. No representative of the City, the Underwriter, the Financial Advisor, Bond Counsel or counsel to the Underwriter has examined the information set forth in the Filings for accuracy or completeness, nor does any such representative assume responsibility for the same.*

Source: The Assessor of the County.

TABLE 13

Comparative Net Limited Assessed Property Values (a)

<u>Fiscal Year</u>	<u>City of Flagstaff</u>	<u>Coconino County</u>	<u>State of Arizona</u>
2023/24	\$ 1,079,225,196	\$2,171,931,018	\$ 83,026,514,349
2022/23	1,025,839,285	2,078,911,570	78,415,651,030
2021/22	979,496,706	1,983,519,972	74,200,360,570
2020/21	925,765,090	1,929,724,114	69,914,763,468
2019/20	868,806,647	1,831,089,260	66,157,223,639

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association.

TABLE 14

**Estimated Net Full Cash Value History
City of Flagstaff, Arizona**

<u>Fiscal Year</u>	<u>Estimated Net Full Cash Value (a)</u>
2023/24	\$ 12,858,823,744
2022/23	10,368,843,615
2021/22	9,899,112,958
2020/21	9,369,131,359
2019/20	8,397,908,073

(a) *Estimated Net Full Cash Value is the total market value of the property within the City less the estimated Full Cash Value of property exempt from taxation within the City.*

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

TABLE 15

**Current Year Statistics (For Fiscal Year 2023/24)
City of Flagstaff, Arizona**

Total General Obligation Bonds Outstanding and to be Outstanding	\$ 67,607,867*(a)
Total Certificates of Participation Outstanding	123,670,000
Total Combined Utility Revenue Obligations Outstanding	40,967,565
Total Excise Tax Revenue Obligations Outstanding	14,745,000
Net Limited Assessed Property Value	1,079,255,196
Net Full Cash Assessed Value	1,485,788,250
Estimated Net Full Cash Value	12,858,823,744

[add footnote regarding estimated 2024/25 assessed values when available]

* Subject to change.

(a) Includes the Bonds. See footnote (b) to TABLE 17 for a description of certain proceeds of the 2024 Bonds for State voter authorization and debt limit purposes.

Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue and Property Tax Rates and Assessed Values, Arizona Tax Research Association.

TABLE 16A

**Direct General Obligation Bonded Debt Outstanding and to be Outstanding
City of Flagstaff, Arizona**

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding	Bonds Being Refunded*	Balance Outstanding and to be Outstanding
2013	\$ 11,460,000	Refunding	2020	4,440,000	-	\$ 4,440,000
2014A	6,600,000	Various purposes	2031	4,205,000	(\$3,565,000)	640,000
2016	16,105,000	Various purposes	2021	11,775,000	-	11,775,000
2020WIFA (a)	5,000,000	Various purposes	2028	4,322,867	-	4,322,867
2020	11,090,000	Various purposes	2034	3,160,000	-	3,160,000
Total General Obligation Bonded Debt Outstanding						\$ 24,337,867*
Plus: The 2024A Bonds						30,000,000*
Plus: The Taxable Bonds						10,000,000*
Plus: The Refunding Bonds						3,270,000*
Total General Obligation Bonded Debt Outstanding and to be Outstanding (b)						<u>\$ 67,607,867*(b)</u>

* Subject to change.

(a) Represents a Loan Agreement with the Water Infrastructure Finance Authority of Arizona (“WIFA”).

(b) See footnote (b) to TABLE 17 for a description of the treatment of certain proceeds of the Bonds for State voter authorization and debt limit purposes.

TABLE 16B**Certificates of Participation Outstanding**

<u>Issue Series</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity Date (July 1)</u>	<u>Balance Outstanding and to be Outstanding</u>
2018	\$3,880,000	Core maintenance facility	2043	\$ 3,415,000
2020	3,845,000	Municipal court building	2044	3,425,000
2020A	131,000,000	Pension liability management	2040	<u>116,830,000</u>
Total Certificates of Participation Bonded Debt Outstanding				<u>\$ 123,670,000</u>

* *Subject to change.*

TABLE 16C**Water and Wastewater Revenue Obligations Outstanding**

The following chart lists the water and wastewater revenue obligations of the City that are currently outstanding. Certain of such obligations are through loan agreements with WIFA.

<u>Issue Series</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity Date (July 1)</u>	<u>Balance Outstanding</u>
2009	\$1,100,000	Well improvements	2029	\$ 396,624
2009	1,100,000	Local aquifer study	2029	189,942
2017	17,129,000	Refunding	2027	7,579,000
2019	9,585,000	Water and sewer improvements	2034	7,110,000
2022	4,092,000	Stormwater system improvements	2037	3,645,000
2022REF	4,930,000	Refunding	2029	3,631,000
2022WIFA	19,000,000	Stormwater system improvements	2046	<u>18,416,000</u>
Total Combined Utility Revenue Obligations Outstanding				<u>\$ 40,967,565</u>

TABLE 16D

The City of Flagstaff Municipal Facilities Corporation (“MFC”) is an Arizona nonprofit corporation formed in January 1979. The City and the MFC have issued debt secured by Excise Taxes and State Shared Revenues as shown below.

Excise Tax and State Shared Revenue Supported Debt

<u>Issue Series</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity Date (July 1)</u>	<u>Balance Outstanding</u>
2010A	\$3,370,000	Construction of business incubator	2030	\$ 1,475,000(a)
2016	8,930,000	Street improvements and preservation	2032	5,480,000
2018	9,700,000	Street improvements and preservation	2034	<u>7,790,000</u>
Total Excise Tax and State Shared Revenue Supported Debt Outstanding				<u>\$ 14,745,000</u>

(a) *Under a loan agreement with the Greater Arizona Development Authority (“GADA”), the City has agreed to make semi-annual payments equal to the principal and interest on the GADA loan. The City has pledged State Shared Revenues to the payment of the GADA loan.*

**Direct Bonded Debt, Legal Limitation and Unused Borrowing Capacity
City of Flagstaff, Arizona**

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, light, parks and open space, transportation and public safety purposes may not exceed 20% of a city's Net Full Cash Assessed Value, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of a city's Net Full Cash Assessed Value.

TABLE 17

General Municipal Purpose Bonds	Water, Light, Sewer, Open Space, Public Safety, Law Enforcement, Fire and Emergency Services, Park, Street and Transportation Facilities Bonds
Total 6% General Obligation Bonding Capacity	Total 20% General Obligation Bonding Capacity
\$ 89,147,295	\$ 297,157,650
Less: 6% General Obligation Bonds Outstanding	Less: 20% General Obligation Bonds Outstanding
(10,000,000) ^{*(a)}	(57,607,867) ^{*(a)}
Less: Original Issue Premium for the Bonds	Less: Original Issue Premium for the Bonds
- ^{*(b)}	- ^{*(b)}
Less: Unamortized Net Original Issue Premium of Prior Bonds	Less: Unamortized Net Original Issue Premium of Prior Bonds
<u>-</u>	<u>(1,894,386) (c)</u>
Net 6% General Obligation Bonding Capacity	Net 20% General Obligation Bonding Capacity
<u>\$ 79,147,295*</u>	<u>\$ 237,655,397*</u>
 Total Capacity	
 <u>\$316,802,692*</u>	

* Subject to change.

(a) Includes the Bonds.

(b) In the case of the Bonds, the principal amount authorized at the 2022 Election, will be reduced by a total of \$[0]*. This amount reduces in equal amount the borrowing capacity of the City under the Arizona Constitution (as described under the heading "THE BONDS – Authorization and Use of Funds"). The City's borrowing capacity, but not authorization, will be recaptured as premium is amortized.

(c) This amount represents unamortized premium on the City's outstanding bonds, which is treated as described in the immediately preceding footnote.

TABLE 18

**Direct and Overlapping General Obligation Bonded Debt
City of Flagstaff, Arizona**

Overlapping Jurisdiction	General Obligation Bonded Debt (b)	Proportion Applicable to the City (a)	
		Approximate Percent	Net Debt Amount
State of Arizona	None	1.30 %	None
Coconino County	None	49.69	None
Coconino County Community College District	None	49.69	None
Flagstaff Unified School District No. 1	\$83,540,000	66.98	\$55,955,092
City of Flagstaff (c)	67,607,867*	100.00	<u>67,607,867*</u>
Net Direct and Overlapping General Obligation Bonded Debt			<u>\$ 123,562,959*</u>

(a) *Proportion applicable to the City is computed on the ratio of Net Limited Assessed Property Value for 2023/24.*

(b) *Includes total stated principal amount of general obligation bonds outstanding. Does not include outstanding principal amount of certificates of participation, revenue obligations or loan obligations outstanding for the jurisdictions listed above. Does not include outstanding principal amounts of various County improvement districts, as the bonds of these districts are presently being paid from special assessments against property within the various improvement districts.*

Does not include presently authorized but unissued general obligation bonds of such jurisdictions, which may be issued in the future as indicated in the following table. Additional bonds may also be authorized by voters within overlapping jurisdictions pursuant to future elections.

Overlapping Jurisdiction	General Obligation Bonds Authorized but Unissued
Flagstaff Unified School District No. 1	\$85,000,000
City of Flagstaff (d)	40,085,000*

(c) *Includes the Bonds and is net of the Bonds Being Refunded.*

(d) *Net of the New Money Bonds.*

* *Subject to change.*

TABLE 19**Direct and Overlapping General Obligation Bonded Debt Ratios
City of Flagstaff, Arizona**

	Per Capita Bonded Debt Population Estimated @ 79,705	As % of City's 2023/24 Net Limited Assessed Property Value	As % of City's 2023/24 Estimated Net Full Cash Value
Net Direct General Obligation Bonded Debt*(a)	\$848.23	6.26%	0.53%
Net Direct and Overlapping General Obligation Debt*(a)	1,550.25	11.45	0.96

* *Subject to change.*

(a) *Includes the Bonds and is net of the Bonds Being Refunded.*

Source: *State and County Abstract of the Assessment Roll, Arizona Department of Revenue, Property Tax Rates and Assessed Values, Arizona Tax Research Association, the Arizona Office of Economic Opportunity, and the City.*

TABLE 20**Other Obligations
City of Flagstaff, Arizona**

The City has entered into lease agreements that generally require annual payments and the lease terms vary from 5 to 21 years. The lease agreement amounts outstanding are listed as follows: renewable energy solar equipment of \$412,233 (net of accumulated depreciation) and parking meter assets of \$380,218 (net of accumulated depreciation). Finance purchase agreements related to business-type activities consist of airport hangars of \$329,058 (net of accumulated depreciation) and renewable energy solar equipment of \$786,806 (net of accumulated depreciation).

The lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of their future minimum lease payments as of the date of inception.

Year Ending June 30	Government Activities	Business-type Activities
2024	\$204,840	\$403,163
2025	201,643	281,195
2026	195,088	152,812
2027	135,009	147,915
2028	74,851	142,865
2029	35,892	68,497
Total future minimum lease payments	\$847,323	\$1,196,447
Less: interest costs	(54,872)	(80,583)
Present value of future minimum lease payments	\$792,451	\$1,115,864

CITY EMPLOYEE RETIREMENT SYSTEM

Retirement Benefits

The City contributes to the retirement plans described below and as referenced in Section IV - Note C in APPENDIX E – “CITY OF FLAGSTAFF, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023.” Benefits are established by State statute and generally provide retirement, death, long-term disability, survivor and health insurance premium benefits. Both the City and each covered employee contribute to the plans.

Each of the plans has reported increases in its unfunded liabilities. The increases in unfunded liabilities is expected to result in increased future annual contributions by the City and its employees; however the specific impact on the City’s and its employees’ future contributions cannot be determined at this time.

Section IV - Note C in APPENDIX C – “THE CITY OF FLAGSTAFF, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023” is information about the plans based on GASB’s Statements No.s 67 and 68. Please refer to APPENDIX C for more specific information about the plans. In the case of any difference between what is here versus what is in APPENDIX C, the latter supersedes the former.

The Arizona State Retirement System (“ASRS”). ASRS is a multiple-employer defined benefit pension plan, a multiple-employer defined benefit health insurance premium benefit plan, and a multiple-employer defined benefit long-term disability plan for approximately 600,000 Arizona public employees including qualified employees of the State, municipal governments, counties and K-12 education agencies. As of June 30, 2023, the unfunded liability for ASRS was \$18.45 billion with a funding ratio of 73.1% and an assumed earning rate of 7.0%. As of June 30, 2023, the City reported a liability of \$47,750,658 for its proportionate share of the net pension liability under ASRS. Pursuant to State statute, the contribution rate for the employer (the City) and active members of ASRS are equal. For fiscal year 2024/25, the actuarially determined contribution rate for the City and active members of ASRS is 12.27% (12.12% for retirement and health insurance and 0.15% for long-term disability).

The table below shows recent actuarially determined contribution rates that the active ASRS members and the City are/were required to contribute, the plan’s funded status and the pension contributions under ASRS for the next, current and past three fiscal years.

Fiscal year ended	Retirement and Health Insurance Premiums	Long-term Disability	Total Contribution Rate	Funded Status	Pension Contributions
June 30, 2025	12.12%	0.15%	12.27%	unavailable	unavailable
June 30, 2024	12.14	0.15	12.29	unavailable	unavailable
June 30, 2023	12.03	0.14	12.17	73.1%	\$4,384,073
June 30, 2022	12.22	0.19	12.41	72.7	4,196,842
June 30, 2021	12.04	0.18	12.22	71.5	3,845,197

The Public Safety Personnel Retirement System (“PSPRS”). PSPRS is an agent multiple-employer defined benefit pension plan and an agent multiple employer defined benefit health insurance premium benefit plan that covers public safety personnel who are regularly assigned to hazardous duties for which the Arizona State Legislature establishes active plan members’ contribution rates and member benefits. This is not a “pooled” system – a separate account exists for the police and fire employees of each participating political subdivision. In total, there are 258 individual plans in PSPRS. Each plan has its own financial condition, funding status, etc. which varies greatly across the system.

A 2016 amendment to the State constitution (“Prop 124”) created an exception to the prohibition in the Constitution against diminishing or impairing public retirement system benefits by allowing for certain adjustments to PSPRS and preserved the State’s legislative ability to modify public retirement benefits. Prop 124 allowed for, among other things, the replacement of permanent benefit increases then required by law with COLA (defined below) provisions tied to the regional consumer price indexes.

PSPRS active membership is comprised of three separate “tiers” based on date of hire which are shown in the following table.

<u>“Tier 1” Members</u>	<u>“Tier 2” Members</u>	<u>“Tier 3” Members</u>
Hired into PSPRS position before January 1, 2012	Hired into PSPRS position on or after January 1, 2012 and before July 1, 2017	Hired into PSPRS position on or after July 1, 2017

The different tiers have different types of plans. Tier 1 members have a defined benefit plan, Tier 2 members have a defined benefit or defined benefit hybrid plan and Tier 3 members have a defined contribution, defined benefit or defined benefit hybrid plan. (The hybrid plan is a pension with an additional defined contribution tax-deferred retirement savings account for Tier 2 and Tier 3 members who do not contribute to Social Security). For Tier 1 and Tier 2 members, the type of plan is determined automatically. For Tier 3 members the type of plan is an irrevocable career choice with a default to a defined benefit plan after 90 days. The actuarially determined employer contribution rate varies among the different tiers and the different types of plans as shown in the tables below.

As of June 30, 2023, the unfunded liability for Tiers 1 and 2 of PSPRS was \$7.4 billion with a funding ratio of 66.3%. When calculating, an assumed earning rate of 7.2% was used and an assumed rate of 1.75% was used for increases in the cost of living allowance (“COLA”).

The following tables show the actuarially determined annual contribution rates, funded status and total audited contribution amounts for PSPRS.

Police

	Fiscal Year Ended				
	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
Contribution Rates*					
Tier 1 Defined Benefit Employer	11.83%	10.13%	6.21%	9.04%	51.12%
Tier 1 Defined Benefit Employee	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 2 Defined Benefit Employer (a)	11.83%	10.13%	6.21%	9.04%	51.12%
Tier 2 Defined Benefit Employee (a)(b)	11.65%	11.65%	11.65%	11.65%	11.65%
Tier 3 Defined Benefit Employer (a)(c)	10.52%	9.56%	9.94%	9.94%	49.22%
Tier 3 Defined Benefit Employee (a)	8.89%	9.56%	9.94%	9.94%	9.94%
Tier 3 Defined Contribution Employer (c)	12.36%	10.60%	10.85%	9.88%	49.69%
Tier 3 Defined Contribution Employee	10.73%	10.60%	10.85%	9.88%	10.41%
Pension Funded Status	N/A	N/A	97.7%	103.6%	107.8%
Health Funded Status	N/A	N/A	119.0%	117.9%	116.9%
Total City (Employer) Pension and Health Contribution	N/A	N/A	\$731,250	\$733,131	\$55,900,990 (c)

Fire

	Fiscal Year Ended				
	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
Contribution Rates*					
Tier 1 Defined Benefit Employer	12.42%	12.86%	8.35%	10.77%	88.79%
Tier 1 Defined Benefit Employee	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 2 Defined Benefit Employer (a)	12.42%	12.86%	8.35%	10.77%	88.79%
Tier 2 Defined Benefit Employee (a)(b)	11.65%	11.65%	11.65%	11.65%	11.65%
Tier 3 Defined Benefit Employer (a)(c)	8.89%	9.56%	9.94%	9.94%	84.70%
Tier 3 Defined Benefit Employee (a)	8.89%	9.56%	9.94%	9.94%	9.94%
Tier 3 Defined Contribution Employer (c)	10.73%	10.60%	10.85%	9.88%	85.17%
Tier 3 Defined Contribution Employee	10.73%	10.60%	10.85%	9.88%	10.41%
Pension Funded Status	N/A	N/A	102.6%	106.6%	106.7%
Health Funded Status	N/A	N/A	225.6%	219.7%	212.1%
Total City (Employer) Pension and Health Contribution	N/A	N/A	\$1,495,998	\$1,442,498	\$63,593,670 (c)

* Sum of the Pension and Health insurance premium benefit contribution rates.

- (a) Does not include additional contribution percentage of 3% associated with defined benefit (“DB”) members additionally participating in the defined contribution (“DC”) plan. Employer rate is 4% for Tier 2 members for a period of time depending on the individual’s membership date.
- (b) Tier 2 employees contribute a maximum of 11.65%, but statutory requirements dictate only 7.65% is applied toward employer costs.
- (c) During fiscal year 2020, the City issued \$131,000,000 principal amount of Certificates of Participation to fund a prepayment to PSPRS related to its then PSPRS unfunded pension liability.

The amortization of unfunded liabilities for Tier 1 and Tier 2 is applied to the payroll for employees in all tiers, including Tier 3, on a level percent basis.

The Elected Officials Retirement Plan. EORP is a multiple-employer defined benefit pension plan and a multiple-employer defined benefit health insurance premium plan that covers elected officials and judges of certain state and local governments. (EORP is governed by the same Board of Trustees that manages PSPRS.) As of January 1, 2014 EORP is closed to new members. Pursuant to Arizona statute, the annual contribution for active members of EORP is 13% of the members' annual covered payroll. Additionally, the amount of the members' contribution that exceeds 7% is not used to reduce the actuarially determined employer contribution. As of June 30, 2023, the City reported a liability of \$1,488,752 for its proportionate share of the net pension liability under EORP.

Participating EORP employers are required to annually contribute at an actuarially determined employer contribution rate. The basis for the employer rate is the covered payroll for all eligible elected officials and eligible judges employed by the employer. The actuarially determined statutory employer contribution rate for 2023/24 is 76.51% (76.66% for EODCRS with the employer disability program). This amount is distributed to EORP, the Elected Officials Defined Contribution Retirement System ("EODCRS") and ASRS, depending on the retirement program in which each eligible employee participates. As a percent of covered payroll, the employer contribution, by statute, for EODCRS participating members is 6.00%; the employer contribution for ASRS participating members is 12.29% for fiscal year 2023/24; all remaining employer contributions, up to the actuarially determined contribution rate of the covered payroll of all elected officials and eligible judges, are remitted to EORP. EORP is additionally funded each year with designated state and municipal court fees and a \$5,000,000 appropriation from the State general fund.

Statutory Changes and Court Decisions Regarding the PSPRS and EORP

PSPRS, CORP and EORP are all operated under the umbrella of the Public Safety Personnel Retirement System and the Public Safety Personnel Retirement System Board of Trustees. Since 2011 there have been various modifications designed to mitigate increasing unfunded liabilities in the programs. Some of these modifications were enacted by the Arizona Legislature; some changes resulted from successful court challenges to those statutory changes; and other changes were implemented by voter approved amendments to the State Constitution. Substantively, the modifications have included changes to contribution rates, retirement criteria, funding horizons, retirement benefits and post-retirement benefit increase calculations.

Potential Future State Legislation Affecting ASRS and PSPRS

Bills are frequently introduced at sessions of the State Legislature that, if enacted, could impact the administration of the ASRS and PSPRS and the eligibility, timing and payment of benefits from such plans. The City is unable to determine whether any such bills will be enacted into legislation or in what form such legislation may be enacted and what the impact of any such legislation may be.

Other Post-Employment Retirement Benefits

During the year ended June 30, 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). The City is required to report the actuarially accrued cost of post-employment benefits, other than pension benefits ("OPEB"), such as health and life insurance for current and future retirees. GASB 75 addresses reporting by governments that provide OPEB by measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to OPEB provided through defined benefit OPEB plan.

The City of Flagstaff provides post-retirement healthcare insurance benefits for its retirees as a single employer defined benefit OPEB plan, which is administered through Northern Arizona Public Employee Benefit Trust (NAPEBT). Eligible retirees and their beneficiaries up to the age of 65 are allowed to participate in the same healthcare plan as active employees and pay the same premium for this benefit, which results in an implicit rate subsidy. Even though the City makes no direct payments on behalf of the retirees, the City is required to report this implicit cost for active employees who will be able to continue to purchase health insurance once they retire. Substantially, all the City's employees may become eligible for those benefits when they qualify for retirement. To be eligible a retiree must qualify to receive retirement benefits from the Arizona State Retirement System and elect coverage at date of retirement. At June 30, 2023, the City reported a net OPEB liability of \$9,810,861. The net

OPEB liability was measured as of June 30, 2022 and the total OPEB liability were determined from the actuarial valuations as of July 1, 2021. The City has chosen not to fund this plan; therefore, the total OPEB liability is the net OPEB liability.

Governmental Accounting Standards Board:

The Governmental Accounting Standards Board adopted Governmental Accounting Standards Board Statement Number 68, *Accounting and Financial Reporting for Pensions* (“GASB 68”), which, beginning with fiscal years starting after June 15, 2014, requires cost-sharing employers to report their “proportionate share” of the plan’s net pension liability in their government-wide financial statements. GASB 68 also requires that the cost-sharing employer’s pension expense component include its proportionate share of the system’s pension expense, the net effect of annual changes in the employer’s proportionate share and the annual differences between the employer’s actual contributions and its proportionate share. The pension liability was measured as of June 30, 2022. See Section IV – Note C in APPENDIX C – “CITY OF FLAGSTAFF, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023.” for further discussion of the City and its pension liability.

New Reporting Requirements - Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans, An Amendment of GASB Statement No. 25, is designed to improve financial reporting by state and local governmental pension plans. This statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

REVENUES AND EXPENDITURES

State law requires that the City’s financial books and records be audited by the State Auditor General or independent certified public accountants on an annual basis. The audited financial statements of the City are presented in APPENDIX E – “CITY OF FLAGSTAFF, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023.”

The table below summarizes audited Revenues, Expenses and Changes in Fund Balance for the fiscal years 2018/19 through 2022/23 and budgeted information for 2023/24. The information contained in the summary should be read in conjunction with the financial statements and accompanying notes in APPENDIX E of this Official Statement.

The Bonds will be payable solely from the source described under the heading “SECURITY AND SOURCES OF PAYMENT OF THE BONDS.” The information provided in the following table is for reference only.

TABLE 21

**General Fund
City of Flagstaff, Arizona**

	Audited					Budgeted (a)
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
FUND BALANCE AT BEGINNING OF YEAR	\$ 37,048,484	\$ 39,652,321	\$ 52,685,040	\$ 65,079,877	\$ 73,512,977	\$ 73,528,126
REVENUES						
Taxes	\$29,471,053	\$31,841,128	35,652,728	38,332,277	\$ 39,654,717	38,845,500
Intergovernmental	20,614,918	21,873,456	25,162,689	26,748,529	32,236,115	36,669,518
Grants and entitlements	1,678,455	1,945,487	2,331,162	2,391,660	2,131,382	26,428,812
Charges for services	3,502,921	2,934,067	2,529,117	3,557,079	3,513,865	3,310,730
Licenses and permits	3,290,089	4,937,026	5,175,255	5,347,966	3,821,960	3,049,885
Fines and forfeitures	1,416,062	1,217,311	932,592	789,819	747,455	795,005
Rents	1,104,357	1,108,741	1,094,905	1,133,714	1,171,792	1,655,136
Investment earnings	3,704,580	4,147,386	(1,253,554)	(5,980,098)	311,347	434,234
Contributions	365,219	468,838	622,078	816,186	665,362	535,721
Miscellaneous	281,818	215,407	355,316	530,870	322,363	267,530
TOTAL REVENUES	\$65,429,472	\$70,688,847	\$72,602,288	\$73,668,002	\$84,576,358	\$111,992,071
OTHER FINANCING SOURCES (USES)						
Issuance of capital debt	\$ -	\$ 360,373	\$ -	\$ -	\$ -	-
Sale of capital assets	20,995	307,013	27,705	23,140	41,452	21,442
Subscription financing	-	-	-	-	128,816	-
Prior period adjustment	-	-	-	(1,695,522)	-	-
Transfers in	4,063,739	3,702,539	3,369,672	15,151,867	3,628,470	4,881,059
Transfers out	(4,328,867)	(2,426,040)	(7,858,084)	(17,293,261)	(11,337,714)	(13,905,857)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 102,233,823	\$ 112,285,053	\$ 120,826,621	\$ 134,934,103	\$ 150,550,359	\$ 176,516,841
EXPENDITURES						
Current						
General government	\$ 11,779,639	\$ 11,902,131	\$ 12,516,049	\$ 13,909,549	\$ 16,308,482	\$ 28,503,470
Public safety	35,801,924	32,244,420	30,010,082	32,343,499	34,437,718	47,619,467
Public works	1,466,490	1,471,491	1,213,180	939,484	1,729,983	3,758,197
Economic and physical development	5,368,003	5,124,483	5,332,052	5,580,185	5,918,766	7,656,971
Culture and recreation	6,462,669	6,717,496	5,321,084	7,079,702	7,727,353	11,507,855
Highways and streets	133,681	22,679	276,491	93,089	138,332	-
Debt service						
Principal retirement	170,461	177,789	198,342	204,898	467,593	188,962
Interest and other charges	31,795	25,406	140,602	137,523	132,565	124,603
Capital outlay	1,366,840	1,914,118	738,862	1,133,197	4,085,170	36,250,662
TOTAL EXPENDITURES	\$ 62,581,502	\$ 59,600,013	\$ 55,746,744	\$ 61,421,126	\$ 70,945,962	\$ 135,610,187
FUND BALANCE AT END OF YEAR	\$ 39,652,321	\$ 52,685,040	\$ 65,079,877	\$ 73,512,977	\$ 79,604,397	\$ 40,906,654

(a) Reflects the City's budgeted figures for fiscal year 2023/24 which are unaudited and subject to change upon audit. These amounts are "forward looking" statements and should be considered with an abundance of caution.

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Mayor and Council
City of Flagstaff, Arizona

Re: City of Flagstaff, Arizona General Obligation Bonds, Series 2024A (the “2024A Bonds”), City of Flagstaff General Obligation Bonds, Taxable Series 2024B (the “Taxable Bonds” and, collectively with the 2024A Bonds, the “New Money Bonds”) and City of Flagstaff, Arizona General Obligation Refunding Bonds, Series 2024C (the “Refunding Bonds” and, collectively with the 2024A Bonds, the “Tax-Exempt Bonds”)

We have examined copies of the proceedings of the Mayor and Council of the City of Flagstaff, Arizona (the “City”), and other proofs submitted to us relative to the issuance of the captioned New Money Bonds and the captioned Refunding Bonds (collectively, the “Bonds”). In addition, we have examined such other proceedings, proofs, instruments, certificates and other documents as well as such other materials and such matters of law as we have deemed necessary or appropriate for the purposes of the opinion rendered herein below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid proceedings and proofs.

We are of the opinion that such proceedings and proofs show lawful authority for the sale and issuance of the Bonds pursuant to the Constitution and laws of the State of Arizona now in force and that the Bonds are valid and legally binding obligations of the City, all of the taxable property within which is subject to the levy of a tax, without limitation as to rate, to pay the principal of and interest on the Bonds, but limited with respect to the Refunding Bonds to a total amount not greater than the total aggregate principal and interest to become due on the bonds being refunded with proceeds of the sale of the Refunding Bonds (the “Bonds Being Refunded”) from the date of issuance of the Refunding Bonds to the final date of maturity of the Bonds Being Refunded. The net proceeds of the Refunding Bonds have been deposited in trust to provide funds to pay when due, or called for redemption, the Bonds Being Refunded together with interest thereon, and such proceeds have been deposited in the respective principal and interest redemption funds [a trust account?], and shall be held in trust for the payment of, the Bonds Being Refunded with interest to maturity or upon an available redemption date. The owners of the Refunding Bonds must rely on the sufficiency of such funds held irrevocably in the trust for payment of the Bonds Being Refunded. The issuance of the Refunding Bonds shall in no way infringe upon the rights of the holders of the Bonds Being Refunded to rely upon a tax levy for the payment of principal of and interest on the Bonds Being Refunded if such funds prove insufficient. [add affirmative statement regarding taxable bonds?]

Based on the representations and covenants of the City and subject to the assumption stated in the last sentence of this paragraph, under existing statutes, regulations, rulings and court decisions, interest on the Tax-Exempt Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and the interest on the Bonds is exempt from income taxation under the laws of the State of Arizona. Furthermore, interest on the Tax-Exempt Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the case of the alternative minimum tax imposed by Section 55(b)(2) of the Internal Revenue Code of 1986, as amended (the “Code”), on applicable corporations (as defined in Section 59(k) of the Code), interest on the Tax-Exempt Bonds is not excluded from the determination of adjusted financial statement income for tax years beginning after 2022. We express no opinion regarding other tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Bonds. The Code includes requirements which the City must continue to meet after the issuance of the Tax-Exempt Bonds in order that interest on the Tax-Exempt Bonds not be included in gross income for federal income tax purposes. The failure of the City to meet these requirements may cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Mayor and Council of the City have resolved in Ordinance No. _____, adopted by the Mayor and

Council of the City on March 5, 2024, to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds. (Subject to the same limitations in the penultimate paragraph hereof with respect to such covenants, the City has full legal power and authority to comply with such covenants.) In rendering the opinion expressed above, we have assumed continuing compliance with the tax covenants referred to above that must be met after the issuance of the Tax-Exempt Bonds in order that interest on the Tax-Exempt Bonds not be included in gross income for federal tax purposes.

The rights of the holders of the Bonds and the enforceability of those rights may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights. The enforcement of such rights may also be subject to the exercise of judicial discretion in accordance with general principles of equity.

This opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof, and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

\$30,000,000*	\$10,000,000*	\$3,270,000*
CITY OF FLAGSTAFF, ARIZONA GENERAL OBLIGATION BONDS, SERIES 2024A	CITY OF FLAGSTAFF, ARIZONA GENERAL OBLIGATION BONDS, TAXABLE SERIES 2024B	CITY OF FLAGSTAFF, ARIZONA GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024C

This Continuing Disclosure Undertaking (this “Undertaking”) is executed and delivered by the City of Flagstaff, Arizona (the “City”), in connection with the sale and issuance of \$30,000,000* principal amount of General Obligation Bonds, Series 2024A (the “2024A Bonds”), \$10,000,000* principal amount of General Obligation Bonds, Taxable Series 2024B (the “Taxable Bonds”) and \$3,270,000* principal amount of General Obligation Refunding Bonds, Series 2024C (the “Refunding Bonds,” and collectively with the 2024A Bonds and the Taxable Bonds, the “Bonds”). The Bonds are being issued pursuant to an ordinance adopted by the Mayor and Council of the City on March 5, 2024 (the “Ordinance”). The City covenants and agrees as follows:

1. **Definitions.** In addition to those defined hereinabove, the terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires:

“*Annual Financial Information*” means the financial information and operating data set forth in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited financial statements of the City prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means any agent designated as such in writing by the City and which has filed with the City a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at <http://emma.msrb.org>.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Final Official Statement*” means the Final Official Statement relating to the Bonds, dated _____, 2024.

“*Financial Obligation*” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“*GAAP*” means generally accepted accounting principles, as applied to governmental units as modified by the laws of the State.

“*Listed Event*” means the events set forth in Exhibit II.

* *Subject to change.*

“*Listed Events Disclosure*” means dissemination of disclosure concerning a Listed Event as set forth in Section 5.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

“*Rule*” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Exchange Act.

“*State*” means the State of Arizona.

2. Purpose of this Undertaking. This Undertaking is executed and delivered by the City as of the date set forth below for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. The City represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriter and that no other person is expected to become so committed at any time after such delivery of the Bonds.

3. CUSIP Numbers. The CUSIP Numbers of the Bonds are as follows:

CUSIP No. (Base 338423)	Maturity Date (July 1)
<hr/>	

4. Annual Financial Information Disclosure. Subject to Section 8 of this Undertaking, the City shall disseminate its Annual Financial Information and its Audited Financial Statements, if any (in the form and by the dates set forth in Exhibit I), through EMMA.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the City will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Listed Events Disclosure. Subject to Section 8 of this Undertaking, the City shall disseminate in a timely manner, but not more than ten (10) business days after the occurrence of the event, Listed Events Disclosure through EMMA. Whether events subject to the standard “material” would be material shall be determined under applicable federal securities laws.

6. Consequences of Failure of the City to Provide Information. The City shall give notice in a timely manner through EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the City to comply with any provision of this Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default under the Ordinance, and the sole remedy available to such owners of the Bonds under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

7. Amendments; Waiver. Notwithstanding any other provision of this Undertaking, the City by certified resolution or ordinance authorizing such amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived only if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;

(b) This Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by parties unaffiliated with the City or by approving vote of the owners of the Bonds at the time of the amendment.

The Annual Financial Information containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying an accounting principle to be followed in preparing financial statements and such changes are material, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles in the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. If the accounting principles of the City change or the fiscal year of the City changes, the City shall file a notice of such change in the same manner as for a notice of Listed Event.

8. Non-Appropriation. The performance by the City of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the City to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the City covenants to provide prompt notice of such fact to the MSRB through EMMA, in a format prescribed by the MSRB.

9. Termination of Undertaking. This Undertaking shall be terminated hereunder if the City shall no longer have liability for any obligation on or relating to repayment of the Bonds under the Ordinance.

10. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

11. Additional Information. Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information Disclosure or Listed Events Disclosure.

12. Beneficiaries. This Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

13. Recordkeeping. The City shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

14. Governing Law. This Undertaking shall be governed by the laws of the State.

DATED: [Closing Date]

CITY OF FLAGSTAFF, ARIZONA

By.....
Management Services Director

ATTEST:

.....
City Clerk

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means financial information and operating data of the type contained in the Final Official Statement in Table Nos. 9, 16A and 17 (in each case, actual results for most recently completed fiscal year only).

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted through EMMA or filed with the Commission. If the information included by reference is contained in a final official statement, the final official statement must be available from the MSRB. The City shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided through EMMA by February 1 of each year, commencing February 1, 2025. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements within 30 days after availability to the City.

Audited Financial Statements will be prepared according to GAAP.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the City will disseminate a notice of such change as required by Section 4, including changes in fiscal year or GAAP.

EXHIBIT II

EVENTS FOR WHICH LISTED EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations, in each case, with respect to the tax status of the security, or other material events affecting the tax status of the security.
7. Modifications to the rights of security holders, if material.
8. Bond calls, if material, or tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar events of the City, being if any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.
13. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

APPENDIX E

**CITY OF FLAGSTAFF, ARIZONA –
AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Securities Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with the Direct Participants, the “Participants”). DTC has Standard & Poor’s rating of: “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners

may wish to provide their names and addresses to the Bond Registrar and Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal of and interest on the Bonds and the redemption price of any Bond will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Bond Registrar and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar and Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds and the redemption price of any Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Bond Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Bond Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

**[/PAR-A]
CITY OF FLAGSTAFF,
ARIZONA
GENERAL OBLIGATION
BONDS,
SERIES 2024A**

**[/PAR-B]
CITY OF FLAGSTAFF,
ARIZONA
GENERAL OBLIGATION
BONDS,
TAXABLE SERIES 2024B**

**[/PAR-C]
CITY OF FLAGSTAFF,
ARIZONA
GENERAL OBLIGATION
REFUNDING BONDS,
SERIES 2024C**

BOND PURCHASE AGREEMENT

[Pricing Date], 2024

CITY OF FLAGSTAFF, ARIZONA
c/o The Honorable Mayor and Council
211 West Aspen Avenue
Flagstaff, Arizona 86001

The undersigned, Piper Sandler & Co. (the “Underwriter”), offers to enter into the following agreement with the City of Flagstaff, Arizona (the “Issuer”), which, upon the Issuer’s written acceptance of this offer, will be binding upon the Issuer and upon the Underwriter. This offer is made subject to the Issuer’s written acceptance hereof on or before 11:59 p.m., Arizona time, on the date first written above, and, if not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. The offer of the Underwriter is made by signing the signature line provided and delivering the signed page to the Issuer. The acceptance is made by the Issuer signing the signature line provided and delivering the signed page to the Underwriter. Delivery includes sending in the form of a facsimile or telecopy or via the internet as a portable document format (PDF) file or other replicating image attached to an electronic message. Terms not otherwise defined in this Bond Purchase Agreement (this “Agreement”) shall have the same meanings set forth in the Bond Ordinance or the Official Statement (both as defined herein).

1. Purchase and Sale of the Bonds. Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriter, all, but not less than all, of the Issuer’s General Obligation Bonds, Series 2024A, in the aggregate principal amount of \$[/PAR-A] (the “2024A Bonds”), the Issuer’s General Obligation Bonds, Taxable Series 2024B, in the aggregate principal amount of \$[/PAR-B] (the “Taxable Bonds”), and the Issuer’s General Obligation Refunding Bonds, Series 2024C, in the aggregate principal amount of \$[/PAR-C] (the “Refunding Bonds” and, together with the 2024A Bonds, the “Tax-Exempt Bonds” and, collectively with the 2024A Bonds and the Taxable Bonds, the “Bonds”). Inasmuch as this purchase and sale represents a negotiated transaction, the Issuer

acknowledges and agrees that: (i) the primary role of the Underwriter, as an Underwriter, is to purchase securities for resale to investors, in an arm's length commercial transaction between the Issuer and the Underwriter, and the Underwriter has financial and other interests that differ from those of the Issuer; (ii) the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer and has not assumed any advisory or fiduciary responsibility to the Issuer with respect to the transaction(s) contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or are currently providing other services to the Issuer on other matters); (iii) the only obligations the Underwriter has to the Issuer with respect to the transaction(s) contemplated hereby are expressly set forth in this Agreement; (iv) the Issuer has consulted, or will consult with, its own financial and/or municipal, legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate; (v) the Underwriter has provided to the Issuer prior disclosures under Rule G-17 of the Municipal Securities Rulemaking Board (the "MSRB"), which have been received by the Issuer; and (vi) the Issuer recognizes that the Underwriter expects to profit from the acquisition and potential distribution of the Bonds. Stifel Nicolaus & Company, Incorporated is the Issuer's financial advisor (the "Financial Advisor") with respect to the Issuer's sale and delivery of the Bonds.

The principal amount of the Bonds to be issued, the dated date therefor, the maturities, the redemption provisions and the interest rates per annum and resulting yields for the Bonds are set forth in Schedule I hereto. The Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of an ordinance adopted by the Mayor and City Council of the Issuer (the "City Council") at a meeting duly called, noticed and held on March 19, 2024 (the "Bond Ordinance").

The purchase price for the Bonds shall be \$ _____, representing:

(a) a purchase price for the 2024A Bonds of \$ _____, representing the aggregate of (i) the par amount of the 2024A Bonds, plus (ii) the [net] reoffering premium on the 2024A Bonds of \$ _____, and less (iii) an underwriting discount on the 2024A Bonds of \$ _____; plus

(b) a purchase price for the Taxable Bonds of \$ _____, representing the aggregate of (i) the par amount of the Taxable Bonds, plus (ii) the [net] reoffering premium on the Taxable Bonds of \$ _____, and less (iii) an underwriting discount on the Taxable Bonds of \$ _____; plus

(c) a purchase price for the Refunding Bonds of \$ _____, representing the aggregate of (i) the par amount of the Refunding Bonds, plus (ii) the [net] reoffering premium on the Refunding Bonds of \$ _____, and less (iii) an underwriting discount on the Refunding Bonds of \$ _____.

2. Public Offering. The Underwriter agrees to make a bona fide public offering of all of the Bonds at a price not to exceed the public offering price set forth on the inside front cover of the Official Statement and may subsequently change such offering price without any requirement of prior notice. The Underwriter may offer and sell Bonds to certain dealers (including dealers

depositing Bonds into investment trusts) and others at prices lower or higher than the public offering price stated on the inside front cover pages of the Official Statement.

3. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Issuer in establishing the issue price of the Tax-Exempt Bonds and shall execute and deliver to the Issuer on the Closing Date (as defined herein) an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Issuer and Greenberg Traurig, LLP (“Bond Counsel”), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Tax-Exempt Bonds.

(b) [Except as otherwise set forth in Schedule [II] attached hereto,] [t]he Issuer will treat the first price at which 10% of each maturity of the Tax-Exempt Bonds [(the “10% test”)] is sold to the public as the issue price of that maturity. At or promptly after the execution of this Agreement, the Underwriter shall report to the Issuer the price or prices at which it has sold to the public each maturity of Tax-Exempt Bonds. [If at that time the 10% test has not been satisfied as to any maturity of the Tax-Exempt Bonds, the Underwriter agrees to promptly report to the Issuer the prices at which it sells the unsold Tax-Exempt Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Tax-Exempt Bonds of that maturity or (ii) the 10% test has been satisfied as to the Tax-Exempt Bonds of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Issuer or Bond Counsel.] For purposes of this Section, if Tax-Exempt Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Tax-Exempt Bonds.

(c) [The Underwriter confirms that it has offered the Tax-Exempt Bonds to the public on or before the date of this Agreement at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Schedule [II] attached hereto, except as otherwise set forth therein. Schedule [II] also sets forth, as of the date of this Agreement, the maturities, if any, of the Tax-Exempt Bonds for which the 10% test has not been satisfied and for which the Issuer and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Issuer to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Tax-Exempt Bonds, the Underwriter will neither offer nor sell unsold Tax-Exempt Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) The close of the fifth (5th) business day after the sale date; or

(2) The date on which the Underwriter has sold at least 10% of that maturity of the Tax-Exempt Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the Issuer promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Tax-Exempt Bonds to the public at a price that is no higher than the initial offering price to the public.]

(d) [The Underwriter confirms that:

(1) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Tax-Exempt Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(i) (a) to report the prices at which it sells to the public the unsold Tax-Exempt Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Tax-Exempt Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Tax-Exempt Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (b) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(ii) to promptly notify the Underwriter of any sales of Tax-Exempt Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Tax-Exempt Bonds to the public (each such term being used as defined below), and

(iii) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(2) any selling group agreement relating to the initial sale of the Tax-Exempt Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Tax-Exempt Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Tax-Exempt Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Tax-Exempt Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Tax-Exempt Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable

periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The Issuer acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Tax-Exempt Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Tax-Exempt Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Tax-Exempt Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Tax-Exempt Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Tax-Exempt Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Tax-Exempt Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Issuer further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Tax-Exempt Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Tax-Exempt Bonds.]

(f) The Underwriter acknowledges that sales of any Tax-Exempt Bonds to any person that is a related party to an underwriter participating in the initial sale of the Tax-Exempt Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(1) “public” means any person other than an underwriter or a related party,

(2) “underwriter” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Tax-Exempt Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Tax-Exempt Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Tax-Exempt Bonds to the public),

(3) a purchaser of any of the Tax-Exempt Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital

interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), [and]

(4) [“sale date” means the date of execution of this Agreement by all parties].

4. The Official Statement.

(a) The Preliminary Official Statement, dated _____, 2024 (including the cover page, the inside front cover page and Appendices thereto, the “Preliminary Official Statement”), of the Issuer relating to the Bonds, as to be subsequently revised to reflect the changes resulting from the sale of the Bonds and including amendments or supplements thereto, is hereinafter called the “Official Statement.”

(b) The Preliminary Official Statement has been prepared by the Issuer for use by the Underwriter in connection with the public offering, sale and distribution of the Bonds by the Underwriter. The Issuer hereby deems the Preliminary Official Statement “final” as of its date, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Section (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”).

(c) The Issuer represents that the City Council (or appropriate officials of the Issuer) has reviewed and approved the information in the Official Statement and hereby authorizes the Official Statement and the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Bonds. The Issuer ratifies the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds. The Issuer shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the Issuer’s acceptance of this Agreement (but, in any event, not later than within seven business days after the Issuer’s acceptance of this Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which is complete as of the date of its delivery to the Underwriter in such quantity as the Underwriter shall request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

(d) If, after the date of this Agreement to and including the date the Underwriter is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the “end of the underwriting period” for the Bonds), the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain

any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request), and if, in the opinion of the Issuer or the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Issuer will forthwith prepare and furnish, at the Issuer's own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law. If such notification shall be subsequent to the Closing, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(e) The Underwriter hereby agrees to file the Official Statement with the MSRB. Unless otherwise notified in writing by the Underwriter, the Issuer can assume that the "end of the underwriting period" for purposes of the Rule is the Closing Date.

5. Representations, Warranties, and Covenants of the Issuer. The undersigned, on behalf of the Issuer, but not individually, hereby represents and warrants to and covenants with the Underwriter that:

(a) The Issuer is duly organized and validly existing as a municipal corporation under the laws of the State of Arizona (the "State") with powers specifically required for the purposes of this Agreement, specifically Title 35, Chapter 3, Articles 3 and 4, Arizona Revised Statutes, as amended (the "Act"), and has now, and at the Closing Date will have full legal right, power and authority under the Act to adopt the Bond Ordinance and under the Act and the Bond Ordinance (i) to enter into, execute and deliver this Agreement, the Bond Registrar and Paying Agent Agreement described in the Bond Ordinance, the escrow trust agreement, to be dated as of [_____ 1, 2024] (the "Escrow Trust Agreement") between the Issuer and _____, as escrow trustee (the "Escrow Trustee"), and an Undertaking which satisfies the requirements of Section (b)(5)(i) of the Rule (the "Undertaking") and all documents required hereunder and thereunder to be executed and delivered by the Issuer (this Agreement, such Bond Registrar and Paying Agent Agreement, the Escrow Trust Agreement and the Undertaking hereinafter referred to as the "Issuer Documents"), (ii) to sell, issue and deliver the Bonds to the Underwriter as provided herein, and (iii) to carry out and consummate the transactions contemplated by the Bond Ordinance, the Issuer Documents and the Official Statement, and the Issuer has complied, and will at the Closing be in compliance in all respects, with the terms of the Act, the Bond Ordinance and the Issuer Documents as they pertain to such transactions;

(b) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Bond Ordinance and the issuance and sale of the Bonds, (ii) the

approval, execution and delivery of, and the performance by the Issuer of the obligations on its part contained in, the Bonds and the Issuer Documents and (iii) the consummation by it of all other transactions contemplated by the Official Statement and the Issuer Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Official Statement;

(c) The Issuer Documents constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; and, in the case of the Undertaking, annual appropriation of amounts to pay for compliance therewith, and the Bonds, when issued, delivered and paid for, in accordance with the Bond Ordinance and this Agreement, will constitute legal, valid and binding general obligations of the Issuer, entitled to the benefits of the Bond Ordinance and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights and all actions necessary to create a legal, valid and binding levy on all of the taxable property in the Issuer of a direct, annual ad valorem tax, unlimited as to rate, sufficient to pay all the principal of and interest on the Bonds as the same become due, shall have been or shall be taken to the extent such action may be taken at or prior to the Closing; provided, however, that the total aggregate of taxes levied to pay the principal of and interest on the Refunding Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the bonds being refunded with proceeds of the sale of the Refunding Bonds (the "Bonds Being Refunded") from the date of issuance of the Refunding Bonds to the final maturity date of the Bonds Being Refunded, and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium, conflict of interest and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights;

(d) The Issuer is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or any of its property or assets are otherwise subject, no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Issuer under any of the foregoing, and the execution and delivery of the Bonds and the Issuer Documents and the adoption of the Bond Ordinance, and compliance with the provisions on the Issuer's part contained therein, will not conflict with or constitute a breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or to which any of its property or assets are otherwise subject;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a

condition precedent to or the absence of which would materially adversely affect the due performance by the Issuer of its obligations under the Bond Ordinance, the Issuer Documents and the Bonds have been duly obtained, except for such approvals, consents and orders as may be required under the “blue sky” or securities laws of any jurisdiction in connection with the offering and sale of the Bonds;

(f) The Bonds conform to the descriptions thereof contained in the Official Statement under the caption “THE BONDS”; the proceeds of the sale of the Bonds will be applied generally as described in the Official Statement under the caption “THE BONDS – Authorization and Use of Funds” and “PLAN OF REFUNDING”; and the Undertaking conforms to the description thereof contained in the Official Statement under the caption “CONTINUING DISCLOSURE”;

(g) Except as disclosed in the Preliminary Official Statement and the Official Statement, there is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the Issuer after due inquiry, threatened against the Issuer, affecting the existence of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the refunding of the Bonds Being Refunded or the levying, assessment or collection of the property taxes for the payment of the Bonds pursuant to the Bond Ordinance or in any way contesting or affecting the adoption of the Bond Ordinance or the validity or enforceability of the Bonds or the Issuer Documents, or contesting the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes or on the Bonds for State income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the Issuer or any authority for the issuance of the Bonds, the adoption of the Bond Ordinance or the execution and delivery of the Issuer Documents, nor, to the best knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or the Issuer Documents;

(h) As of the date thereof, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) At the time of the Issuer’s acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 4 of this Agreement) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(j) If the Official Statement is supplemented or amended pursuant to paragraph (d) of Section 4 of this Agreement, at the time of each supplement or amendment thereto

and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading;

(k) The Issuer will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Bond Ordinance and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds or State income tax purposes of the interest on the Bonds;

(l) The Issuer will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (i) to (A) qualify the Bonds for offer and sale under the “blue sky” or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (B) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (ii) to continue such qualifications in effect so long as required for the distribution of the Bonds (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriter immediately of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(m) The financial statements of, and other financial information regarding, the Issuer in the Preliminary Official Statement and the Official Statement fairly present the financial position and results of the Issuer as of the dates and for the periods therein set forth in accordance with generally accepted accounting principles as applicable to governmental units and have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods concerned (except as otherwise disclosed in the Preliminary Official Statement and the Official Statement or financial statements); since June 30, 2023, except as disclosed in the Preliminary Official Statement and the Official Statement, the Issuer has not incurred any material liabilities, direct or contingent, nor has there been any material adverse change in the financial position, results of operations or condition, financial or otherwise, of the Issuer that are not described in the Preliminary Official Statement and the Official Statement, whether or not arising from transactions in the ordinary course of business; prior to the Closing, there will be no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the Issuer and the Issuer is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Issuer, would have a materially adverse effect on the financial condition of the Issuer;

(n) The Issuer has fully submitted the information required with respect to previous issuances of bonds, securities and lease-purchase agreements of the Issuer pursuant to Section 35-501(B), Arizona Revised Statutes, as amended, and will file the information relating to the Bonds required to be submitted to the Arizona Department of Administration pursuant thereto within 60 days of the Closing Date;

(o) The Issuer has executed and delivered or shall execute and deliver prior to the Closing, and in time for the Closing to occur at its specified time, the documents required to cause the Bonds to be eligible for deposit with DTC (as defined herein) or other securities depositories;

(p) Except as otherwise indicated in the Official Statement, the Issuer has been and is in material compliance during the previous five years with the terms of all continuing disclosure undertakings previously executed by the Issuer pursuant to the Rule;

(q) Prior to the Closing, the Issuer will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, in each case payable from the same source as the Bonds, without the prior approval of the Underwriter; and

(r) Any certificate, signed by any official of the Issuer authorized to do so in connection with the transactions contemplated by this Agreement shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

6. Closing.

(a) Before 10:00 a.m., Arizona time, on [Closing Date], 2024 (the “Closing Date”), or at such other time and date as shall have been mutually agreed upon by the Issuer and the Underwriter, the Issuer will, subject to the terms and conditions hereof, deliver the Bonds to the Underwriter duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriter will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 of this Agreement by wire transfer payable in immediately available funds to the order of the Issuer (the “Closing”). Payment for the Bonds as aforesaid shall be made at the offices of Bond Counsel or such other place as shall have been mutually agreed upon by the Issuer and the Underwriter.

(b) Delivery of the Bonds shall be made through the facilities of The Depository Trust Company, New York, New York (“DTC”), or, in the case of a “Fast Automated Securities Transfer” with the bond registrar and paying agent for purposes of the Bond Registrar and Paying Agent Agreement or by such other means as shall have been mutually agreed upon by the Issuer and the Underwriter. The Bonds shall be prepared in definitive fully registered form, bearing CUSIP numbers without coupons, with one Bond for each maturity of the Bonds for each series, registered in the name of Cede & Co., all as provided in the Bond Ordinance, and shall be made available to the Underwriter at least one business day before the Closing for purposes of inspection.

7. Closing Conditions. The Underwriter has entered into this Agreement in reliance upon the representations, warranties and agreements of the Issuer contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter:

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) The Issuer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing;

(c) At the time of the Closing, (i) the Bond Ordinance, the Issuer Documents and the Bonds shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter and (ii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and counsel to the Underwriter to deliver their respective opinions referred to hereafter;

(d) At the time of the Closing, all official action of the Issuer relating to the Bonds, the Bond Ordinance and the Issuer Documents shall be in full force and effect and shall not have been amended, modified or supplemented;

(e) At or prior to the Closing, the Bond Ordinance shall have been duly executed and delivered by the Issuer and the Issuer shall have duly executed and delivered and the registrar for the Bonds shall have duly authenticated the Bonds;

(f) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or operations of the Issuer, from that set forth in the Official Statement that, in the judgment of the Underwriter, is material and adverse and that makes it, in the judgment of the Underwriter, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement;

(g) The Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(h) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in legal form and effect to the Underwriter;

(i) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement, executed on behalf of the Issuer by the Management Services Director or such other official as may have been agreed to by the Underwriter, and the reports and audits referred to or appearing in the Official Statement;

(2) The Bond Ordinance with such supplements or amendments as may have been agreed to by the Underwriter;

(3) The Issuer Documents;

(4) The approving opinion of Bond Counsel, dated the Closing Date, with respect to the Bonds, in substantially the form attached to the Official Statement along with a reliance letter with respect thereto, dated the Closing Date and addressed to the Underwriter;

(5) A supplemental opinion of Bond Counsel, dated the Closing Date, addressed to the Underwriter, substantially to the effect that:

(i) The information contained (but not incorporated by reference) in the Preliminary Official Statement and the Official Statement under the headings entitled "INTRODUCTORY STATEMENT," "THE BONDS," "SECURITY AND SOURCES OF PAYMENT OF THE BONDS," "PLAN OF REFUNDING," "TAX MATTERS WITH RESPECT TO TAX-EXEMPT BONDS," "TAX MATTERS WITH RESPECT TO TAXABLE BONDS" and "CONTINUING DISCLOSURE" (except for matters relating to the compliance by the Issuer with its prior undertakings as to which we express no opinion) therein, in Appendices "C" and "D" thereto and in the tax caption paragraph at the top of the cover page thereof is an accurate summary of the information which it purports to summarize; provided, however, that such information does not purport to summarize all the provisions of, and is qualified in its entirety by, the complete laws and documents that are summarized, and, based solely on our participation in the transaction as Bond Counsel, nothing has come to their attention that would lead them to believe that the information and statements in the Preliminary Official Statement, as of its date and as of the date hereof, and the Official Statement, as of the date hereof and as of the Closing Date, contained or contain any untrue statement of a material fact or omitted or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that they express no view as to the financial statements of the City, any other financial forecast, technical or statistical data, and any information in the Preliminary Official Statement or the Official Statement regarding DTC. They have not undertaken to review or determine independently, and assume no responsibility for, the

accuracy or completeness of the information in the Preliminary Official Statement or the Official Statement except to the extent indicated hereinabove;

(ii) The offer and sale of the Bonds shall be exempt from registration under the Securities Act of 1933, as amended, and the Bond Ordinance does not need to be qualified pursuant to the Trust Indenture Act of 1939, as amended;

(iii) The Issuer Documents and the Bond Ordinance have been duly authorized and validly executed and delivered by the Issuer and, assuming due authorization, execution and delivery by, and enforceability against, the other parties thereto, and, in the case of the Undertaking, subject to annual appropriation to provide for the costs of compliance therewith, constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws, and equitable principles affecting the enforceability of creditors' rights generally; and

(iv) No consent of any other party and no consent, license, approval or authorization of, exemption by, or registration with any governmental body, authority, bureau or agency (other than those that have been obtained or will be obtained prior to the delivery of the Bond Ordinance, the Undertaking and this Agreement) is required in connection with the execution, delivery and performance by the City of the Bond Ordinance, the Undertaking and this Agreement.

(6) An opinion of the counsel to the Issuer that, based on an investigation of the records of the Superior Court of Coconino County and the United States District Court, District of Arizona, Phoenix Division, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency, public board or body pending or, to his or her knowledge (upon due inquiry), threatened (i) the issuance and delivery of the Bonds, (ii) the carrying out of the purposes to which the proceeds of the Bonds are to be applied or (iii) the levy and collection of taxes to pay the debt service on the Bonds or contesting or questioning the proceedings and authority under which the Bonds have been sold, authorized, issued, executed or delivered or the validity or enforceability of the Bonds.

(7) An opinion of counsel to the Underwriter, dated the Closing Date, addressed to the Underwriter, substantially to the effect that, based upon their participation in the preparation of the Preliminary Official Statement and the Official Statement as counsel for the Underwriter and their participation at conferences at which the Preliminary Official Statement and the Official Statement were discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement and the Official Statement, such counsel has no reason to believe

that the Preliminary Official Statement, as of its date and as of the date hereof, and the Official Statement, as of the date hereof and as of the Closing Date, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except for any financial, forecast, technical and statistical statements and data included in the Preliminary Official Statement and the Official Statement and the information regarding DTC and its book-entry system, in each case as to which no view need be expressed);

(8) A certificate, dated the Closing Date, of appropriate representatives of the Issuer substantially to the effect that:

(i) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date;

(ii) no litigation or proceeding against it is pending or, to the best of such representatives' knowledge, threatened in any court or administrative body which would (a) contest the right of the members or officials of the Issuer to hold and exercise their respective positions, (b) contest the due organization and valid existence of the Issuer, (c) contest the validity, due authorization and execution of the Bonds or the Issuer Documents or (d) attempt to limit, enjoin or otherwise restrict or prevent the Issuer from refunding the Bond Being Refunded or functioning and levying, assessing and collecting the property taxes from which the Bonds are payable pursuant to the Bond Ordinance, nor, to the best of such representatives' knowledge, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially, adversely affect the validity or enforceability of the Bonds or the Issuer Documents or have a material, adverse effect on the financial condition of the Issuer;

(iii) the Bond Ordinance has been duly adopted by the Issuer, is in full force and effect and has not been modified, amended or repealed;

(iv) the financial statements of the Issuer included in the Preliminary Official Statement and the Official Statement were true, correct and complete as of June 30, 2023, and are true, correct and complete as of the date of such certificate, and any other financial statements and statistical data included in the Preliminary Official Statement and the Official Statement are true and correct as of the date of such certificate;

(v) subsequent to June 30, 2023, the Issuer has not incurred any material liabilities, direct or contingent, nor has there been any material adverse change in the financial position, results of operations or condition, financial or otherwise, of the Issuer that are not described in the Preliminary Official Statement and the Official Statement, whether or not arising from transactions in the ordinary course of business; and

(vi) to the best of their knowledge and belief, no event affecting the Issuer has occurred since the date of the Preliminary Official Statement and the Official Statement which should be disclosed in the Preliminary Official Statement and the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any respect as of the Closing, and the information contained in the Preliminary Official Statement and the Official Statement is correct in all material respects and, as of the date of the Preliminary Official Statement and the Official Statement did not, and as of the Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(9) A certificate, dated the Closing Date, of appropriate representatives of the Issuer in form and substance satisfactory to Bond Counsel (i) setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Tax-Exempt Bonds will be used in a manner that would cause the Tax-Exempt Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code, and (ii) certifying that to the best of their knowledge and belief, there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

(10) Any other certificates and opinions required by the Bond Ordinance for the issuance thereunder of the Bonds;

(11) Evidence satisfactory to the Underwriter that the Bonds have been rated “__” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC , and that such rating is in effect as of the Closing Date;

(12) The filing copy of the Information Return Form 8038-G (IRS) for the Tax-Exempt Bonds;

(13) The filing copy of the Report of Bond and Security Issuance pursuant to Section 35-501(B), Arizona Revised Statutes, as amended,

(14) A certificate of the Escrow Trustee, to the effect that moneys or defeasance obligations sufficient to effectuate the refunding of the Bonds Being Refunded have been received and that such moneys or defeasance obligations have been deposited under the Escrow Trust Agreement;

(15) [A copy of a special report prepared by _____, a firm of independent certified public accountants, addressed to the Issuer, Bond Counsel

and the Underwriter, verifying the arithmetical computations of the adequacy of the maturing principal and interest on the obligations and uninvested cash on hand under the Escrow Trust Agreement to pay, when due, the principal of and interest on the Bonds Being Refunded; and]

(16) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing, of the Issuer's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer on or prior to the Closing Date of all the respective agreements then to be performed and conditions then to be satisfied by the Issuer.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriter nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriter set forth in Section 9(c) hereof shall continue in full force and effect.

8. Termination. The Underwriter shall have the right to cancel its obligation to purchase the Bonds if, between the date of this Agreement and the Closing, the market price or marketability of the Bonds shall be materially adversely affected, in the sole judgment of the Underwriter, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the State legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation or State income taxation upon income of the general character to be derived by the Issuer pursuant to the Bond Ordinance, or upon interest received on obligations of the general character of the Tax-Exempt Bonds or, with respect to State taxation, of the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or

effect, directly or indirectly, of changing the federal income tax consequences or State income tax consequences of any of the transactions contemplated herein;

(b) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission (the "SEC"), or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Bond Ordinance is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(c) any state "blue sky" or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto;

(d) a general suspension of trading in securities on the New York Stock Exchange, the American Stock Exchange or other major exchange shall be in force, or the establishment of minimum or maximum prices on any such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(e) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(f) any amendment to the federal or state Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the Issuer, its property, income securities (or interest thereon), or the validity or enforceability of the assessment or the levy of taxes to pay principal of and interest on the Bonds;

(g) any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) there shall have occurred since the date of this Agreement any materially adverse change in the affairs or financial condition of the Issuer;

(i) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise;

(j) any fact or event shall exist or have existed that, in the Underwriter's judgment, requires or has required an amendment of or supplement to the Preliminary Official Statement or the Official Statement;

(k) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit watch status by any national rating service to any of the Issuer's obligations;

(l) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission;

(m) a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred;

(n) any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a charge to the net capital requirements of, underwriters shall have been established by the New York Stock Exchange, the SEC, any other federal or State agency or the Congress of the United States, or by Executive Order; [and]

(o) additional events or announcements related to the COVID-19 virus or a similar pandemic and its impact result in cancelation of orders from investors or the inability of investors to proceed with the purchase of their Bonds in an amount that the Underwriter deems to have an adverse material impact on the sale of and market for the Bonds[; and]

(p) [United States Treasury Certificate of Indebtedness, Notes or Bonds-State and Local Government Series or acceptable open market securities shall be unavailable for purchase and/or delivery in the amounts, maturities and prices or yields required pursuant to the Escrow Trust Agreement].

9. Expenses.

(a) The Underwriter shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the Bond Ordinance, the Issuer Documents, the Preliminary Official Statement and the Final Official Statement (including any amendments or supplements thereto); (ii) the cost of preparation and printing of the Bonds, (iii) the fees and disbursements of Bond Counsel and counsel to the

Underwriter; (iv) the fees and disbursements of _____, as bond registrar and paying agent and Stifel, Nicolaus & Company, Incorporated, as financial advisor to the City; (v) the fees and disbursements of the Escrow Trustee; (vi) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the Issuer and (vii) the fees for bond ratings and credit enhancement fees or premiums, if any. The Issuer shall also pay for any expenses (included in the expense component of the Underwriter's discount) incurred by the Underwriter which are incidental to implementing this Agreement and the issuance of the Bonds, including miscellaneous closing costs.

(b) The Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Bonds and (ii) all other expenses incurred by them in connection with the public offering of the Bonds.

(c) If this Agreement shall be terminated by the Underwriter because of any failure or refusal on the part of the Issuer to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Issuer shall be unable to perform its obligations under this Agreement, the Issuer will reimburse the Underwriter for all "out-of-pocket" expenses (including the fees and disbursements of counsel to the Underwriter) reasonably incurred by the Underwriter in connection with this Agreement or the offering contemplated hereunder.

(d) The Issuer acknowledges that it has had an opportunity to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

10. Notices. Any notice or other communication to be given to the Issuer under this Agreement may be given by delivering the same in writing to the address set forth on the first page of this Agreement, and any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to Piper Sandler & Co., 2525 East Camelback Road, Suite 950, Phoenix, Arizona 85016, Attention: William Davis.

11. Parties in Interest. This Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Issuer and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the Issuer. All of the Issuer's representations, warranties and agreements contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Agreement and (iii) any termination of this Agreement.

12. Effectiveness. This Agreement shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance.

13. Choice of Law. This Agreement shall be governed by and construed in accordance with the law of the State.

14. Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any

Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

15. Business Day. For purposes of this Agreement, “business day” means any day on which the New York Stock Exchange is open for trading.

16. Section Headings. Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

17. Counterparts. This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

18. Notice Concerning Cancellation of Contracts. To the extent applicable by provision of law, this Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated herein.

[Remainder of page left blank intentionally]

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Underwriter. This Agreement shall become a binding agreement between you and the Underwriter when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

PIPER SANDLER & CO.

By _____
Authorized Officer

ACCEPTED AND AGREED AT
__:___.M., M.S.T., THIS _____ DAY
OF _____, 2024:

CITY OF FLAGSTAFF, ARIZONA

By _____
Management Services Director

ATTEST:

Clerk

APPROVED AS TO FORM:

Bond Counsel

[Signature page of Bond Purchase Agreement]

SCHEDULE I

\$[PAR-A]
CITY OF FLAGSTAFF ARIZONA
GENERAL OBLIGATION BONDS,
SERIES 2024A

DATED DATE: CLOSING DATE

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
	\$	%	%

* Yield calculated to July 1, 20__, the first optional redemption date.

Optional Redemption of the 2024A Bonds. The 2024A Bonds maturing on and prior to July 1, 20__ will not be subject to redemption prior to their stated maturity dates. The 2024A Bonds maturing on and after July 1, 20__ will be subject to optional redemption prior to maturity, at the direction of the Issuer, in whole or in part in denominations of \$5,000 or integral multiples thereof from maturities selected by the Issuer, on July 1, 20__ and on any date thereafter, at a redemption price equal to the principal amount of 2024A Bonds being redeemed plus accrued interest to the date fixed for redemption, without premium.

\$[PAR-B]
CITY OF FLAGSTAFF ARIZONA
GENERAL OBLIGATION BONDS,
TAXABLE SERIES 2024B

DATED DATE: CLOSING DATE

<u>Maturity Date</u> (July 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
	\$	%	%

No Prior Redemption of the Taxable Bonds. The Taxable Bonds will not be subject to redemption prior to their stated maturity dates.

\$[PAR-C]
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2024C

DATED DATE: CLOSING DATE

<u>Maturity Date</u> (July 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
	\$	%	%

No Prior Redemption of the Refunding Bonds. The Refunding Bonds will not be subject to optional redemption prior to their stated maturity dates.

[SCHEDULE II]

\$(PAR-A)
CITY OF FLAGSTAFF ARIZONA
GENERAL OBLIGATION BONDS,
SERIES 2024A

DATED DATE: CLOSING DATE

Maturities for Which the 10% Test Has Been Met

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
	\$	%	%	%

Maturities for Which the 10% Test Has Not Been Met

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
	\$	%	%	%

[*Yield calculated to July 1, 20__, the first optional redemption date.]

\$[PAR-C]
CITY OF FLAGSTAFF ARIZONA
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2024C

DATED DATE: CLOSING DATE

Maturities for Which the 10% Test Has Been Met

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
	\$	%	%	%

Maturities for Which the 10% Test Has Not Been Met

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
	\$	%	%	%

EXHIBIT A

FORM OF ISSUE PRICE CERTIFICATE

Piper Sandler & Co. (“Piper”), as Underwriter for the General Obligation Bonds, Series 2024A (the “Series 2024A Bonds”) and the General Obligation Refunding Bonds, Series 2024C (the “Refunding Bonds” and, together with the 2024A Bonds, the “Bonds”), issued by the City of Flagstaff, Arizona (the “City”), based on its knowledge regarding the sale of the Bonds, certifies as of this date as follows:

[If the issue price is determined using only the general rule (actual sales of at least 10%) in Regulations § 1.148-1(f)(2)(i):

(A) As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A (the “Sale Price” as applicable to respective Maturities). The aggregate of the Sale Prices of each Maturity of the Bonds is \$_____ (the “Issue Price”).]

[If the issue price is determined using a combination of actual sales (Regulations § 1.148-1(f)(2)(i)) and hold-the-offering-price (Regulations § 1.148-1(f)(2)(ii):

(A) As of the date of this certificate, for each Maturity listed on Schedule A as the “General Rule Maturities,” the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A (the “Sale Price” as applicable to each Maturity of the General Rule Maturities).

(B) On or before the Sale Date, Piper offered the Maturities listed on Schedule A as the “Hold-the-Offering-Price Maturities” to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices” as applicable to each Maturity of the Hold-the-Offering-Price Maturities). A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(C) As set forth in the Bond Purchase Agreement, dated [Pricing Date], 2024, between the City and Piper, Piper has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any portion of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, Piper has not offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

(D) The aggregate of the Sale Prices of the General Rule Maturities and the Initial Offering Prices of the Hold-the-Offering-Price Maturities is \$[_____] (the “Issue Price”).]

[If the issue price is determined using only the hold-the-offering-price rule in Regulations § 1.148-1(f)(2)(ii):

(A) Piper offered, on or before the Sale Date, each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”). A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B. The aggregate of the Initial Offering Prices of each Maturity is \$[_____] (the “Issue Price”).

(B) As set forth in the Bond Purchase Agreement, dated [Pricing Date], 2024, between Piper and the City, Piper has agreed in writing that, (i) for each Maturity of the Bonds, it would neither offer nor sell any portion of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, Piper has not offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

[(B),(E), or (C)] Definitions. [NOTE: If issue price is determined using only the general rule (actual sales of 10%), delete the definitions of “Holding Period” and “Sale Date.”]

[“Holding Period” means, for each Hold-the-Offering-Price Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which Piper has sold at least 10% of such Maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price for such Maturity.]

“Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

“Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

[“Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Issue is [PRICING DATE].]

“Underwriter” means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

All capitalized terms not defined in this Certificate have the meaning set forth in City's Certificate Regarding Federal Tax Matters.

The signer is an officer of Piper and duly authorized to execute and deliver this Certificate of Piper. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Piper's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the Certificate Regarding Federal Tax Matters and with respect to compliance with the federal income tax rules affecting the Bonds, and by Greenberg Traurig, LLP, as bond counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the City from time to time relating to the Bonds.

Dated: [Closing Date], 2024

PIPER SANDLER & CO.

By: _____

Title: _____

SCHEDULE A

[General Rule Maturities for the 2024A Bonds]

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Issue Price</u>
	\$	%	%	%	\$

[Hold-the-Offering-Price Maturities for the 2024A Bonds]

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Issue Price</u>
	\$	%	%	%	\$

[*Yield and Price calculated to July 1, 20__, the first optional redemption date.]

[General Rule Maturities for the Refunding Bonds]

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Issue Price</u>
	\$	%	%	%	\$

[Hold-the-Offering Price Maturities for the Refunding Bonds]

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Issue Price</u>
	\$	%	%	%	\$

SCHEDULE B

[Actual Sales for Undersold Maturities as of the Closing Date

<u>Maturity/CUSIP</u>	<u>Date Sold</u>	<u>Time Sold</u>	<u>Par Amount</u>	<u>Sale Price</u>
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**]

[PRICING WIRE OR EQUIVALENT COMMUNICATION]

(Attached)

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Brandi Suda, Finance Director
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE:

Consideration and Approval of Audited Financial Reports: Year ending June 30, 2023

STAFF RECOMMENDED ACTION:

Approve the FY 2022-2023 Annual Comprehensive Financial Report and the FY 2022-2023 Single Audit Report

Executive Summary:

The City is required to perform an annual audit each year, pursuant to Arizona Revised Statutes (A.R.S.) Section 9-481 and the City Charter (Article VI, Section 5); this audit is commonly known as the Annual Comprehensive Financial Report (ACFR). The ACFR is reviewed by an independent auditor to provide reasonable assurance that the financial statements are free of material misstatements. In addition, the City also obtains an annual Single Audit as a condition of receiving federal assistance in excess of \$750,000. An independent auditor performs the Single Audit.

Pursuant to A.R.S. Section 9-481, the certified public accountant who performed the audit is to present audit results and any findings to the council in a regular meeting, without the use of a consent agenda, within 90 days of audit completion.

Financial Impact:

There is no financial impact on approving the City's Fiscal Year 2022-2023 Annual Comprehensive Financial Report (ACFR) or the FY 2022-2023 Single Audit. However, should the City not perform an annual audit of its financial statements and complete a Single Audit, the City could lose valuable grant funding. The amount of reimbursements of Federal Award reported for in the Fiscal Year 2022- 2023 was \$15.1 million. State and local grant funding totaled \$3.4 million in Fiscal Year 2022-2023.

Policy Impact:

None.

Previous Council Decision or Community Discussion:

None.

Options and Alternatives to Recommended Action:

- Approve the City's FY 2022-2023 ACFR and FY 2022-2023 Single Audit Report.
- Do not approve the City's FY 2022-2023 ACFR, FY 2022-2023 Single Audit report, and provide direction to the Audit Committee or independent auditor to address Council's questions/issues.

Background and History:

The City is required to perform an independent annual financial audit per City Charter Article VI, Section 5 which states:

"Prior to the end of each fiscal year, the Council shall designate an independent Certified Public Accountant, who, as of the end of the fiscal year, shall make up an audit of accounts and other evidence of financial transactions of the City government, and shall submit a long-form report, including recommendations concerning policy and fiscal procedures, to the Council, and to the City Manager. Such accountant shall have no personal interest, direct or indirect, in the fiscal affairs of the City government or of any of its officers. The accountant shall, within specifications approved by the Council, post-audit the books and documents kept by the City, and any separate or subordinate accounts kept by any other office, department, or agency of the City government."

In addition to the financial audit, the City is required to complete a Single Audit because it receives more than \$750,000 in federal assistance. The City has hired Heinfeld, Meech & Company, P.C. (the Auditors). The Auditors work directly with the Finance Staff as well as other City Divisions & Sections to complete a review of the City's financial data and internal controls. The financial reports are the responsibility of the City and are based on the activity of the fiscal year. The ACFR is presented in accordance with all standards as defined by the Government Accounting Standards Board (GASB). The Auditors are not responsible for reviewing every transaction for the fiscal year, however, based on the standards the Auditors plan and perform the audit to obtain reasonable assurance that the statements are free of material misstatements. The Auditors prepare the Single Audit which is an independent assessment of City finances and includes a schedule of expenditures of federal fund awards.

The City has established an Audit Committee to review the financial reports and findings (ACFR and the Single Audit). The committee discusses the information and makes a recommendation to Council to accept or reject the financial reports. The Audit Committee is represented by a City Councilmember, the City Manager, and the Management Services Director:

- Lori Matthews, Councilmember
- David Cospers, CPA
- John Cortese, CPA, MBA
- Jennifer Stevenson
- Greg Clifton, City Manager
- Rick Tadder, Management Services Director

The financial reports were reviewed by the Audit Committee through a presentation by the Auditors. The presentation of the financial reports to the Audit Committee occurred on March 6, 2024, and was facilitated by Rick Tadder, Management Services Director and Michael Lauzon with Heinfeld, Meech and Company, P.C.

Connection to PBB Priorities and Objectives:

Financial Reporting supports the Key Community Priority of High Performing Governance by furthering the following associated Objectives:

- Encourage public trust through transparency...
- Maintain the organization's fiscal stability through strong financial policies and best practices, and
- Implement and communicate innovative and efficient local government programs, new ideas, and best practices

Connection to Regional Plan:

None.

Connection to Carbon Neutrality Plan:

None.

Connection to 10-Year Housing Plan:

None.

Attachments: [Presentation](#)

Annual Comprehensive Financial Statement FY2022-2023
Single Audit Report FY2022-2023
Governance Communication FY2022-2023



CITY OF FLAGSTAFF



Presentation of the City of Flagstaff Annual Audit for the Fiscal Year Ended June 30, 2023

Michael Loren Lauzon, CPA, MBA

James Shankland, CPA

Shauna R. Brewster, CPA, MBA



Audit Requirements

- The City is required by City Charter and State Statute to issue an annual audited financial report, and federal law requires the City to undergo an annual Single Audit of federal financial assistance
- Effective September 29, 2021, ARS §9-481(H), as amended by Laws 2021, Ch 427, §1, auditors must present audit results and any findings to the Council in a regular meeting without the use of a consent agenda within 90 days of audit completion.
- Annual Comprehensive Financial Report (ACFR) posted online; at least 5 years of reports are required to be posted.

Importance of the Audit

- Verify management representations regarding finances
- Demonstrate stewardship and accountability to:
 - **Citizens**
 - **City Council**
 - **Grantors**
 - **Federal and state agencies**
 - **Bond holders**
 - **IRS**
 - **Creditors**
- Review compliance with certain laws and regulations
- Governing body ultimately must ensure management fulfills its responsibility

Audit Process



Engagement letter and initial planning of the audit began in July



Site visits in August, October, and November

August visit was primarily focused on internal controls and federal compliance

October/November visits were primarily focused on substantive testwork of the City's general ledger balances and ACFR



Various audit procedures performed remotely between site visits

Audit requests and documentation communicated through use of Engagement Organizer software, or provided on-site



Annual Comprehensive Financial Report and Single Audit both issued on December 20, 2023

Audit Methodology

Financial

- General ledger is obtained from City
- Significant audit areas are identified and procedures are planned to address risk
- Internal controls are documented and evaluated
- Substantive testwork is completed
 - Cash, revenue, expenditures, debt, pension, capital assets, etc.
- Analytical testwork is performed during both planning and conclusion phases of audit

Federal

- Draft Schedule of Expenditures of Federal Awards (SEFA) is obtained from City staff
- Risk assessment-based approach used to select major federal programs for the year
- Applicable compliance requirements are identified by program
 - Ex: Activities Allowed or Unallowed, Eligibility, Reporting, Subrecipient Monitoring
- Tests of controls over compliance performed
- Tests of compliance performed

Reports Issued

- Annual Comprehensive Financial Report (ACFR)
- Single Audit report (SA)
- Examination report on compliance with Highway User Revenue Fund (HURF) monies
- Annual Expenditure Limitation (AELR) examination
- Agreed-upon-procedures related to ADEQ landfill requirements
- Agreed-upon-procedures related to HUD FDS & REAC submissions
- Report on compliance with Passenger Facility Charge Program

- Due dates
 - ACFR due by December 31
 - Other reports typically due by 3/31, with a few exceptions
- All reports have met the required deadlines or will

Financial Audit Highlights – ACFR



Unmodified opinion - highest opinion we can give

Not a statement of perfection but that the “financial statements are materially free from misstatement due to error or fraud”

The purpose of a financial audit is not to catch fraud but rather to review material amounts on the financial statements and for compliance with state or federal requirements



No internal control deficiencies noted

Not giving an opinion on internal control, although if we uncover any material weaknesses or significant deficiencies in internal control, we are required to disclose those



Implementation of GASB Statement No. 96 related to subscription based technology agreements



Issued in time to meet the GFOA submission for the *Certificate of Achievement for Excellence in Financial Reporting*

Single Audit Highlights



City qualifies as a low-risk auditee based on prior audit results

Unmodified opinion on compliance with federal requirements - highest opinion we can give

Tested the following federal programs:

- Emergency Watershed Protection Program (10.923)
- Airport Improvement Program (20.106)

Total federal expenditures of \$15.1 million

Audit coverage = approximately 40% of federal expenditures

Questions?

Audit Team Contacts:

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Audit Partner

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James Shankland, CPA

Audit Manager & Main Liaison with City Staff

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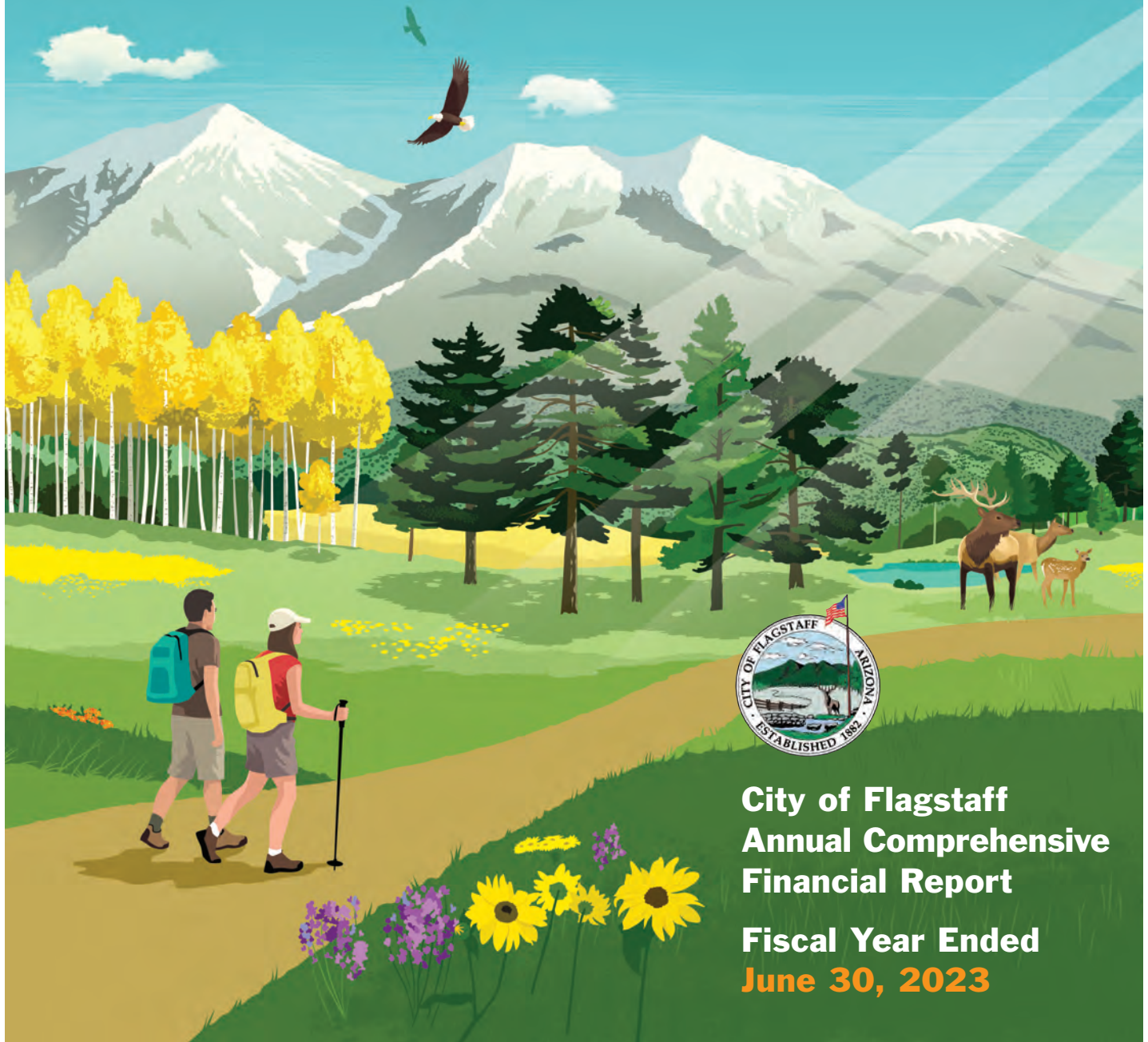
Shauna R. Brewster, CPA, MBA

Audit Manager

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Yep, THAT'S FLAGSTAFF!



**City of Flagstaff
Annual Comprehensive
Financial Report
Fiscal Year Ended
June 30, 2023**

F L A G S T A F F , A R I Z O N A



Annual Comprehensive Financial Report

For Fiscal Year Ended
June 30, 2023

City of Flagstaff, Arizona



**Prepared By:
Management Services Division
Finance Section**



City of Flagstaff
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

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City of Flagstaff

December 20, 2023

To the Honorable Mayor, City Council and Citizens of the City of Flagstaff, Arizona:

I am pleased to submit the Annual Comprehensive Financial Report for the City of Flagstaff, Arizona for the fiscal year ended June 30, 2023, as required by Article VI, Section 5 of the City Charter. This report is published to fulfill that requirement for the fiscal year ended June 30, 2023.

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of Flagstaff are protected from loss, theft or misuse and that adequate accounting data is compiled to allow for the preparation of the basic financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Flagstaff's comprehensive framework of internal controls have been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Heinfeld, Meech & Co., P.C., a firm of licensed certified public accountants, have issued an unmodified ("clean") opinion on the City of Flagstaff's financial statements for the year ended June 30, 2023. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

City of Flagstaff Profile

Flagstaff is located in Coconino County, Arizona at the intersection of Interstate 17 and Interstate 40. Flagstaff is the largest city in Northern Arizona and is the regional center and county seat for Coconino County, the second largest county in the 48 contiguous states. The 2023 Arizona Department of Administration population of 79,665. The City of Flagstaff became a town in 1894, incorporated as a city in 1928 and its boundaries currently encompass an area of approximately 66 square miles. Flagstaff is nestled at the base of the San Francisco Peaks and is surrounded by one of the largest ponderosa pine forests on earth. Flagstaff drew its name from a very tall pine tree made into a flagpole in 1876 to celebrate our nation's centennial. At nearly 7,000 feet, Flagstaff is one of the highest elevation cities in the United States.

The City of Flagstaff operates under a council-manager form of government as provided by its Charter. The Mayor is elected at large on a non-partisan ballot for a two-year term and six City

Council members are elected at large on a non-partisan ballot for four-year terms. The City Council appoints the City Manager, who has full responsibility for carrying out City Council policies and administering City operations. The City Manager, in turn, appoints City employees and division heads under service procedures specified by Charter.

The City of Flagstaff provides a full range of services including General Government, Police and Fire Protection, Environmental Services, Transportation, Library, Parks, Recreation, Airport, Water, Wastewater, Housing Authority and Stormwater services.

The annual budget serves as the foundation for the City of Flagstaff's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for all funds and entities related to the City of Flagstaff. All funds and entities are included in the basic financial statements. The City Manager submits to the City Council each spring a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. A public hearing is held prior to the budget's final adoption and tax levy in order to obtain taxpayer comments. The budget is legally enacted through the passage of a resolution and the tax levy is adopted by an ordinance. The resolution sets the limit for expenditures during the fiscal year. The legal level of control for the budget is the division level. Additional expenditures may be authorized for unanticipated and/or inadequately budgeted events threatening the public's health or safety as prescribed in Article 9, Section 20 of the State Constitution.

Local Economy

The City of Flagstaff continues to experience positive economic growth in our community. At June 30, 2023, overall General Fund revenues, excluding leases, grants, contributions and other financing resources, were well above the adopted budget for the fiscal year, \$7.0 million over budget. The biggest contributors to the revenue growth were retail sales, state shared sales tax and building permits. Court collections was the one category in the General Fund that did not meet budget.

Employment

Flagstaff is a governmental, educational, transportation, cultural and commercial center. Government is one of the largest employment sectors. Major private employers in the Flagstaff area include Flagstaff Medical Center, W. L. Gore and Associates, Walmart, Grand Canyon Railway and Nestle Purina Pet Care. Major public employers in the Flagstaff area include Northern Arizona University (NAU), Flagstaff Unified School District, Coconino County, City of Flagstaff, U.S. Forest Service and Coconino Community College. Northern Arizona University, the largest employer in the City, has a major economic impact annually. It is the home of over 28,194 students in 128 bachelor's degree programs and 16 areas of interest for graduate degree programs. In addition, NAU's year-round use of its campus facilities draws in tourists from throughout the world. Campus activities include a multitude of music, educational and athletic camps, as well as a broad variety of conferences from across the nation.

Tourism is also a large employment sector. Based on a variety of data points, including our trusted partners at Arizona Office of Tourism, the Flagstaff tourism economy is at record levels of visitation and dollars spent. This statistic is despite the fact that international travel has yet to fully rebound for destinations like Flagstaff. The gap of international travel to Flagstaff has been closed by an increase in domestic customers traveling to our mountain town. Tourism is a year-round industry attracting skiers in the winter, vacationers in the summer and sightseers viewing the aspens turning gold in the fall.

Transaction Privilege Taxes (Sales Taxes)

Transaction privilege taxes are often referred to as sales taxes. Sales taxes are the largest revenue resource for the City of Flagstaff's General Fund. The City currently has a combined sales tax rate of 2.281%, excluding a tax on food for home consumption (groceries). There is an additional 2% sales tax rate that applies only to hotels, restaurants and bars. This is also known as bed, board and beverage (BBB) tax. The City of Flagstaff collects four different sales taxes.

General Sales Tax

The first is a 1% tax on all taxable sales. This is a general-purpose tax that benefits the General Fund. The City of Flagstaff is the only city left in the State of Arizona that has a sunset clause on the general sales tax. At the November 2020 election, voters approved the continuation of the sales tax through June 30, 2035. Per Schedule 5 in the statistical section, the 1% general city sales tax receipts saw an increase of 3.9% compared to the prior fiscal year based on the modified accrual method. The average increase over the past five years is 7.4%. Every sales tax category except Use Tax had an increase over prior year. Retail, the largest category for sales tax, grew just 1.8% (\$282,586). The City of Flagstaff's Hotels/Motels and Restaurants/Bars categories continued strong growth in FY 2022-2023 with 7% and 5% increases respectively. While the state is responsible for collections and auditing, the City continues to work with an external auditor to review tax collections and provide audits. The City continues to follow its' practice to not allocate 100% of sales tax revenues to ongoing budgetary needs due to the potential of fluctuation in recessionary periods.

Bed, Board and Beverage Tax

Bed, board and beverage (BBB) tax collects an additional 2% for motel rooms/campgrounds, restaurants and bars. This revenue is restricted in use to certain economic development, arts, beautification, parks and recreation or tourism activities. The BBB tax also has a sunset clause and is currently authorized until 2028. Tourism is a major industry to the City of Flagstaff's local economy. Per Schedule 5, this tax category saw a 6.7% increase over the prior year based on the modified accrual method. This is the is after coming of two years of BBB taxes increased greater than 18%. The average increase over the past five years is 7.9%.

Transportation Taxes

The transportation tax is a 1.281% sales tax on the same types of general sales; however, the tax is restricted in use to certain transportation projects. Per Schedule 5, this tax category saw a 6.1% increase over the prior year based on the modified accrual method. The four components of this tax include transportation (0.426%), transit (0.295%), road repair and street safety (0.330%), and Butler/Route 66 overpass (0.230%). Revenue trends are the same as the general sales tax. The transit component of the tax was approved by voters to extend for an additional ten years and will expire June 30, 2030. Voters approved the extension of the transportation tax for roadway, pedestrian, bicycle and safety improvements and will expire June 30, 2041. Voters approved a road repair and street safety tax which is set to expire December 31, 2034. Voters approved a tax increase to construct a railroad overpass to connect Route 66 to Butler Avenue which expires June 30, 2039.

State Shared Revenues

Sales tax, income tax and vehicle registration tax: State shared revenues include a distribution of a portion of sales tax, income tax and vehicle registration tax collected by the State. A portion of the tax collections is distributed to cities and towns based on relative share of population in comparison with all other cities and

towns. The population estimates are based on annual population estimates provided by the US Census Bureau except for census years. State shared sales tax revenues have increased for the thirteenth year in a row. For FY 2022-2023 there was a 6.0% growth in our share of these revenues. State income tax revenues increased by 42.2%. State shared income taxes are based on two years prior of tax collection, so they generally meet budget expectations. The City of Flagstaff anticipated this increase which was related to an extension of the income tax return due date from April to July in 2020 resulting in a large increase after a prior year decrease. State shared vehicle registration tax revenues increased by 5.0%.

Highway user revenue (gas tax): These revenues are distributed based on a complex Arizona Department of Transportation formula, based in part on the amount of fuel purchased in the region. This is a per gallon tax. The City generally benefits from lower gas prices and higher public consumption. Highway user revenues increased by 1.6%. We saw higher gas prices which likely led to less fuel purchased.

Overall, these state shared revenues grew by 16.0% in FY 2022-2023 and 4.2% excluding the large increase in state shared income tax.

Property Taxes

Excluding new construction, total assessed valuations have increased 3.4% for tax year 2022, FY 2022-2023. With new construction, total assessed valuations increased 1.3% for the tax year. Cities are statutorily allowed to set a primary property tax rate that would allow for 2% annual growth in levy (revenue) plus the additional levy generated from new construction. When the City of Flagstaff does not take advantage of the statutorily allowed 2% annual increase, it does not lose the ability to take the increase in the future. For FY 2023-2024 (tax year 2023) the City of Flagstaff did not adopt a rate that increased our levy by 2% the allowable limit. We are currently at 8% below the maximum allowable levy.

Additional Information

The FY 2023-2024 budget was adopted based on conservative estimates due to an uncertain economy related to inflation and potential recession. At budget adoption the City of Flagstaff is anticipating seeing healthy increases in General Fund budgeted revenue in FY 2022-2023 (excluding grants, miscellaneous revenue, rents and other financing sources) by 12% primarily related to our 1% sales tax and our state shared income tax revenues. Through September 2023, sales tax revenues are 1.0% below prior year to date actuals and state shared sales taxes are 2.6% above prior year to date actuals. The City of Flagstaff increased its overall staffing count by 24.22 full-time equivalencies for the upcoming fiscal year.

Flagstaff is a community that is striving in many areas including science and technology, education, real estate and development, arts and culture, tourism, outdoor activities, transportation and health. NAU is reporting a small increase in student enrollment fall for the Flagstaff campus. The city has also seen six new student housing developments opened in the last five years. Development within the City continues to be very strong in every sector; residential, commercial, industrial, mixed use and subdivisions. There are twelve subdivisions currently in various stages of development from preliminary plat review to construction. The City operates a municipal airport which has one airline providing service at June 30, 2023. The airline provides daily service to Phoenix and Dallas. The airport and airlines were greatly impacted during the pandemic. The City was fortunate to receive over \$20 million in federal funding which will be used to cover annual operating costs of the airport and enhance COVID-19 protections.

Our latest public offering occurred in June 2020 where the City received an AA- stable rating for our certificates of participation bonds from Standards and Poor and Fitch Rating Agency in relation to issuing

pension financing. The ability to maintain this rating during an economic recession demonstrates the strength of the City's financial planning including the development of the economic recession plan.

Public Safety Personnel Pension Financing

The City of Flagstaff has two separate public safety pension plans that are managed by the Public Safety Personnel Retirement System (PSPRS). While all the PSPRS plans are managed by the State, each plan within PSPRS stands alone by the City of Flagstaff and the employee groups. The two plans for the City of Flagstaff are the PSPRS-Fire and the PSPRS-Police. As of the latest Public Safety Personnel Retirement System (PSPRS) for the reporting period ending June 30, 2022, both Fire and Police pension plans are funded above 104% and 101% respectively.

During FY 2020-2021, the City issued \$131.0 million of Certificates of Participation debt to achieve 100% funded plans for police and fire personnel. For the pension financing, the City was able to achieve several key objectives:

- 100% funding of the City's public safety pension plan
- Reduce annual payments substantially, thereby easing the burden on the City's General Fund
- Level off future payments (the previous pension actuarial schedule had significant increases in annual debt payments in future years)
- Set up a contingency reserve fund to mitigate the risks of changing markets and actuarial assumptions
- Pay off the debt in 20 years versus the original 28-year plan

The City created a Contingency Reserve Fund Policy which was adopted by ordinance. The policy provides formal direction on rules for investments, rules for reserve fund draws, rules for replenishment of the reserve funds and sizing of the reserve funds. The City has more than \$15.0 million in its contingency reserve fund to manage changes on our annual actuarial plans.

Annually the City of Flagstaff adopts a PSPRS Pension Funding Policy. The policy demonstrates how the City of Flagstaff will manage and fund our public safety pension plans and maintain plans that are funded at or greater than 100%. During fiscal year 2022-2023, pension returns met the anticipated 7.2% rate of return. Currently we anticipate our pension plans will be above 100% funded to the reporting period ending June 30, 2023. The report is expected to be released in December.

Long-Term Financial Planning

The City's responsiveness to emerging economic challenges and its careful long-range planning have been key factors in the City of Flagstaff's fiscal health. The City of Flagstaff continues to plan in a five-to-ten-year horizon as economic conditions change. Some of these financial plan elements are financial resource planning, multi-year budget planning, strategic capital improvement project planning, financial policy planning and economic recession planning, all of which are further identified below.

Financial Resource Planning

Strategic financial planning begins with determining the City of Flagstaff's fiscal capacity based upon long-term financial forecasts of recurring available revenues. Financial forecasts coupled with financial trend analysis help preserve the fiscal well-being of the City of Flagstaff. Strategic financial capacity planning is

a critical element to reach long-term financial stability goals and to determine special financial needs for critical objectives of the City Council.

Multi-Year Budget Planning

Multi-year budget planning encompasses long-range operating expenditure plans (including the operating impacts of capital projects), which are linked to the community expectations and broad goals of the City Council. The multi-year approach provides a better opportunity for staff to change its financial paradigm from what do we need this year to how do we accomplish our service objectives over-time, given our financial capacity. While the City of Flagstaff is required to adopt an annual budget to meet State statutory requirements, the City of Flagstaff builds a financial plan for the next five years to help anticipate future impacts and ensure achievement of City objectives within limited or decreasing resources.

Strategic Capital Improvement Project Planning

City of Flagstaff capital improvement projects are planned for five or more years and analyzed using City of Flagstaff specific prioritization criteria. The operating cost impacts of projects are also planned and considered in developing future operating budget plans. Projects with significant operating impacts are carefully timed to avoid contingent liabilities, which future operating resources cannot meet. Pay-as-you-go funding sources are also conservatively estimated to avoid over-committing to capital construction using revenues that are not certain. To the extent debt financing is used and/or required, capital project plans are sized to conform to existing debt management policies.

Financial Policy Planning

The City of Flagstaff financial policies dictate minimum fund balance levels, as a percentage of operating revenues, for the General, Special Revenue and Enterprise Funds. The General Fund is required to maintain a fund balance of 15% of ongoing revenues and Special Revenue and Enterprise Funds are to maintain a 10% fund balance, as calculated against ongoing revenues. The City has made a commitment to maintain General Fund balance at 20%, exceeding policy, to position the City better in times of economic decline. City Council adopted a Water, Wastewater and Reclaimed Water policy that sets a goal of minimum fund balance at 25% and new rates were recently adopted to achieve this goal.

Economic Recession Planning

The City of Flagstaff adopted an Economic Recession Plan for the organization. The purpose of the plan is to help understand the indicator and impacts a reduction in revenues will have on the various funds of the City as well as understanding the roles of unrestricted fund balance and contingencies have in economic planning. The plan further develops remedial action to be taken based on the amount of revenues being impacted. There are five stages of the plan, Alert/Minor, Moderate, Significant, Major and Crisis. The plan was adopted by Council in April 2020.

Priority Based Budgeting

The City is using Priority Based Budgeting related to operational budget for City programs. Priority Based Budgeting is a leading best practice in local governments and a powerful lever for change. ResourceX provides the software solution and powerful analytic tools to implement a Priority Based Budget using data and evidence to transparently and exponentially improve results for citizens and the community.

The underlying philosophy of priority-driven budgeting is about how a government entity should invest resources to meet its stated priorities. It helps us to better articulate why the services we offer exist, what is the price we pay for them, and, consequently, what value they offer citizens. The principles associated with this philosophy of budgeting are: to prioritize services, do the important things well, look at and evaluate past patterns of spending, spend within the organization's means, know the true cost of doing business, provide transparency of community priorities, provide transparency of service impacts and to be accountable for the results.

Key Community Priorities and Objectives

Below are the Key Community Priorities and Objectives for the City of Flagstaff most recently used:

High Performing Governance

- Serve the public by providing high quality customer service
- Foster community-wide clear and consistent communication strategies and products
- Encourage public trust through transparency, accessibility and use of the City's public participation policy
- Enhance the organization's fiscal stability and increase efficiency and effectiveness
- Implement innovative local government programs, new ideas and best practices; be recognized as a model for others to follow
- Be an employer of choice through inclusive recruitment and by providing employees with the necessary tools, training, support and compensation

Safe and Healthy Community

- Enhance community engagement and strengthen relationships between the community and public safety services
- Support social services, community partners and housing opportunities
- Provide alternative responses, resources and programs, inclusive of mental health and other services
- Provide public safety services with resources, staff and training responsive to the community's needs
- Promote physical health through providing recreation opportunities, parks, open space and multiple transportation options
- Ensure the built environment is safe through the use of consistent standards, rules and regulations, and land use practices

Inclusive and Engaged Community

- Foster community pride and civic engagement by increasing opportunities for public involvement, in line with best practices and legal requirements
- Advance social equity and social justice in Flagstaff by supporting social services
- Facilitate and foster diversity and inclusivity, including support of anti-racist policies and practices
- Enhance community involvement, education and regional partnerships to strengthen the level of public trust
- Ensure City facilities, services, and programs are accessible for all residents and representative of Flagstaff's diverse community
- Promote environmental justice and the fair distribution of environmental benefits

Sustainable, Innovative Infrastructure

- Deliver outstanding services to residents through a healthy, well maintained infrastructure system
- Utilize existing long- range plan(s) that identify the community's future infrastructure needs and all associated costs
- Provide effective management of and infrastructure for all modes of transportation
- Facilitate and develop carbon-neutral energy opportunities
- Support the community's social infrastructure needs; assist those partner organizations that provide services the City does not

Robust Resilient Economy

- Support and strengthen a more robust, diverse, and sustainable economy in ways that reflect community values and provides for affordable housing opportunities
- Maintain and enhance an equitable and effective business recruitment, retention, and expansion program throughout the community
- Enhance understanding between the development community, the City and Flagstaff residents
- Attract employers that provide high quality jobs and have a low impact on infrastructure and natural resources
- Enhance the community's workforce development programs and improve partnerships with higher education institutions and the private and public sectors
- Embrace and invest in responsible tourism opportunities to promote economic development

Livable Community

- Create a welcoming community through partnerships, resilient neighborhoods, and civic engagement
- Provide amenities and activities that support a healthy lifestyle
- Support regional partners which provide equitable and inclusive educational opportunities for Flagstaff residents of all ages
- Actively support attainable and affordable housing through City projects and opportunities with developers
- Support diverse employment opportunities that provide residents with a living wage
- Achieve a well-maintained community through comprehensive and equitable code compliance, and development that is compatible with community values

Environmental Stewardship

- Promote, protect and enhance a healthy, sustainable environment and its natural resources
- Engage community members through education and volunteer opportunities
- Implement sustainable building practices, enhance waste diversion programs, alternative energy programs and multi-modal transportation options
- Increase the private sector's participation in environmental stewardship efforts
- Implement, maintain and further the Climate Action and Adaptation Plan (CAAP) with awareness of social inequities
- Strengthen Flagstaff's resilience to climate change impacts on built, natural, economic, health, and social systems

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Flagstaff for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2022. This was the 29th consecutive year that the City has achieved this prestigious award. In order to receive a Certificate of Achievement, the City had to publish an easily readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current ACFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for our fiscal year 2022-2023 annual budget (29 years in a row). To qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device.

The preparation of this report would not have been possible without the skill, effort and dedication of the entire staff of the Management Services Division. A special note of appreciation is given to Brandi Suda, Finance Director, Heidi Derryberry, Assistant Finance Director, Martin Donohoe, Assistant Finance Manager, and the dedicated staff in Finance for their efforts to prepare this year's report. The hard work of staff brings together a document that consistently receives recognition of its quality. We wish to thank all government divisions for their assistance in providing the data necessary to prepare this report. Credit also is due to the Mayor and Council for their support for maintaining the highest standards of professionalism in the management of the City of Flagstaff finances.

Respectfully submitted,



Rick Tadder
Management Services Director/City Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

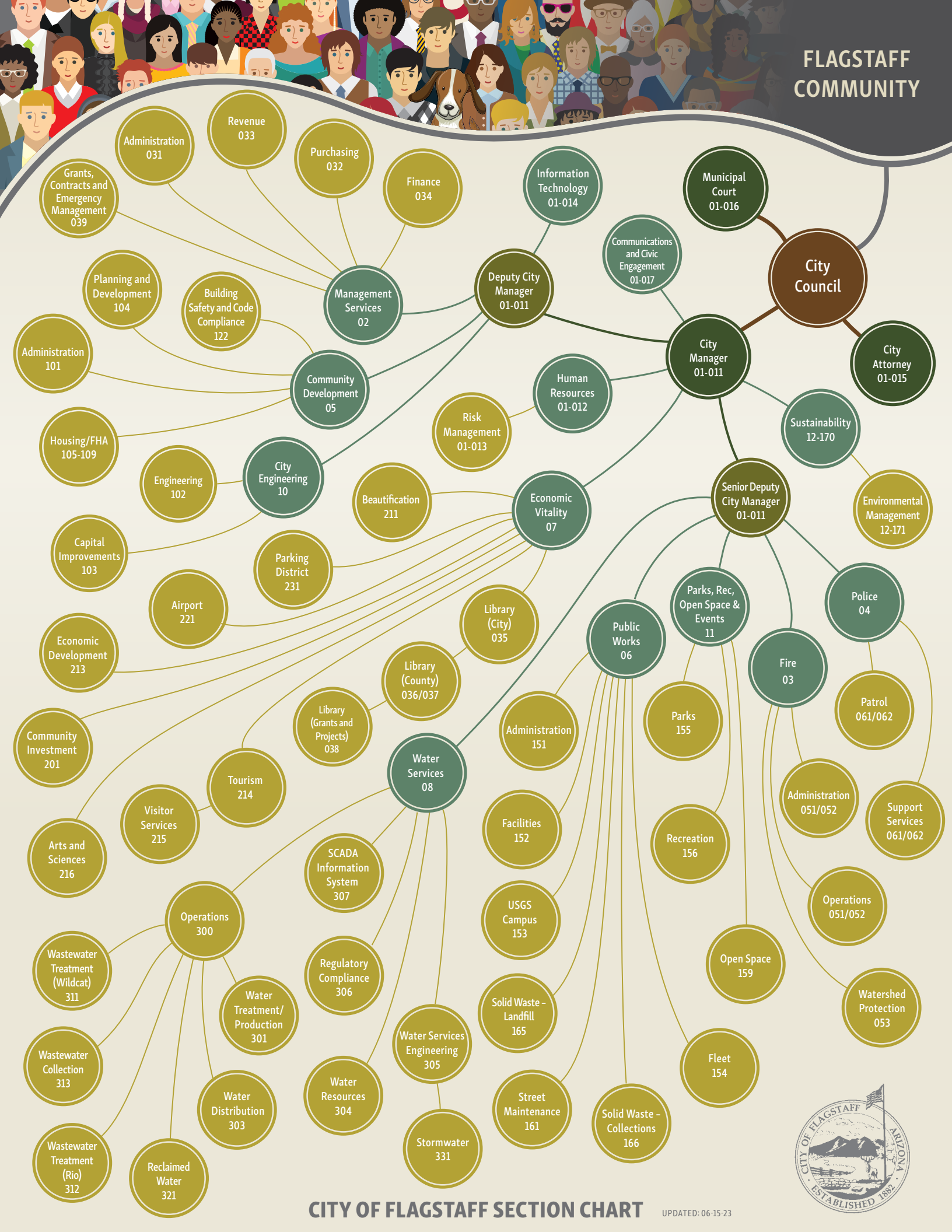
**City of Flagstaff
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



City of Flagstaff, Arizona
List of Elected and Appointed Officials
June 30, 2023

Elected Officials

Mayor Becky Daggett
Vice Mayor Austin Aslan
Councilmember Deborah Harris
Councilmember Khara House
Councilmember Lori Matthews
Councilmember Jim McCarthy
Councilmember Miranda Sweet

Appointed Officials

City Manager..... Greg Clifton
City Attorney Sterling Solomon
City Treasurer Rick Tadder
City Clerk..... Stacy Saltzburg

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Flagstaff, Arizona

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Flagstaff, Arizona (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the budgetary comparison information for the General Fund, Highway User Revenue Fund, the Transit Tax Fund, and the aggregate remaining fund information of the City of Flagstaff, Arizona, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of City of Flagstaff, Arizona, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1, the City implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, net pension liability information, and other postemployment benefit plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Fund Financial Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Financial Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023, on our consideration of City of Flagstaff, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Flagstaff, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Flagstaff, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Flagstaff, Arizona
December 20, 2023



Management Discussion and Analysis

As management of the City of Flagstaff (the City), we offer readers of the City's Financial Statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii –xi of this report.

Financial Highlights

- The City's total net position at the close of the most recent fiscal year is \$823.1 million.
- The government's total net position increased by \$60.9 million during the fiscal year. This is a result of an increase in net position in the governmental activities of \$53.8 million and an increase in net position in the business type activities of \$7.1 million.
- As of June 30, 2023, the City's governmental funds reported combined ending fund balances of \$229.9 million, an increase of \$22.4 million in comparison to the prior fiscal year. Approximately 27.5% of this total amount (\$63.2 million) is unassigned fund balance available for spending at the government's discretion.
- As of June 30, 2023, total unassigned fund balance for the General Fund was \$65.3 million, or 92.0% of total General Fund expenditures (\$70.9 million).
- As of June 30, 2023, the City's proprietary funds reported combined total net position of \$409.0 million, and total unrestricted of \$46.0 million. The largest unrestricted component of net position is in the Water and Wastewater Fund (\$53.5 million).

Overview of The Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements. This report also contains other Supplemental Information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the City's assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, which equal net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as revenues pertaining to uncollected taxes or expenses pertaining to earned but unused vacation leave.

Both Government-wide Financial Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The sections are demonstrated in the table on the following page.

Governmental Activities		Business-type Activities
Beautification	Human Resources	Airport
Cemetery	Information Services	Environmental Services
City Attorney	Library	Housing Authority
City Council	Municipal Courts	Stormwater
City Manager	Parks	Wastewater
Community Development	Police	Water
Economic Development	Recreation	
Facilities Maintenance	Risk Management	
Financial Services	Streets and Transportation	
Fire	Tourism	
Fleet Management		

The Government-wide Financial Statements can be found on pages 17-19 of this report.

Fund Financial Statements

The Fund Financial Statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: Governmental Funds and Proprietary Funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities.

The City maintains several individual governmental funds organized according to their type (Special Revenue, Capital Projects and Debt Service). Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Highway User Revenue Fund (HURF), and Transportation Tax Fund, which are all considered major funds. Data from the remaining governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of Combining Statements on pages 110-113.

The City adopts an annual appropriated budget for its General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds and Enterprise Funds. A budgetary comparison statement has been provided for the General and Special Revenue major governmental funds to demonstrate compliance with the respective budgets.

The basic Governmental Fund Financial Statements can be found on pages 20-30 of this report.

Proprietary Funds

Proprietary Funds are generally used to account for services for which the City charges customers – either outside customers, or divisions of the City. Proprietary Funds provide the same type of information shown in the Government-wide Financial Statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise Funds** are used to report the same function presented as business-type activities in the Government-wide Financial Statements. The City uses Enterprise Funds to account for Water and Wastewater, Airport, Environmental Services, Stormwater and the Housing Authority. All are major funds of the City except for the Housing Authority Funds.
- **Internal Service Funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses an Internal Service Fund to account for its workers compensation, health insurance, other risk related activity, including claims adjustment, and general liability and property insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the Government-wide Financial Statements. The Internal Service Fund is combined into a single, aggregated presentation in the Proprietary Fund Statements.

The Basic Proprietary Fund Financial Statements can be found on pages 32-39 of this report.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the Financial Statements can be found on pages 40-92 of this report.

Combining Statements

The Combining Statements referred to earlier in connection with non-major governmental funds and proprietary funds are presented on pages 110-113.

Other Information

In addition to the Basic Financial Statements and accompanying Notes to the Financial Statement, this report also presents certain Required Supplemental Information regarding the City's pension and other post-employment benefits as well as other Supplemental Information concerning the City's budgetary comparison of non-major governmental funds and financial data submission schedules. Required Supplemental Information can be found on pages 93-106 and Other Supplemental Information on pages 115-140 of this report.

Government-wide Statements Financial Analysis

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$823.1 million as of June 30, 2023.

Of the City's Net Position, 83.6% reflects its investment of \$687.7 million in capital assets (e.g., land, buildings and equipment), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

Net Position
June 30, 2023 and 2022 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022
Current and other assets	\$ 268,402	\$ 272,061	\$ 93,900	\$ 93,224	\$ 362,302	\$ 365,285
Capital assets	381,820	361,731	393,525	389,465	775,345	751,196
Total assets	<u>650,222</u>	<u>633,792</u>	<u>487,425</u>	<u>482,689</u>	<u>1,137,647</u>	<u>1,116,481</u>
Total deferred outflows of resources	15,761	17,821	2,917	3,822	18,678	21,643
Long-term liabilities	207,114	213,485	61,778	61,582	268,892	275,067
Other liabilities	36,546	33,369	11,553	13,941	48,099	47,310
Total liabilities	<u>243,660</u>	<u>246,854</u>	<u>73,331</u>	<u>75,523</u>	<u>316,991</u>	<u>322,377</u>
Total deferred inflows of resources	8,887	43,444	7,388	11,673	16,275	55,117
Net investment in capital assets	326,644	302,991	361,088	351,090	687,732	654,081
Restricted	163,988	168,107	1,876	1,524	165,864	169,631
Unrestricted	(77,196)	(109,783)	46,659	46,701	(30,537)	(63,082)
Total net position	<u>\$ 413,436</u>	<u>\$ 361,315</u>	<u>\$ 409,623</u>	<u>\$ 399,315</u>	<u>\$ 823,059</u>	<u>\$ 760,630</u>

Total assets increased mainly due to the net change in capital assets, cash, investments and equivalents and Total liabilities decreased primarily due to decreases in bonds, notes and lease payables, and net OPEB liability.

A portion of the City's net position, \$165.7 million (20.1%), represents resources that are subject to external restriction on how they may be used. The unrestricted component of net position may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in two categories of net position for governmental and all categories for business-type activities.

Current assets for governmental activities have decreased by 1.3% (\$3.7 million). The largest decrease was in net pension asset (\$28.5 million) for changes in actuarial assumptions and negative market returns. Other decreases include accounts receivable (\$4.3 million). These decreases are offset by cash, investments and equivalents increases of \$26.6 million with an increase in the general fund of \$6.0 million and transportation tax fund of \$11.1 million as well as prepaids items increases of \$1.3 million mainly due to prepayment for fire engine purchases. Capital assets, non-depreciable increased \$20.1 million due to several large capital projects were in progress during the fiscal year.

Deferred outflows of resources for the governmental activities have decreased \$2.1 million and is mainly related to the pension/OPEB related deferred outflows. Deferred inflows of resources for the governmental activities have decreased \$34.6 million related to the pension/OPEB related deferred inflows.

Capital assets of the governmental activities, funded through operations, debt proceeds, grants and contributions increased by 5.6% (\$20.1 million) due to several large capital outlays and capital contributions net of depreciation and amortization expense of \$15.2 million.

Governmental activities long-term liabilities decreased by 3.0% (\$6.4 million) mainly due to a \$14.2 million in bonds, notes, subscription and lease payables offset by an increase in net pension liability of \$6.9 million.

Total assets for business-type activities have increased by 1.0% (\$4.7 million) mainly due to an increase in capital assets (\$4.1 million).

Total liabilities for business-type activities decreased by 2.9% (\$2.2 million). Major changes include a decrease in bonds, notes, subscription and lease payable of (\$5.2 million) and accounts payable of (\$1.2 million) which was partially offset by increase in net pension liability of (\$2.5 million) and landfill post closure liability (\$2.9 million).

Overall, the business-type net position has increased by 1.8% (\$7.1 million) due mainly to an increase of \$10.0 million in net investment in capital assets. The changes are primarily in the stormwater and water and wastewater fund.

Analysis of Change in Net Position

The City's overall net position has increased by \$60.9 million during the current fiscal year. These increases are explained in the governmental and business-type activities discussion to follow.

Changes in Net Position
For the Years Ended June 30, 2023 and 2022 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022
Revenues						
Program Revenues:						
Charges for services	\$ 12,524	\$ 14,242	\$ 54,104	\$ 54,634	\$ 66,628	\$ 68,876
Operating grants and contributions	8,457	19,527	11,907	9,120	20,364	28,647
Capital grants and contributions	16,130	11,457	8,520	3,997	24,650	15,454
General Revenues:						
Property taxes	15,343	14,943	-	-	15,343	14,943
Sales taxes	81,305	77,099	-	-	81,305	77,099
State shared taxes	30,874	25,466	-	-	30,874	25,466
Investment earnings	4,061	(5,379)	2,441	527	6,502	(4,852)
Other	741	1,595	199	212	940	1,807
Total revenues	<u>169,435</u>	<u>158,950</u>	<u>77,171</u>	<u>68,490</u>	<u>246,606</u>	<u>227,440</u>
Expenses						
General government	24,483	21,949	-	-	24,483	21,949
Public safety	37,169	37,540	-	-	37,169	37,540
Public works	2,390	1,158	-	-	2,390	1,158
Economic and physical development	11,687	10,083	-	-	11,687	10,083
Culture and recreation	15,847	14,373	-	-	15,847	14,373
Highways and streets	20,299	18,787	-	-	20,299	18,787
Interest on long-term debt	4,357	4,739	-	-	4,357	4,739
Water	-	-	21,614	18,451	21,614	18,451
Wastewater	-	-	10,300	9,239	10,300	9,239
Environmental	-	-	17,923	13,226	17,923	13,226
Airport	-	-	6,333	3,816	6,333	3,816
Housing Authority	-	-	9,600	7,594	9,600	7,594
Stormwater	-	-	3,716	5,532	3,716	5,532
Total expenses	<u>116,232</u>	<u>108,629</u>	<u>69,486</u>	<u>57,858</u>	<u>185,718</u>	<u>166,487</u>
Increase in net position before contributions and transfers	53,203	50,321	7,685	10,632	60,888	60,953
Principal contributions to permanent fund	12	13	-	20	12	33
Transfers	567	(880)	(567)	880	-	-
Change in net position	53,782	49,454	7,118	11,532	60,900	60,986
Net position at beginning of year (as restated)	359,654	311,861	402,505	387,783	762,159	699,644
Net position at end of year	<u>\$ 413,436</u>	<u>\$ 361,315</u>	<u>\$ 409,623</u>	<u>\$ 399,315</u>	<u>\$ 823,059</u>	<u>\$ 760,630</u>

Governmental Activities

Governmental activities increased the City's net position by \$53.8 million. The key factors for this increase are as follows:

- Revenues exceeded expenses by \$53.2 million as compared to last year of \$50.3 million.
- Charges for services decreased 12% (\$1.7 million) related primarily to decreases in the general fund licenses and permit fees.
- Operating grants and contributions decreased 56.7% (\$11.1 million) due primarily American Rescue Plan revenues of \$10.2 million in the prior year.
- Capital grants and contributions increased 40.8% (\$4.7 million) mainly due to developer and other partner contributions to transportation improvement projects.
- Property taxes increased 2.7% (\$400,000) mainly due to an increase in City secondary property taxes levied for debt service.

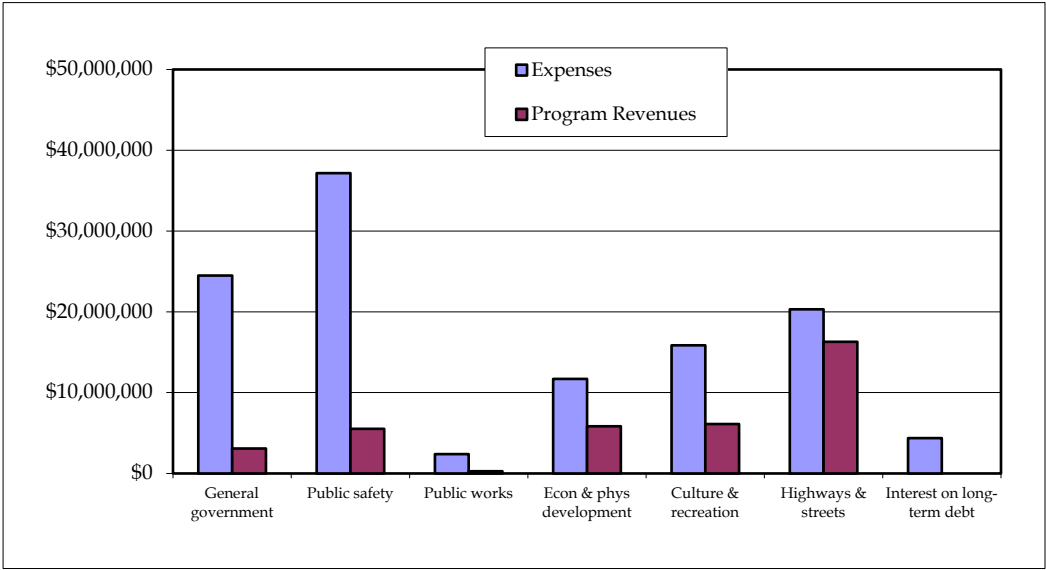
- City sales tax revenues increased by 2.7% (\$4.2 million) mainly due to increases in sales tax revenues related to increased consumer spending, thriving local businesses, and a robust economy fostering heightened commercial transactions.
- State shared taxes had a 21.2% (\$5.4 million) increase due mainly to increases in state shared income tax to timing of income tax return and economy recovery from the pandemic.
- Expenses have increased by \$7.6 million (7.0%). The increases were in general government (\$2.5 million), public works (\$1.2 million), economic and physical development (\$1.6 million), culture and recreation (\$1.5 million), and highways and streets (\$1.5 million). The decreases were public safety (\$371,000), and interest on long-term debt (\$382,000).

Business-type Activities

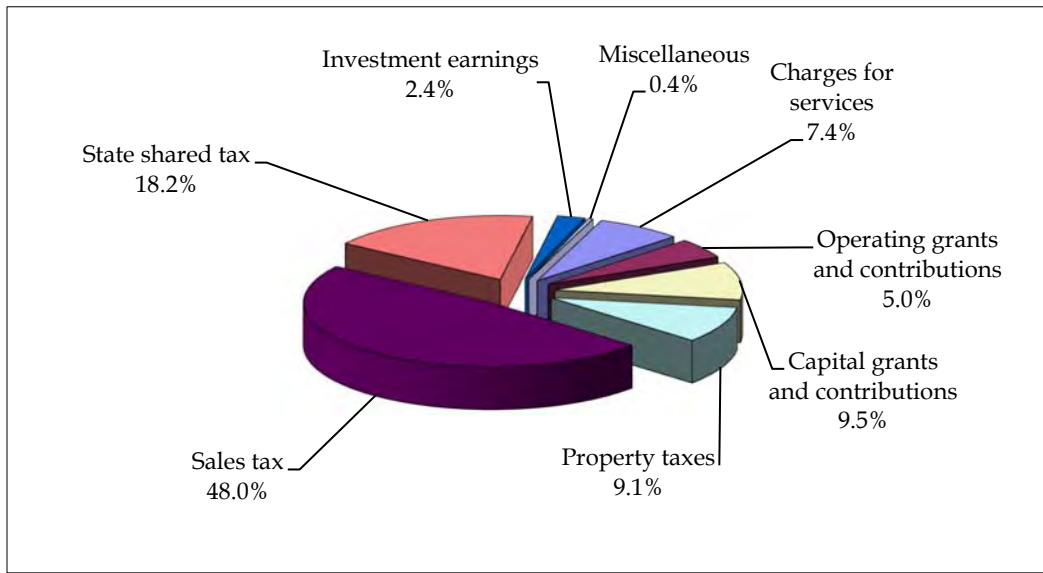
Business-type activities had a net position increase of \$7.1 million. The key factors for this increase include:

- Charges for service have decreased by 1.0% (\$530,000). Funds with large decreases include Airport (\$535,000) and Wastewater and reclaimed (\$489,000) partially offset by increases Stormwater (\$282,000) and Water (\$227,000).
- Operating grants and contributions have increased by 30.6% (\$2.8 million) due to increase in Airport (\$1.6 million) and The Housing Authority (\$1.1 million).
- Capital grants and contributions have increased by 113.2% (\$4.5 million) due to a increases in utility capacity fees and developer contributed capital.
- Expenses have increased over the prior year by 20.1% (\$11.6 million). There were increases in Environmental (\$4.7 million), Water (\$3.2 million), Airport (\$2.5 million), Housing Authority (\$2.0 million) and Wastewater (\$1.1 million) which was partially offset by a decrease in Stormwater (1.8 million).

Expenses and Program Revenues by Function - Governmental Activities



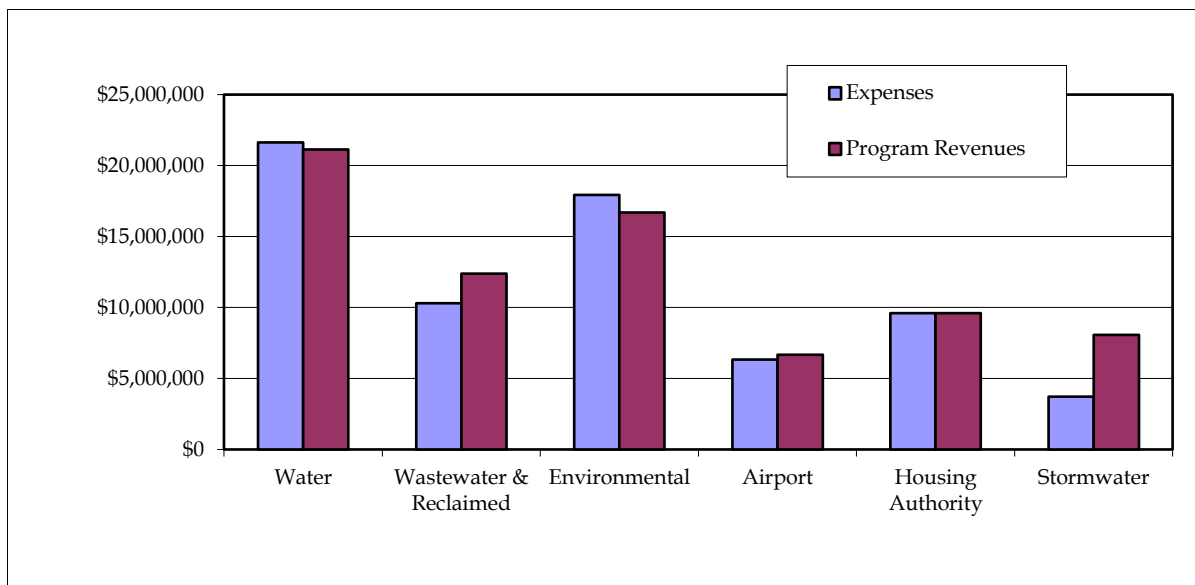
Revenues by Source - Governmental Activities



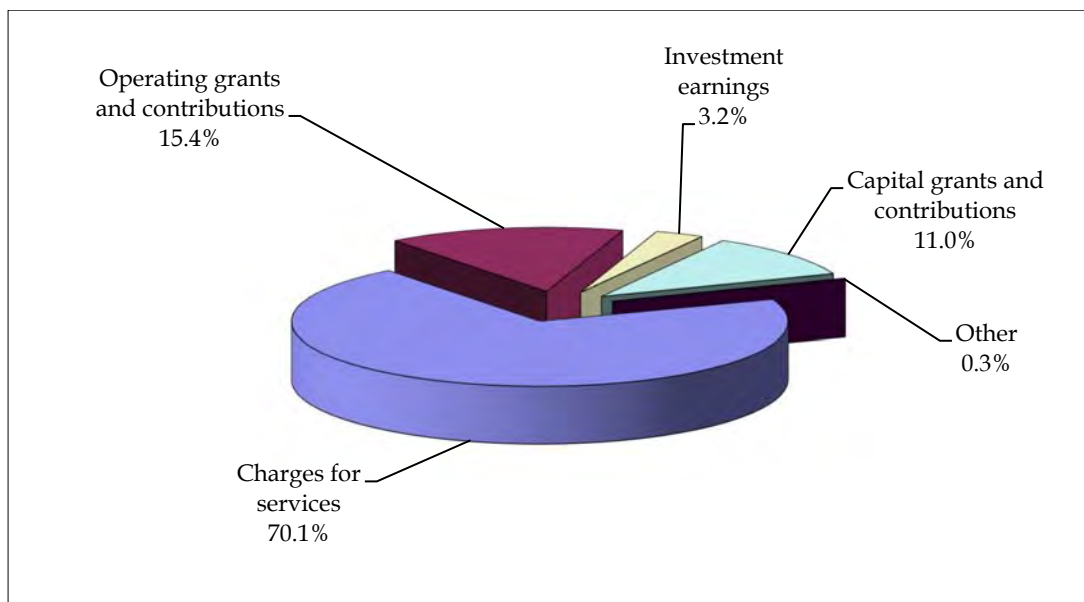
As shown, Public Safety is the largest function as measured by expense (\$37.2 million, 32.0%) followed by General Government (\$24.5 million, 21.1%) and Highways and Streets (\$20.3 million, 17.5%).

General revenues such as sales taxes, state shared taxes and property taxes are not shown by program but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, sales tax is the largest single source of funds (\$81.3 million, 48.0%), followed by state shared tax (\$30.9 million, 18.2%) and capital grants and contributions (\$16.1 million, 9.5%). The top three revenues make up 75.7% of total revenues compared to last year's top three of 76.8%. The top three revenues last year were sales tax, state shared tax and operating grants and contributions.

Expenses and Program Revenues by Functions - Business-type Activities



Revenues by Source - Business-type Activities



As shown, Water has expenses of \$21.6 million for the fiscal year, followed by Environmental Services with \$17.9 million, Wastewater and Reclaimed with \$10.3 million, Housing Authority with \$9.6 million, Airport with \$6.3 million and Stormwater with \$3.7 million. For the fiscal year, program revenue exceeded expenses for the Wastewater and Reclaimed, Stormwater, Airport, and Housing Authority Funds. Water, Wastewater and Reclaimed, Environmental Services and Stormwater received most of their program revenues through charges for services (83.5%, 95.7%, 84.1% and 91.8% respectively). The Airport and Housing Authority Fund receive most of their program revenue through operating grants and contributions (68.5%, and 71.7% respectively). Charges for services provided the largest share of revenues (72.6%) for all the business-type activities, followed by operating grants and contributions (16.0%) and capital grants and contributions (11.4%).

The expenses for the business-type activities increased (20.1%, \$11.6 million). There were increases in Environmental (35.5%, \$4.7 million), Water (17.1%, \$3.2 million), Airport (65.9%, \$2.5 million), Housing Authority (26.3%, \$2.0 million) and Wastewater (11.5%, \$1.1 million) which was partially offset by a decrease in Stormwater (32.8%, \$1.8 million).

The garbage collection user fees rates were increased on January 3, 2023, Water & Wastewater user fees were last increased on January 1, 2020 and Stormwater user fees on April 1 2023. Water, Stormwater, Housing Authority increased charges for service revenue at 1.3%, 6.3%, and 8.8%, respectively. Wastewater & Reclaimed, Environmental Services, and Airport charges for service revenues decreased by 4.0%, 1.4% and 21.0% over the prior year, respectively.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental Funds reported by the City include the General Fund, Special Revenue Funds, Capital Project Funds and Debt Service Funds.

At the end of the fiscal year, the City's Governmental Funds reported combined ending fund balances of \$229.9 million, an increase of \$22.4 million in comparison to the prior year. Approximately \$63.2 million of the total ending fund balance constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is (1) nonspendable (\$5.1 million) for prepaid items, inventory and perpetual care, (2) restricted (\$150.2 million) for special revenue funds, debt service, development fee projects, court improvements and operations, grant purposes, perpetual care and capital projects, and (3) assigned (\$11.4 million) for court services, capital reserves, parking district and real estate.

Revenues for governmental functions overall totaled \$168.0 million in the fiscal year ended June 30, 2023, which represents an increase of 6.2% or \$9.8 million from the prior fiscal year. Several revenue categories show increases over prior year including taxes, intergovernmental, contributions and investment earnings. These increases include taxes (5.0%, \$4.6 million), intergovernmental (20.0%, \$6.1 million), investment earnings (172.3%, \$9.3 million), and contributions (412.6%, \$4.1 million). The increase in taxes is due to steady growth in our local economy. The major decreases in revenue categories include grants and entitlements (48.7%, \$11.9 million), licenses and permits (29.8%, \$1.7 million), and miscellaneous (51.7%, \$741,000).

Expenditures for governmental functions (\$145.5 million) increased by 16.3% (\$20.4 million) from the prior fiscal year. The increase in expenditures is related capital expenditures (62.7%, \$12.0 million), general government (10.8%, \$2.3 million), public safety (6.5%, \$2.2 million), culture and recreation (8.6%, \$1.1 million), economic and physical development (10.2%, \$1.0 million), public works (84.2%, \$791,000), and highways and streets (6.8%, \$574,000), debt services expenditures (2.3%, \$440,000).

In the fiscal year ended June 30, 2023, revenues exceeded expenditures for governmental functions by approximately \$22.5 million.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$65.3 million. As a measure of liquidity, it may be useful to compare total unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance represents 92% of General Fund expenditures.

The total fund balance in the City's General Fund increased by \$6.1 million during the fiscal year as revenue increased 14.8% and expenditures increased 15.5%. Overall, the General Fund's performance resulted in revenues in excess of expenditures in the fiscal year ended June 30, 2023, of \$13.6 million. This is a increase of approximately \$1.3 million over the comparable figure from the prior year which resulted in revenue in excess of expenditures of \$12.3 million. This increase from prior year was a result of increases in investment earnings of \$6.2 million and intergovernmental \$5.5 million resulting from continued growth in the economy and increases in state urban revenue share, respectively. These increases in revenue were partially offset by increases in expenditures in capital outlay (\$2.9 million), general government (\$2.4 million), and public safety (\$2.1 million).

HURF Fund balance increased by \$2.3 million or 20.2%. Revenues increased \$739,000 or 6.7% due mainly to an increase in contributions. Expenditures increased \$6.8 million or 68.1% due to various street improvements and capital projects. Other finance sources and uses increased \$5.5 million due to increase in transfers in from Transportation Fund to support capital outlay within the HURF fund.

Transportation Fund balances increased by \$11.3 million. Revenues increased \$5.8 million due to taxes, investment earnings and contributions. Expenditures remained relatively flat over the prior year. Other financing uses increased \$5.4 million to fund transportation projects in the HURF fund. Transportation taxes increased due to increased sales activity during the current year and an increase in interest rate and available cash accounts for increase in investment earnings.

Nonmajor governmental fund balance increased by \$2.7 million. There were large increases in the following BBB funds: park maintenance and operations (\$1.2 million), tourism (\$419,000), and public art (\$250,000).

Proprietary Funds

The City's Proprietary Funds provide the same type of information found in the Government-wide Financial Statements, but in more detail. At the end of the fiscal year, the unrestricted component of net position had positive balances for Water and Wastewater, Environmental Services, and Housing Authority. The Stormwater Fund had a deficit unrestricted balance at year end due to beginning a major construction project prior to the issuance of the related debt and. Airport also had deficit unrestricted balance due to increase in investment in capital improvements at the Airport. The Internal Service Fund, which is used to account for risk management and health insurance activities, had an unrestricted net position of \$8.8 million.

Revenues and transfers exceeded expenses and transfers out in the proprietary funds by \$6.4 million for the fiscal year ended June 30, 2023. Water and Wastewater, Stormwater, Airport and Housing Authority had growth in their net position for the fiscal year ended June 30, 2023. A major part of the overall increase was related to capital contributions related to grants and external sources (\$8.5 million) which was partially offset by losses and impairments of capital assets totaling (\$3.0 million).

Budget Highlights

The City's final budget matches the original budget which was approved by Council in June 2022. The City looks at the budget to actual at the division level and no division exceeded its appropriation. There were five revenue transfers that were greater than budgeted. A General fund transfer from Economic Development (\$738,000), a Highway User Revenue Transfer from Safety Improvements (\$566,000), a Water transfer from Debt Services (\$857,000), Wastewater transfer from Stormwater (\$191,000) and Downtown mile transfer from Stormwater (\$444,000).

The General Fund was 12.7% (\$12.4 million) under the final budgeted total revenues primarily due to grants and entitlements (\$19.0 million) offset by taxes (\$3.4 million), intergovernmental revenues (\$1.7 million), and investment earnings (\$921,000).

Expenditures are under budget in all divisions due to controlled spending and carryover of some capital projects. The divisions that are under budget by larger amounts are related to capital purchases or projects budgeted but not completed. Transfers in are more than budget while transfers out were less than budget as many transfers are based on the actual year end expenditure, except for the transfers noted above.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets (net of accumulated depreciation) for governmental and business-type activities as of June 30, 2023, amount to \$775.3 million. They include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress. The total net increase in capital assets for the current year was 3.2% (\$24.1 million). The following table reflects the capital assets at year end.

Capital Assets, Net of Depreciation/Amortization
June 30, 2023 and 2022 (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	<u>2022-2023</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2021-2022</u>
Land and other non-depreciable assets	\$ 74,266	\$ 68,859	\$ 19,965	\$ 16,048	\$ 94,231	\$ 84,907
Buildings	86,714	88,585	39,123	40,207	125,837	128,792
Improvements	4,019	4,392	258,676	260,261	262,695	264,653
Machinery and equipment	14,205	12,072	22,113	21,445	36,318	33,517
Infrastructure	152,937	154,117	-	-	152,937	154,117
Construction in progress	49,179	33,320	53,625	51,501	102,804	84,821
Right to use subscription asset	291	-	22	-	313	-
Right to lease asset: buildings	209	386	-	-	209	386
Right to lease asset: land	-	-	1	3	1	3
Total	<u>\$ 381,820</u>	<u>\$ 361,731</u>	<u>\$ 393,525</u>	<u>\$ 389,465</u>	<u>\$ 775,345</u>	<u>\$ 751,196</u>

Construction-in-progress had a net increase of 21.2% (\$18.0 million). Major construction-in-progress includes the Beulah/University Realignment (\$5.6 million), RR&SS Utility Replacement #4 Coconino Estates project (\$3.8 million), Lone Tree Overpass (\$3.7 million), and Lone Tree- Butler to Pine Knoll (\$1.3 million). The decrease to buildings (\$3.0 million) is related to depreciation. The decrease in improvements (\$2.0 million) is mainly due depreciation. Infrastructure decrease (\$1.2 million) is related mainly related to depreciation expense.

For Government-wide Financial Statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund Financial Statements record capital asset purchases as expenditures. Please refer to Note III C on pages 57-58 of the Notes to the Financial Statements for further information regarding capital assets.

Long Term Debt

At the end of the current fiscal year, the City had total long-term debt outstanding of \$203.3 million. Of this amount, \$27.9 million is general obligation bonds backed by the full faith and credit of the City, \$41.2 million is revenue bonds, \$123.9 million is for certificates of participation, \$283,000 is for subscriptions, and \$1.0 million are outstanding leases or loans for the Flagstaff Watershed Protection Project, Airport, water and wastewater, and City-wide energy conservation improvements.

Outstanding Debt
June 30, 2023 and 2022 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	<u>2022-2023</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2021-2022</u>
General obligation debt	\$ 30,742	\$ 36,972	\$ -	\$ 936	\$ 30,742	\$ 37,908
Revenue bonds	17,223	18,423	25,479	29,242	42,702	47,665
Other debt	120,607	127,019	3,469	3,569	124,076	130,588
Subscriptions	261	-	22	-	283	-
Lease/Loans	3,742	4,319	1,792	2,230	5,534	6,549
Total debt payable	<u>\$ 172,575</u>	<u>\$ 186,733</u>	<u>\$ 30,762</u>	<u>\$ 35,977</u>	<u>\$ 203,337</u>	<u>\$ 222,710</u>

During FY 2022-2023, the City's total debt decreased by a net \$19.4 million. Total debt increased \$283,000 during FY 2022-2023 are due mainly to the implementation of GASB 96 for subscriptions-based information technology agreement. All debt decreases are due to annual scheduled debt service payments.

The State constitution imposes certain debt limitations on the City of six percent (6%) and twenty percent (20%) of the outstanding assessed valuation of the City. The City's available debt margin on June 30, 2023, is \$64.8 million in the 6% category and \$215.8 million in the 20% capacity. The allowable debt increased

from prior year due to higher assessed valuations and decreasing debt balances. Additional information on the Debt Limitations and Capacities may be found in Schedule 16 in the Statistical Section of this report. During the year, the City maintained the following bond ratings:

Type	Standard & Poor's	Moody's Investor's Service
General Obligation Bonds	AA	Aa2
Revenue Bonds	AA-	Not Available
Certificates of Participation	AA-	Not Available

Additional information on the City's long-term debt can be found in Section III F on pages 61-71 of the Notes to the Financial Statements.

Economic Factors and Next Year's Budget and Rates

The Fiscal Year 2023-2024 budget preparation was influenced by the following factors:

- The City's General Fund budget was approved with no structural deficit in ongoing expenditures exceeding ongoing revenues.
- Unrestricted fund balance in the General Fund continues to be above the fiscal policy of 20% of operating revenues. It is currently projected to be 32.6%.
- Building permits exceeded budget in fiscal year 2021-2022 by \$500,000. However, we remain conservative in our projections for FY 2023-2024 as we rely on these types of revenues as a one-time impact rather than an ongoing source of funding.
- The focus of the FY 2023-2024 budget was the City's key community priorities related to high performing governance, safe and health community, inclusive and engaged community, sustainable, innovative infrastructure, robust resilient economy, livable community and environmental stewardship.
 - The FY 2023-2024 budget includes a comprehensive pay and benefit increase, new positions related to capacity needs, and infrastructure repairs.
 - Some of the larger items are \$92.3 million for transportation improvements, \$70.2 million programmed for water, wastewater and reclaimed capital equipment and improvements and \$40.0 million in Stormwater improvements.
- The total authorized positions increased by 24.2 full-time equivalent positions.
- The City continues to monitor the State legislature to be aware of potential budget impacts on cities.
- Property assessments continue to increase at an accelerated rate. The secondary property tax rates remained flat to match the required debt service payments.
- The City continues to pursue federal and state grant dollars to enhance the local economy.

Requests for Information

The Financial Report is designed to provide a general overview of the City's finances for all of those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact:

City of Flagstaff
 Finance Section
 211 West Aspen Avenue
 Flagstaff, AZ 86001

Main (928) 213-2000
 Arizona Relay 7-1-1

City of Flagstaff, Arizona
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash, investments and equivalents	\$ 206,626,446	\$ 60,683,939	\$ 267,310,385
Accounts receivable, net	15,270,899	6,543,425	21,814,324
Interest receivable	627,654	252,740	880,394
Intergovernmental receivable	2,439,360	3,916,362	6,355,722
Note receivable	255,200	-	255,200
Lease receivable	3,304,943	6,190,359	9,495,302
Internal balance	2,602,242	(2,602,242)	-
Deposits	-	8,763	8,763
Inventory	593,840	-	593,840
Prepaid items	4,106,615	217,221	4,323,836
Restricted cash and investments	26,307,439	18,362,239	44,669,678
Net OPEB asset	1,715,272	-	1,715,272
Net pension asset	4,552,008	326,577	4,878,585
Capital assets, non-depreciable	123,445,451	73,590,096	197,035,547
Capital assets, depreciable, net	258,374,069	319,935,037	578,309,106
Total assets	650,221,438	487,424,516	1,137,645,954
Deferred Outflows of Resources			
Deferred outflow related to advance refunding	-	152,753	152,753
Deferred outflows related to pensions/OPEB	15,760,876	2,763,945	18,524,821
Total deferred outflows of resources	15,760,876	2,916,698	18,677,574
Liabilities			
Accounts payable	11,112,774	4,285,447	15,398,221
Accrued payroll	1,095,961	251,215	1,347,176
Construction retainage payable	1,184,297	222,781	1,407,078
Interest payable	1,399,939	363,303	1,763,242
Advanced revenue	3,466,058	305,500	3,771,558
Deposits payable	3,003,198	1,576,260	4,579,458
Noncurrent liabilities:			
Due within one year:			
Compensated absences	2,199,575	374,199	2,573,774
Claims and judgements	114,224	-	114,224
Net OPEB liability	378,687	89,405	468,092
Bonds, notes, subscriptions and leases payable, net	12,590,950	4,084,392	16,675,342
Due in more than one year:			
Compensated absences	2,783,390	400,473	3,183,863
Claims and judgements	125,000	-	125,000
Landfill closure and post-closure care costs	-	20,340,020	20,340,020
Net OPEB liability	7,558,300	1,784,469	9,342,769
Net pension liability	36,663,210	12,576,200	49,239,410
Bonds, notes, subscriptions and leases payable, net	159,983,841	26,677,117	186,660,958
Total liabilities	243,659,404	73,330,781	316,990,185
Deferred Inflows of Resources			
Deferred inflows related to leases	3,230,861	6,111,251	9,342,112
Deferred inflows related to pensions/OPEB	5,655,785	1,276,651	6,932,436
Total deferred inflows of resources	8,886,646	7,387,902	16,274,548
Net Position			
Net investment in capital assets	326,644,405	361,087,976	687,732,381
Restricted for:			
Capital projects	86,276,802	-	86,276,802
Debt service	21,118,883	-	21,118,883
Specific programming	56,178,667	1,875,729	58,054,396
Perpetual care:			
Expendable	55,989	-	55,989
Nonexpendable	357,193	-	357,193
Unrestricted:	(77,195,675)	46,658,826	(30,536,849)
Total Net Position	\$ 413,436,264	\$ 409,622,531	\$ 823,058,795

The notes to the financial statements are an integral part of this statement

City of Flagstaff, Arizona
Statement of Activities
Year Ended June 30, 2023

	<u>Program Revenues</u>				
	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government					
Governmental activities:					
General government	\$ 24,482,695	\$ 1,499,758	\$ 2,260,868	\$ 660,429	\$ 160,910
Public safety	37,169,436	(78,968)	1,822,767	3,000,802	695,798
Public works	2,389,867	271,336	-	12,251	250,000
Economic and physical development	11,687,092	471,535	5,508,450	328,155	-
Culture and recreation	15,847,143	(534,744)	1,446,674	4,467,381	199,688
Highways and streets	20,298,481	(1,628,917)	1,472,794	-	14,823,768
Interest on long-term debt	4,356,878	-	-	-	-
Total governmental activities	<u>116,231,592</u>	<u>-</u>	<u>12,511,553</u>	<u>8,469,018</u>	<u>16,130,164</u>
Business-type activities:					
Water	21,614,190		17,649,831	-	3,476,946
Wastewater and reclaimed	10,299,517		11,856,017	-	531,364
Stormwater	3,716,379		4,738,735	452,205	2,882,565
Environmental	17,923,511		15,307,675	2,500	1,365,724
Airport	6,332,676		2,012,845	4,562,632	86,480
Housing authority	9,599,933		2,538,893	6,889,764	177,271
Total business-type activities	<u>69,486,206</u>		<u>54,103,996</u>	<u>11,907,101</u>	<u>8,520,350</u>
Total Primary Government	<u>\$ 185,717,798</u>		<u>\$ 66,615,549</u>	<u>\$ 20,376,119</u>	<u>\$ 24,650,514</u>

General revenues, contributions and transfers

General revenues:

- Property tax, levied for general purposes
- Property tax, levied for debt service
- Sales taxes
- State shared taxes - unrestricted
- Investment earnings
- Miscellaneous
- Principal contributions to permanent fund
- Gain on the disposal of capital assets
- Transfers in (out)

Total general revenues, contributions and transfers

Change in net position

Net position - beginning (as restated)

Net position - ending

The notes to the financial statements are an integral part of this statement

**Net (Expenses) Revenues
and Changes in Net Position
Primary Government**

Governmental Activities	Business-type Activities	Total
\$ (21,400,488)	\$ -	\$ (21,400,488)
(31,650,069)	-	(31,650,069)
(2,127,616)	-	(2,127,616)
(5,850,487)	-	(5,850,487)
(9,733,400)	-	(9,733,400)
(4,001,919)	-	(4,001,919)
(4,356,878)	-	(4,356,878)
<u>(79,120,857)</u>	<u>-</u>	<u>(79,120,857)</u>
-	(487,413)	(487,413)
-	2,087,864	2,087,864
-	4,357,126	4,357,126
-	(1,247,612)	(1,247,612)
-	329,281	329,281
-	5,995	5,995
-	5,045,241	5,045,241
<u>(79,120,857)</u>	<u>5,045,241</u>	<u>(74,075,616)</u>
7,106,544	-	7,106,544
8,236,365	-	8,236,365
81,305,031	-	81,305,031
30,874,399	-	30,874,399
4,061,170	2,440,996	6,502,166
691,097	198,119	889,216
12,030	-	12,030
49,505	700	50,205
566,934	(566,934)	-
<u>132,903,075</u>	<u>2,072,881</u>	<u>134,975,956</u>
53,782,218	7,118,122	60,900,340
<u>359,654,046</u>	<u>402,504,409</u>	<u>762,158,455</u>
<u>\$ 413,436,264</u>	<u>\$ 409,622,531</u>	<u>\$ 823,058,795</u>

City of Flagstaff, Arizona
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Highway User Revenue Fund	Transportation Tax Fund
Assets			
Cash and investments	\$ 73,358,744	\$ 14,895,513	\$ 74,371,616
Accounts receivable, net	6,964,690	978,684	4,913,068
Interest receivable	235,345	36,333	224,082
Intergovernmental receivable	1,119,207	-	1,108,958
Notes receivable	-	-	-
Lease receivable	2,858,842	-	-
Interfund receivable	3,246,895	-	-
Inventory	452,614	-	-
Prepaid items	4,093,102	-	-
Restricted cash and investments	-	-	1,225,656
Total assets	\$ 92,329,439	\$ 15,910,530	\$ 81,843,380
Liabilities, Deferred Inflows and Fund Balance			
Liabilities:			
Accounts payable	\$ 4,999,039	\$ 1,545,630	\$ 2,735,575
Accrued payroll	932,592	40,029	-
Construction retainable payable	-	378,674	641,022
Advanced revenue	578,747	-	485
Guaranty and other deposits	3,003,198	-	-
Total liabilities	9,513,576	1,964,333	3,377,082
Deferred inflows of resources:			
Unavailable revenue - court fines	152,295	-	-
Unavailable revenue - property taxes	267,483	-	-
Unavailable revenue - notes receivable	-	-	-
Unavailable revenue - other revenue	-	-	-
Deferred inflows - leases	2,791,688	-	-
Total deferred inflows of resources	3,211,466	-	-
Fund balance:			
Nonspendable	4,545,716	-	-
Restricted	4,249,634	13,946,197	78,466,298
Assigned	5,515,562	-	-
Unassigned (deficit)	65,293,485	-	-
Total fund balance	79,604,397	13,946,197	78,466,298
Total liabilities, deferred inflows and fund balance	\$ 92,329,439	\$ 15,910,530	\$ 81,843,380

The notes to the financial statements are an integral part of this statement

Nonmajor Governmental Funds	Total Governmental Funds
\$ 34,800,622	\$ 197,426,495
2,361,907	15,218,349
115,790	611,550
211,195	2,439,360
255,200	255,200
446,101	3,304,943
-	3,246,895
141,226	593,840
13,513	4,106,615
25,081,783	26,307,439
<u>\$ 63,427,337</u>	<u>\$ 253,510,686</u>

\$ 1,572,283	\$ 10,852,527
123,340	1,095,961
164,601	1,184,297
2,882,539	3,461,771
-	3,003,198
<u>4,742,763</u>	<u>19,597,754</u>

-	152,295
-	267,483
255,200	255,200
95,715	95,715
439,173	3,230,861
<u>790,088</u>	<u>4,001,554</u>

511,932	5,057,648
53,585,424	150,247,553
5,844,695	11,360,257
(2,047,565)	63,245,920
<u>57,894,486</u>	<u>229,911,378</u>
<u>\$ 63,427,337</u>	<u>\$ 253,510,686</u>



City of Flagstaff
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Activities
June 30, 2023

Fund balances - total governmental funds balance sheet \$ 229,911,378

Amounts reported for governmental activities in the statements of net position are different because:

Capital assets and other long-term assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Net OPEB asset	\$ 1,715,272	
Net pension asset	4,552,008	
Governmental capital assets	693,106,634	
Less: accumulated depreciation	<u>(311,287,114)</u>	388,086,800

Deferred outflows and inflows of resources related to pensions and deferred charges on debt refundings are applicable to future reporting periods and, therefore, are not reported in the governmental funds.

Deferred outflows related to pensions/OPEB	15,760,876	
Deferred inflows related to pensions/OPEB	<u>(5,655,785)</u>	10,105,091

For purposes of measuring the net pension liability, the long-term liabilities are not due and payable in the current period and, therefore, are not reported as a liability in the governmental funds.

ASRS pension benefits	(35,174,458)	
EORP pension benefits	<u>(1,488,752)</u>	(36,663,210)

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.

Governmental bonds, notes, subscriptions and leases payable	(168,087,706)	
Governmental interest payable	(1,399,939)	
Bond discount	116,093	
Bond premium	(4,603,178)	
Other postemployment benefits	(7,936,987)	
Compensated absences	<u>(4,982,965)</u>	(186,894,682)

Certain revenues are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.

Promissory note and miscellaneous revenue	350,915	
Fines and forfeitures	152,295	
Property tax	<u>267,483</u>	770,693

The internal service fund is used by management to charge the cost of self insurance programs to individual funds.

The assets and liabilities of the internal service fund that are reported with governmental activities.		<u>8,120,194</u>
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Net position of governmental activities - statement of net position \$ 413,436,264

The notes to the financial statements are an integral part of this statement

City of Flagstaff, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023

	General Fund	Highway User Revenue Fund	Transportation Tax Fund
Revenues:			
Taxes	\$ 39,654,717	\$ -	\$ 36,523,305
Intergovernmental	32,236,115	-	-
Grants and entitlements	2,131,382	9,528,441	-
Charges for services	3,513,865	-	-
Licenses and permits	3,821,960	221,768	-
Fines and forfeitures	747,455	-	-
Rents	1,171,792	-	11,300
Investment earnings	311,347	305,731	1,804,721
Contributions	665,362	1,676,398	2,448,178
Miscellaneous	322,363	26,542	-
Total revenues	<u>84,576,358</u>	<u>11,758,880</u>	<u>40,787,504</u>
Expenditures:			
Current:			
General government	16,308,482	-	6,736,637
Public safety	34,437,718	-	-
Public works	1,729,983	-	-
Economic and physical development	5,918,766	-	-
Culture and recreation	7,727,353	-	309
Highways and streets	138,332	7,591,523	717,217
Debt service:			
Principal retirement	467,593	14,300	915,000
Interest and other charges	132,565	-	571,763
Capital outlay	4,085,170	7,794,031	14,641,121
Total expenditures	<u>70,945,962</u>	<u>15,399,854</u>	<u>23,582,047</u>
Excess (deficiency) of revenues over expenditures	<u>13,630,396</u>	<u>(3,640,974)</u>	<u>17,205,457</u>
Other Financing Sources (Uses):			
Sale of capital assets	41,452	4,050	-
Subscription financing	128,816	41,989	-
Loan issuance	-	-	-
Transfers in	3,628,470	5,950,824	-
Transfers out	(11,337,714)	(13,000)	(5,943,769)
Total other financing sources (uses)	<u>(7,538,976)</u>	<u>5,983,863</u>	<u>(5,943,769)</u>
Net change in fund balances	<u>6,091,420</u>	<u>2,342,889</u>	<u>11,261,688</u>
Fund balances, beginning of year (as restated)	<u>73,512,977</u>	<u>11,603,308</u>	<u>67,204,610</u>
Fund balances, end of year	<u>\$ 79,604,397</u>	<u>\$ 13,946,197</u>	<u>\$ 78,466,298</u>

The notes to the financial statements are an integral part of this statement

Nonmajor Governmental Funds	Total Governmental Funds
\$ 20,473,351	\$ 96,651,373
4,301,218	36,537,333
901,543	12,561,366
2,544,595	6,058,460
1,040	4,044,768
-	747,455
502,218	1,685,310
1,487,769	3,909,568
319,411	5,109,349
343,220	692,125
<u>30,874,365</u>	<u>167,997,107</u>
469,696	23,514,815
722,756	35,160,474
165	1,730,148
5,315,549	11,234,315
6,583,637	14,311,299
598,376	9,045,448
12,953,684	14,350,577
4,302,783	5,007,111
4,588,702	31,109,024
<u>35,535,348</u>	<u>145,463,211</u>
<u>(4,660,983)</u>	<u>22,533,896</u>
-	45,502
-	170,805
4,097	4,097
20,398,660	29,977,954
(13,086,189)	(30,380,672)
<u>7,316,568</u>	<u>(182,314)</u>
<u>2,655,585</u>	<u>22,351,582</u>
<u>55,238,901</u>	<u>207,559,796</u>
<u>\$ 57,894,486</u>	<u>\$ 229,911,378</u>

City of Flagstaff
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds \$ 22,351,582

Amounts reported for governmental activities in the statements of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	\$ 31,109,024	
Less current year depreciation	<u>(15,241,907)</u>	15,867,117

Some resources/expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net pension expense related to ASRS	(288,541)	
Net pension expense related to PSPRS	(1,562,393)	
Net pension expense related to EORP	5,715	
Capital related debt issued	(4,097)	
Subscription financing	(170,805)	
Compensated absences	(48,197)	
Other postemployment benefits	78,931	
Principal payments on debt	14,350,577	
Interest accrual on debt	168,698	
Bond premium/discount amortization	<u>481,535</u>	13,011,423

The disposal or contribution of capital assets are not reflected in fund statements but are recorded as revenues or expenses in the statement of activities.

Gain/loss on disposal of capital assets	(1,342,541)	
Donated capital assets	1,265,275	
Transfer of capital assets to business-type activities	(45,841)	
Transfer of capital assets from business-type activities	<u>1,015,493</u>	892,386

Certain revenues in the governmental funds that provide current financial resources are not included in the statement of activities because they were recognized in a prior period. However, other revenues that are unavailable in the governmental funds because they do not provide current financial resources due to unavailability are recognized in the statement of activities.

Court (fines and forfeitures)	(12,152)	
Notes receivable and miscellaneous	(25,947)	
Property tax	<u>(3,433)</u>	(41,532)

(continued)

The notes to the financial statements are an integral part of this statement

City of Flagstaff
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2022

Internal service funds are used by management to charge the costs of certain activities, such as the City's self-insurance program to individual funds. The following activities of the internal service fund is reported with governmental activities.

Net allocated income assigned to governmental activities	1,510,294	
Investment income	151,602	
Miscellaneous income	39,346	1,701,242
Change in net position of governmental activities - statement of activities		\$ 53,782,218

(concluded)

The notes to the financial statements are an integral part of this statement

City of Flagstaff, Arizona
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 36,271,000	\$ 36,271,000	\$ 39,673,360	\$ 3,402,360
Intergovernmental	30,585,516	30,585,516	32,236,115	1,650,599
Grants and entitlements	21,165,319	21,165,319	2,131,382	(19,033,937)
Charges for services	2,764,530	2,764,530	3,513,865	749,335
Licenses and permits	2,927,380	2,927,380	3,821,960	894,580
Fines and forfeitures	1,429,499	1,429,499	747,455	(682,044)
Rents	1,654,569	1,654,569	1,181,958	(472,611)
Investment earnings	423,171	423,171	1,343,931	920,760
Contributions	535,615	535,615	665,362	129,747
Miscellaneous	286,169	286,169	322,363	36,194
Total revenues	98,042,768	98,042,768	85,637,751	(12,405,017)
Expenditures:				
Current:				
General administration	32,676,034	32,676,034	14,235,669	18,440,365
Management services	5,684,459	5,684,459	4,689,187	995,272
Fire	22,129,503	22,129,503	14,476,376	7,653,127
Police	24,025,033	24,025,033	22,420,299	1,604,734
Community development	5,019,306	5,019,306	4,408,905	610,401
Public works	5,157,021	5,157,021	2,657,863	2,499,158
Economic vitality	258,918	258,918	125,206	133,712
Non-departmental	8,145,818	8,145,818	(2,298,598)	10,444,416
City engineering	2,124,281	2,124,281	1,676,643	447,638
Parks, recreation, open space and events	13,381,360	13,381,360	8,465,518	4,915,842
Contingency	2,928,060	2,928,060	(39,922)	2,967,982
Total expenditures	121,529,793	121,529,793	70,817,146	50,712,647
Excess (deficiency) of revenues over (under) expenditures	(23,487,025)	(23,487,025)	14,820,605	38,307,630
Other Financing Sources (Uses):				
Sale of capital assets	21,230	21,230	41,452	20,222
Proceeds from financing	1,300,000	1,300,000	-	(1,300,000)
Transfers in	5,664,338	5,664,338	3,628,470	(2,035,868)
Transfers out	(12,436,971)	(12,436,971)	(11,337,714)	1,099,257
Total other financing sources (uses)	(5,451,403)	(5,451,403)	(7,667,792)	(2,216,389)
Net change in fund balances	(28,938,428)	(28,938,428)	7,152,813	36,091,241
Fund balances, beginning of year	62,133,123	62,133,123	74,585,609	12,452,486
Fund balances, end of year	\$ 33,194,695	\$ 33,194,695	\$ 81,738,422	\$ 48,543,727
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 7,152,813	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis			(932,577)	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis			(128,816)	
Adjusted net change in fund balance - GAAP basis			\$ 6,091,420	

The notes to the financial statements are an integral part of this statement

City of Flagstaff, Arizona
Highway User Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grants and entitlements	\$ 9,539,036	\$ 9,539,036	\$ 9,528,441	\$ (10,595)
Investment earnings	55,000	55,000	305,731	250,731
Contributions	3,440,000	3,440,000	1,676,398	(1,763,602)
Licenses and permits	-	-	221,768	221,768
Miscellaneous	-	-	26,542	26,542
Total revenues	<u>13,034,036</u>	<u>13,034,036</u>	<u>11,758,880</u>	<u>(1,275,156)</u>
Expenditures:				
Current:				
Public works	14,189,046	14,189,046	6,620,740	7,568,306
Non-departmental	1,292,913	1,292,913	1,292,913	-
City engineering	23,305,593	23,305,593	7,444,212	15,861,381
Contingency	100,000	100,000	-	100,000
Total expenditures	<u>38,887,552</u>	<u>38,887,552</u>	<u>15,357,865</u>	<u>23,529,687</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,853,516)</u>	<u>(25,853,516)</u>	<u>(3,598,985)</u>	<u>22,254,531</u>
Other Financing Sources (Uses):				
Sale of capital assets	-	-	4,050	(4,050)
Transfers in	21,355,593	21,355,593	5,950,824	15,404,769
Transfers out	(13,000)	(13,000)	(13,000)	-
Total other financing sources (uses)	<u>21,342,593</u>	<u>21,342,593</u>	<u>5,941,874</u>	<u>15,400,719</u>
Net change in fund balances	<u>(4,510,923)</u>	<u>(4,510,923)</u>	<u>2,342,889</u>	<u>6,853,812</u>
Fund balances, beginning of year	<u>10,929,928</u>	<u>10,929,928</u>	<u>11,603,308</u>	<u>673,380</u>
Fund balances, end of year	<u>\$ 6,419,005</u>	<u>\$ 6,419,005</u>	<u>\$ 13,946,197</u>	<u>\$ 7,527,192</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 2,342,889	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis			41,989	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis			(41,989)	
Adjusted net change in fund balance - GAAP basis			<u>\$ 2,342,889</u>	

The notes to the financial statements are an integral part of this statement

City of Flagstaff, Arizona
Transportation Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 32,213,900	\$ 32,213,900	\$ 36,123,899	\$ 3,909,999
Grants and entitlements	6,285,699	6,285,699	-	(6,285,699)
Investment earnings	258,000	258,000	1,804,721	1,546,721
Rents	-	-	11,300	11,300
Contributions	546,458	546,458	2,448,178	1,901,720
Total revenues	<u>39,304,057</u>	<u>39,304,057</u>	<u>40,388,098</u>	<u>1,084,041</u>
Expenditures:				
Current:				
Community development	-	-	11,960	(11,960)
Public works	5,055,742	5,055,742	4,052,161	1,003,581
Non-departmental	14,607,288	14,607,288	8,223,405	6,383,883
City engineering	58,298,166	58,298,166	11,294,521	47,003,645
Total expenditures	<u>77,961,196</u>	<u>77,961,196</u>	<u>23,582,047</u>	<u>54,379,149</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,657,139)</u>	<u>(38,657,139)</u>	<u>16,806,051</u>	<u>55,463,190</u>
Other Financing Sources (Uses):				
Capital bonds issued	17,200,000	17,200,000	-	(17,200,000)
Transfers in	1,797,301	1,797,301	-	(1,797,301)
Transfers out	(23,152,894)	(23,152,894)	(5,943,769)	17,209,125
Total other financing sources (uses)	<u>(4,155,593)</u>	<u>(4,155,593)</u>	<u>(5,943,769)</u>	<u>(1,788,176)</u>
Net change in fund balances	<u>(42,812,732)</u>	<u>(42,812,732)</u>	<u>10,862,282</u>	<u>53,675,014</u>
Fund balances, beginning of year	<u>63,283,654</u>	<u>63,283,654</u>	<u>68,408,377</u>	<u>5,124,723</u>
Fund balances, end of year	<u>\$ 20,470,922</u>	<u>\$ 20,470,922</u>	<u>\$ 79,270,659</u>	<u>\$ 58,799,737</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 10,862,282	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis			399,406	
Adjusted net change in fund balance - GAAP basis			<u>\$ 11,261,688</u>	

The notes to the financial statements are an integral part of this statement



City of Flagstaff, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2023

Business-type Activities - Enterprise Funds

	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund	Airport Fund
Assets				
Current assets:				
Cash and investments	\$ 44,787,255	\$ 74,489	\$ 13,550,787	\$ 9,865
Receivable, net	4,270,688	565,890	1,553,078	250,115
Intergovernmental receivable	643,492	140,965	-	2,873,278
Lease receivable	-	-	-	6,190,359
Interfund receivable	10,100,000	-	-	-
Prepaid items	-	-	-	113,921
Restricted cash and investments	3,543,272	264,504	158,897	1,259,685
Total current assets	<u>63,344,707</u>	<u>1,045,848</u>	<u>15,262,762</u>	<u>10,697,223</u>
Noncurrent assets:				
Restricted cash and investments	-	-	13,009,724	-
Refundable deposits	8,763	-	-	-
Net pension asset	-	-	-	326,577
Capital assets, non-depreciable	27,918,654	39,782,829	4,540,951	425,712
Capital assets, depreciable, net	234,818,702	34,395,031	10,534,534	36,914,504
Total non-current assets	<u>262,746,119</u>	<u>74,177,860</u>	<u>28,085,209</u>	<u>37,666,793</u>
Total assets	<u>326,090,826</u>	<u>75,223,708</u>	<u>43,347,971</u>	<u>48,364,016</u>
Deferred outflows of resources:				
Deferred outflow related to advance refunding	152,753	-	-	-
Deferred outflows related to pension/OPEB	1,127,666	120,392	802,562	417,497
Total deferred outflows of resources	<u>1,280,419</u>	<u>120,392</u>	<u>802,562</u>	<u>417,497</u>
Liabilities				
Current liabilities:				
Accounts payable	1,889,974	766,944	1,124,210	342,962
Construction retainage payable	158,803	-	63,978	-
Interfund payable	-	10,100,000	-	3,000,000
Accrued payroll	102,137	10,857	76,477	20,288
Accrued compensated absences	179,956	18,401	90,328	40,029
Interest payable	252,902	51,504	58,897	-
Advanced revenue	272,900	-	1,738	-
Claims and judgements	-	-	-	-
Subscription liability	10,535	-	-	-
Deposits payable	1,418,080	-	81,002	2,459
Financed purchases	150,712	-	-	216,337
Bonds, notes and leases payable, net	3,393,808	213,000	100,000	-
Total current liabilities	<u>7,829,807</u>	<u>11,160,706</u>	<u>1,596,630</u>	<u>3,622,075</u>
Noncurrent liabilities:				
Compensated absences	210,674	16,124	84,257	27,663
Net OPEB liability	843,734	78,487	627,895	127,541
Net pension liability	6,103,084	570,598	3,887,891	467,472
Claims and judgements	-	-	-	-
Landfill closure and post closure care costs	-	-	20,340,020	-
Subscription liability	10,765	-	-	-
Financed purchases	636,094	-	-	112,720
Bonds, notes and leases payable, net	18,903,501	3,645,000	3,369,037	-
Total noncurrent liabilities	<u>26,707,852</u>	<u>4,310,209</u>	<u>28,309,100</u>	<u>735,396</u>
Total liabilities	<u>34,537,659</u>	<u>15,470,915</u>	<u>29,905,730</u>	<u>4,357,471</u>
Deferred inflows related to pension/OPEB				
	568,081	52,946	399,604	119,380
Deferred inflows related to leases				
	-	-	-	6,111,251
Total deferred inflows	<u>568,081</u>	<u>52,946</u>	<u>399,604</u>	<u>6,230,631</u>
Net Position				
Net investment in capital assets	238,786,817	69,930,873	11,390,256	36,785,814
Restricted for:				
Specific programming	-	-	-	1,588,743
Unrestricted (deficit)	53,478,688	(10,110,634)	2,454,943	(181,146)
Total net position	<u>\$ 292,265,505</u>	<u>\$ 59,820,239</u>	<u>\$ 13,845,199</u>	<u>\$ 38,193,411</u>

The notes to the financial statements are an integral part of this statement

Business-type Activities - Enterprise Funds		Governmental Activities	
Nonmajor Enterprise Fund - Housing Authority	Total Business-type Funds	Internal Service Fund	
\$ 2,261,543	\$ 60,683,939	\$ 9,199,951	
156,394	6,796,165	68,654	
258,627	3,916,362	-	
-	6,190,359	-	
-	10,100,000	-	
103,300	217,221	-	
-	5,226,358	-	
<u>2,779,864</u>	<u>93,130,404</u>	<u>9,268,605</u>	
126,157	13,135,881	-	
-	8,763	-	
-	326,577	-	
921,950	73,590,096	-	
<u>3,272,266</u>	<u>319,935,037</u>	<u>-</u>	
<u>4,320,373</u>	<u>406,996,354</u>	<u>-</u>	
<u>7,100,237</u>	<u>500,126,758</u>	<u>9,268,605</u>	
-	152,753	-	
295,828	2,763,945	-	
<u>295,828</u>	<u>2,916,698</u>	<u>-</u>	
161,357	4,285,447	260,247	
-	222,781	-	
246,895	13,346,895	-	
41,456	251,215	-	
45,485	374,199	-	
-	363,303	-	
30,862	305,500	4,287	
-	-	114,224	
-	10,535	-	
74,719	1,576,260	-	
-	367,049	-	
-	3,706,808	-	
<u>600,774</u>	<u>24,809,992</u>	<u>378,758</u>	
61,755	400,473	-	
196,217	1,873,874	-	
1,547,155	12,576,200	-	
-	-	125,000	
-	20,340,020	-	
-	10,765	-	
-	748,814	-	
-	25,917,538	-	
<u>1,805,127</u>	<u>61,867,684</u>	<u>125,000</u>	
<u>2,405,901</u>	<u>86,677,676</u>	<u>503,758</u>	
136,640	1,276,651	-	
-	6,111,251	-	
<u>136,640</u>	<u>7,387,902</u>	<u>-</u>	
4,194,216	361,087,976	-	
286,986	1,875,729	-	
372,322	46,014,173	8,764,847	
<u>\$ 4,853,524</u>	<u>\$ 408,977,878</u>	<u>\$ 8,764,847</u>	

Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities

644,653
\$ 409,622,531

City of Flagstaff, Arizona
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund
Operating Revenues:			
Charges for services	\$ 29,505,848	\$ 4,738,735	\$ 15,307,675
Miscellaneous	195,694	-	2,425
Total operating revenues	<u>29,701,542</u>	<u>4,738,735</u>	<u>15,310,100</u>
Operating Expenses:			
Personnel services	6,427,560	752,376	5,235,447
Contractual services, materials and supplies	13,969,044	2,141,732	11,974,766
Pension and OPEB expense	119,576	(7,165)	14,430
Insurance claims and expenses	-	-	-
Depreciation and amortization	9,339,701	714,788	857,989
Total operating expenses	<u>29,855,881</u>	<u>3,601,731</u>	<u>18,082,632</u>
Operating income (loss)	<u>(154,339)</u>	<u>1,137,004</u>	<u>(2,772,532)</u>
Non-Operating Revenues (Expenses):			
Interest and investment income	1,452,412	-	843,671
Grants and entitlements	-	452,205	2,500
Gain (loss) on disposal of capital asset	(885,522)	(191,201)	700
Gain (loss) on impairment of capital asset	(1,863,378)	-	-
Passenger facility charges	-	-	-
Interest expense	(573,653)	(104,009)	(116,566)
Total non-operating revenues (expenses)	<u>(1,870,141)</u>	<u>156,995</u>	<u>730,305</u>
Income (loss) before capital contributions and transfers	<u>(2,024,480)</u>	<u>1,293,999</u>	<u>(2,042,227)</u>
Capital contributions related to grants	699,650	2,743,224	-
Capital contributions from external sources	3,308,660	139,341	1,365,724
Capital contributions from internal sources	19,554	26,287	-
Transfers in	1,167,916	25,717	263,646
Transfers out	(25,717)	(755,119)	-
Change in net position	<u>3,145,583</u>	<u>3,473,449</u>	<u>(412,857)</u>
Total net position, beginning of year (as restated)	<u>289,119,922</u>	<u>56,346,790</u>	<u>14,258,056</u>
Total net position, end of year	<u>\$ 292,265,505</u>	<u>\$ 59,820,239</u>	<u>\$ 13,845,199</u>

The notes to the financial statements are an integral part of this statement

Business-type Activities - Enterprise Funds			Governmental Activities
Airport Fund	Nonmajor Enterprise Fund - Housing Authority	Total Business-type Funds	Internal Service Fund
\$ 2,012,845	\$ 2,538,893	\$ 54,103,996	\$ 11,881,051
-	-	198,119	39,346
<u>2,012,845</u>	<u>2,538,893</u>	<u>54,302,115</u>	<u>11,920,397</u>
1,456,324	1,546,508	15,418,215	-
2,705,024	7,631,320	38,421,886	-
28,820	(59,366)	96,295	-
-	-	-	9,597,830
<u>2,157,963</u>	<u>481,471</u>	<u>13,551,912</u>	<u>-</u>
<u>6,348,131</u>	<u>9,599,933</u>	<u>67,488,308</u>	<u>9,597,830</u>
<u>(4,335,286)</u>	<u>(7,061,040)</u>	<u>(13,186,193)</u>	<u>2,322,567</u>
128,567	16,346	2,440,996	151,602
4,562,136	6,889,764	11,906,605	-
(24,996)	-	(1,101,019)	-
-	-	(1,863,378)	-
496	-	496	-
<u>(26,993)</u>	<u>-</u>	<u>(821,221)</u>	<u>-</u>
<u>4,639,210</u>	<u>6,906,110</u>	<u>10,562,479</u>	<u>151,602</u>
303,924	(154,930)	(2,623,714)	2,474,169
86,480	177,271	3,706,625	-
-	-	4,813,725	-
-	-	45,841	-
-	-	1,457,279	-
<u>(273,725)</u>	<u>-</u>	<u>(1,054,561)</u>	<u>-</u>
<u>116,679</u>	<u>22,341</u>	<u>6,345,195</u>	<u>2,474,169</u>
<u>38,076,732</u>	<u>4,831,183</u>	<u>402,632,683</u>	<u>6,290,678</u>
<u>\$ 38,193,411</u>	<u>\$ 4,853,524</u>	<u>\$ 408,977,878</u>	<u>\$ 8,764,847</u>

Change in net position of business-type activities

772,927
\$ 7,118,122

Some amounts reported for business-type activities on the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities

City of Flagstaff, Arizona
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water and Wastewater Fund</u>	<u>Stormwater Fund</u>	<u>Environmental Services Fund</u>
Cash flows from operating activities:			
Receipts from customers	\$ 29,344,585	\$ 4,575,181	\$ 15,118,352
Interfund services provided	380,422	49,891	193,329
Passenger facility charges	-	-	-
Payments to suppliers	(10,973,544)	(3,594,015)	(6,603,469)
Interfund services used	(76,410)	-	(13,030)
Interfund reimbursement used	(2,668,541)	(268,511)	(1,648,938)
Payments to employees	(6,675,968)	(765,964)	(5,354,556)
Net cash provided (used) by operating activities	<u>9,330,544</u>	<u>(3,418)</u>	<u>1,691,688</u>
Cash flows from noncapital financing activities:			
Transfer from other funds	-	(485,124)	263,646
Transfer to other funds	897,921	-	-
Interfund loans received (paid)	(3,700,000)	3,700,000	-
Net cash provided (used) by noncapital financing activities	<u>(2,802,079)</u>	<u>3,214,876</u>	<u>263,646</u>
Cash flows from capital and related financing activities:			
Receipts from grantors	94,958	532,172	2,500
Capital contributions	2,578,699	2,743,224	-
Acquisition and construction of capital assets	(6,239,315)	(6,265,600)	(1,814,826)
Principal payments on capital debt	(4,712,356)	(234,000)	(95,374)
Interest paid on capital debt	(544,461)	(67,680)	(120,345)
Proceeds from sales of capital assets	-	166,177	700
Net cash provided (used) by capital and related financing activities	<u>(8,822,475)</u>	<u>(3,125,707)</u>	<u>(2,027,345)</u>
Cash flows from investing activities:			
Interest received on investments	1,336,746	6	813,298
Net cash provided (used) by investing activities	<u>1,336,746</u>	<u>6</u>	<u>813,298</u>
Net increase (decrease) in cash and cash equivalents	<u>(957,264)</u>	<u>85,757</u>	<u>741,287</u>
Cash and cash equivalents at beginning of year	<u>49,287,791</u>	<u>253,236</u>	<u>25,978,121</u>
Cash and cash equivalents at end of year	<u>\$ 48,330,527</u>	<u>\$ 338,993</u>	<u>\$ 26,719,408</u>
Classified as:			
Cash, cash equivalents, and investments	\$ 44,787,255	\$ 74,489	\$ 13,550,787
Restricted cash and cash equivalents	3,543,272	264,504	13,168,621
Totals	<u>\$ 48,330,527</u>	<u>\$ 338,993</u>	<u>\$ 26,719,408</u>

The notes to the financial statements are an integral part of this statement

Business-type Activities - Enterprise Funds			Governmental
Nonmajor			Activities
Airport Fund	Enterprise Fund - Housing Authority	Total Business- type Funds	Internal Service Fund
\$ 1,984,642	\$ 2,491,903	\$ 53,514,663	\$ 11,911,310
-	-	623,642	-
496	-	496	-
(2,505,912)	(7,333,615)	(31,010,555)	(9,470,628)
(79,870)	(356,442)	(525,752)	-
(420,406)	-	(5,006,396)	-
(1,523,411)	(1,586,810)	(15,906,709)	-
<u>(2,544,461)</u>	<u>(6,784,964)</u>	<u>1,689,389</u>	<u>2,440,682</u>
-	-	(221,478.00)	-
(273,725)	-	624,196	-
1,600,000	167,598	1,767,598	-
<u>1,326,275</u>	<u>167,598</u>	<u>2,170,316</u>	<u>-</u>
4,058,899	6,685,736	11,374,265	-
86,480	177,271	5,585,674	-
(1,567,364)	(177,271)	(16,064,376)	-
(204,744)	-	(5,246,474)	-
(26,993)	-	(759,479)	-
-	-	166,877	-
<u>2,346,278</u>	<u>6,685,736</u>	<u>(4,943,513)</u>	<u>-</u>
125,137	16,346	2,291,533	151,602
<u>125,137</u>	<u>16,346</u>	<u>2,291,533</u>	<u>151,602</u>
1,253,229	84,716	1,207,725	2,592,284
16,321	2,302,984	77,838,453	6,607,667
<u>\$ 1,269,550</u>	<u>\$ 2,387,700</u>	<u>\$ 79,046,178</u>	<u>\$ 9,199,951</u>
\$ 9,865	\$ 2,261,543	\$ 60,683,939	\$ 9,199,951
1,259,685	126,157	18,362,239	-
<u>\$ 1,269,550</u>	<u>\$ 2,387,700</u>	<u>\$ 79,046,178</u>	<u>\$ 9,199,951</u>

City of Flagstaff, Arizona
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (154,339)	\$ 1,137,004	\$ (2,772,532)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	9,339,701	714,788	857,989
Landfill closure and post closure costs	-	-	2,939,498
Other receipts	-	-	-
(Increase) decrease in assets:			
Receivables	(218)	(107,163)	(17,879)
Allowance for doubtful accounts	(46,000)	(6,500)	14,800
Prepaid items	(2)	-	-
Refundable deposits	-	-	-
Net pension asset	-	-	-
(Increase) decrease in deferred pension outflows	393,149	19,993	609,353
(Increase) decrease in deferred OPEB outflows	17,764	4,306	(398,256)
Increase (decrease) in liabilities:			
Accounts payable	250,551	(1,720,794)	769,831
Accrued payroll, compensated absences	(248,410)	(13,588)	(119,109)
Net OPEB liability	(85,483)	(11,261)	(71,831)
Net pension liability	1,189,367	111,198	757,671
Deposits payable	99,863	-	3,000
Advanced revenue	(30,180)	-	1,660
Increase (decrease) in deferred pension inflows	(1,477,602)	(138,146)	(941,287)
Increase (decrease) in deferred OPEB inflows	82,383	6,745	58,780
Increase (decrease) in deferred lease inflows	-	-	-
Total adjustments	<u>9,484,883</u>	<u>(1,140,422)</u>	<u>4,464,220</u>
Net cash provided (used) by operating activities	<u>\$ 9,330,544</u>	<u>\$ (3,418)</u>	<u>\$ 1,691,688</u>
Noncash investing, capital and financing activities:			
Capital assets acquired through contributions from developers	\$ 729,961	\$ 139,341	\$ 1,365,724
Amortization of deferred amount on refunding	38,188	-	-
Loss on disposal of capital assets	(1,863,378)	-	-
Capital assets transferred to other funds	(911,239)	-	-
Capital assets transferred from other funds	289,549	181,975	-
Total noncash investing, capital and financing activities	<u>\$ (1,716,919)</u>	<u>\$ 321,316</u>	<u>\$ 1,365,724</u>

The notes to the financial statements are an integral part of this statement

Business-type Activities - Enterprise Funds			Governmental Activities
Airport Fund	Nonmajor Enterprise Fund - Housing Authority	Total Business-type Funds	Internal Service Fund
\$ (4,335,286)	\$ (7,061,040)	\$ (13,186,193)	\$ 2,322,567
2,157,963	481,471	13,551,912	-
-	-	2,939,498	-
496	-	496	-
216,088	(49,967)	40,861	(10,835)
-	(6,867)	(44,567)	-
(113,921)	(29,711)	(143,634)	-
-	-	-	-
1,065,796	-	1,065,796	-
454,586	79,864	1,556,945	-
(345,161)	31,487	(689,860)	-
(187,243)	(29,026)	(916,681)	127,202
(67,087)	(40,303)	(488,497)	-
16,868	(95,098)	(246,805)	-
91,101	301,511	2,450,848	-
-	400	103,263	-
-	9,444	(19,076)	1,748
(1,341,655)	(379,837)	(4,278,527)	-
87,285	2,708	237,901	-
(244,291)	-	(244,291)	-
<u>1,790,825</u>	<u>276,076</u>	<u>14,875,582</u>	<u>118,115</u>
<u>\$ (2,544,461)</u>	<u>\$ (6,784,964)</u>	<u>\$ 1,689,389</u>	<u>\$ 2,440,682</u>
\$ -	\$ -	\$ 2,235,026	\$ -
-	-	38,188	-
-	-	(1,863,378)	-
-	-	(911,239)	-
-	-	471,524	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,879)</u>	<u>\$ -</u>

(concluded)

City of Flagstaff, Arizona

Notes to the Financial Statements

June 30, 2023

I. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Flagstaff (City) was incorporated as a town in 1894 and as a city in 1928. The current City Charter was approved June 29, 1998. The Charter provides for the Council-Manager form of government and the authority to provide municipal services, as limited by the State Constitution.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City of Flagstaff is a municipal corporation governed by an elected mayor and six-member council. The accompanying financial statements include the City and all its component entities for which the government is financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the Government-wide Statement of Net Position and Activities to emphasize they are legally separate from the government. The City of Flagstaff reports no blended or discretely presented component units.

Related Organizations: The City of Flagstaff officials are also responsible for appointing board members of other organizations. However, as the City's control is limited to making the appointments and there is not a significant operational nor a significant financial relationship between these organizations and the City, they are not included as part of these financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (statement of net position and statement of activities) report on the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are supported by fees and charges for services.

The government-wide statement of activities demonstrates the degree to which the direct expenses of the various functions and segments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on long-term debt and depreciation expense on assets shared by multiple functions are not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use, or directly benefit from goods, services or privileges provided by a particular function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and other revenues not identifiable with functions or segments are included as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

Interdepartmental services performed by one division for another are credited to the performing division and charged to the receiving division to reflect the accurate costs of programs. These indirect costs have been eliminated as part of the program expenses reported for the various functional activities. The rates used are intended to reflect full costs in accordance with generally accepted cost accounting principles and are part of the fund statements. Interfund services provided and used are eliminated in the process of consolidation.

The government-wide statement of net position reports all financial and capital resources of the government. It is displayed in a format of assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in the net position. The portion of unspent related debt proceeds or deferred inflows of resources at the end of the reporting period is not included in the calculation of net investment in capital assets; instead that portion of the debt or deferred inflows of resources is included in the same net position component as the unspent amount. Restricted net position occurs when a constraint is placed on its use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as restricted, is shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Also, part of the basic financial statements is fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although the reporting model sets forth minimum criteria for determination of major funds (a percentage of assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements and are detailed in combining statements included as supplementary information after the basic financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recorded as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. This is the traditional basis of accounting for governmental funds. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental fund financial statements are presented on a different basis than the governmental activities column of the government-wide financial

statements, a reconciliation is provided immediately following each fund statement. These reconciliations explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary fund financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary fund financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds may be eliminated in the consolidation for the government-wide financial statements but are included in the fund columns in the proprietary fund financial statements. The net costs/income of the internal service fund is also partially allocated to the business-type activities column on the government-wide financial statements.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, i.e., charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses represent items like investment income, interest expense, and other items that do not fit in any other category and are not a result of the direct operations of the activity.

The City uses funds to report its financial position and the results of its operations. Fund accounting segregates funds according to their intended purpose and is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which includes assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures/expenses.

The City uses the following fund categories:

Governmental Fund Types

Governmental Funds are those through which most of the governmental functions of the City are financed. The measurement focus is based upon determination of changes in financial position rather than upon net income determination.

General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund will always be considered a major fund in the basic financial statements.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes. There are two special revenue funds that are presented as a major fund in the basic financial statements. They are the:

- *Highway User Revenue Fund* which receives and expends the City's allocation of the Highway User Revenue money. Resources allocated to this fund come mainly from the State and must be used for street construction, reconstruction, and maintenance.
- *Transportation Tax Fund* accounts for the receipt and expenditures of the transportation tax money as authorized by voters on May 16, 2000. These resources are restricted to financing improvements in the areas of the 4th Street overpass project, safe to school/pedestrian and bike projects, traffic flow and safety improvements, transit service operations and enhancements and to repay the bonding related to the 4th Street overpass. In fiscal year 2015-2016, voters approved an additional transportation tax for road repair and street safety which is valid through 2035. In fiscal year 2016-2017, voters approved an

extension of the transit tax to 2030. In fiscal year 2018-2019, voters approved an additional tax for the Lone Tree Overpass and extended the roadway, pedestrian, bicycle, and safety improvements tax to 2040.

Capital Project Funds are used to account for major capital acquisition and construction separate from ongoing operating activities. Resources for capital projects typically result from the issuance of general obligation or other government debt.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal and interest.

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. Resources are generated from ongoing plot sales with a portion allocated to perpetuity.

Proprietary Fund Types

Proprietary Funds are used to account for the City's ongoing operations and activities, which are like those found in the private sector and where cost recovery and the determination of net income is useful or necessary for sound fiscal management. The measurement focus is based upon determination of net income, changes in net position, net position, and cash flows.

Enterprise Funds are used to account for operations that provide services to the public for a fee. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs. The City has five enterprise funds, four of which are presented as major funds in the basic financial statements.

- *Water and Wastewater Fund* accounts for the City water pumping, treatment and distribution systems and the City wastewater collection and treatment systems.
- *Stormwater Fund* accounts for the construction, operations, and maintenance activities of the City stormwater system.
- *Environmental Services Fund* accounts for the operations of City refuse, management of the City landfill, recycling collection services and the management of sustainability programs.
- *Airport Fund* accounts for the construction and operations activities of the City's Airport.

Internal Service Fund accounts for the operations that provide services to other divisions of the government on a cost-reimbursement basis, thus the internal service fund is presented with the proprietary fund financial statements. The internal service fund represents the self-insurance services provided to other divisions and accounts for the risk management function of the City as well as maintaining the costs of the City's liability insurance and any claims paid under the City's self-insurance program. These costs are allocated to all operational activities of the City.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus whereby only current assets plus deferred outflows of resources, equals current liabilities plus deferred inflows of resources, plus fund balance. Operating statements present increases (i.e., revenues and other

financing sources) and decreases (i.e., expenditures and other financing uses) in net change in fund balances.

Enterprise funds are accounted for on a flow of economic resources measurement focus whereby all assets plus deferred outflows of resources, less liabilities and deferred inflows of resources associated with the operation of these funds, equals net position, as presented on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The modified accrual basis of accounting is used by governmental funds. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period.

Expenditures are generally recorded when the related fund liability is incurred, as under accrual accounting. Principal and interest on long-term debt are recorded as fund liabilities when due. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are recorded only to the extent they have matured.

Revenues susceptible to accrual include property tax, privilege license tax, highway user tax, state shared sales tax, vehicle license tax, grants and aid and interest earned on investments. Licenses and permits, charges for services, fines and forfeitures, parks and recreation charges and miscellaneous revenues are recorded when received in cash since they are generally not measurable until received. Only the portion of special assessment receivables due within the current fiscal period is susceptible to accrual as revenue of the current period.

The accrual basis of accounting is followed for all enterprise funds. Revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized when incurred.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the funds principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

Budgets and Budgetary Accounting

The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements.

- The maximum legal expenditure permitted for the year is the total budget as adopted. The expenditure appropriations in the adopted budget are maintained in the City's financial system by division within individual funds. Division appropriations may be amended during the year, within administrative guidelines and adopted Council policies.
- The initial budget for the fiscal year may be amended during the year in a legally permissible manner.
- The City Manager is generally authorized to transfer budgeted amounts within any specific sections expenditure appropriation. Any budget revisions requiring a transfer between divisions must be

approved by the City Council. City manager, human resources and information technology are example sections of the general administration division.

- All unencumbered expenditure appropriations expire at the end of the fiscal year.
- Encumbered amounts are re-budgeted in the following year as deemed appropriate and necessary after review by the Budget Committee. Budgetary carry forwards are approved by the City Council as part of the budget adoption process.
- All funds of the City have legally adopted budgets except for the internal service fund, perpetual care fund. Formal integration of these budgets into the City's financial systems is employed as a management control device during the year for all funds.

The City prepares its annual budget on a modified cash basis, which differs from GAAP. GASB Statement No. 34 requires that budgetary comparison statements for the General Fund and major special revenue funds be presented in the annual financial statements or as required supplementary information. The City has chosen to present these statements in the basic financial statements. These statements must display original budget, amended budget and actual results on a budgetary basis at the legal level of budgetary control. The City's legal level of budgetary control is at the division level; however, the City's financial statements are presented at the functional level of detail. Budgetary comparisons provided in the basic financial section are presented for the general fund and major special revenue funds at the division level; these are presented as statements. The supplemental section provides budgetary comparisons for non-major special revenue funds, capital projects funds and debt service funds at the same functional level of detail used in financial statements presentation; these are presented as schedules.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Investments

The City's cash and cash equivalents are cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in the State's Local Government Investment Pool (LGIP), obligations of the U.S. Treasury, commercial paper and repurchase agreements. Investment income from pooled cash and investments is allocated monthly based on the percentage of a fund's average daily equity in pooled cash and investments to the total average daily pooled equity in pooled cash and investments. Investments are stated at fair value based on quoted market prices. The City also has an investment policy. Details of the City's investment policy can be found in Note III.A.

The LGIP is a part of the State of Arizona Treasurer's office. The State Board of Investments provides oversight for the State Treasurer's pools, and the LGIP Advisory Committee provides consultation and advice to the Treasurer. Investments in the State of Arizona LGIP are stated at fair value, which also approximates the value of the investment upon withdrawal.

For purposes of the statement of cash flows, the City considers cash and cash equivalents, including restricted cash and cash equivalents, to be currency on hand, demand deposits with banks, amounts included in pooled cash and investment accounts and liquid investments with a maturity of three months or less. Cash and cash equivalents are included in both unrestricted as well as restricted assets.

Receivables and Payables

Accounts receivable and taxes receivable are shown net of an allowance for uncollectible accounts. The City's property tax is levied each year on or before the third Monday in August based on the previous January 1, full cash value as determined by the Coconino County Assessor. Levies are due and payable in two installments on September 1 and March 1. First half installments become delinquent on November 1; second half installments become delinquent on May 1. Interest at the rate of 12% per annum accrues following delinquent dates. Coconino County bills and collects all property taxes, at no charge to the taxing entities. A lien against property assessed attaches on the first day of January preceding assessment and levy thereon.

Under Arizona tax laws there are two property tax levies: primary and secondary. Primary property taxes are not restricted as to use and are used to finance the general operations of the City. Secondary property taxes are restricted for general obligation bonded debt service. The secondary property tax levy is recorded as revenue in a debt service fund and transferred to the Water and Wastewater Fund and the General Obligation Bond Fund.

As lessor, the City recognizes a lease receivable at the inception of the lease agreement other than short-term leases and as lessee, the City recognizes a lease payable at the inception of the lease agreement.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is classified as interfund receivables and payables. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balance.

Deferred Outflows of Resources

When a consumption of net assets/fund balance applies to a future period it should not be recognized as an outflow of resources, expense, or expenditure until that time. Advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Inventory and Prepaids

Inventory is valued at cost, which approximates market, using the weighted average cost method. Inventory consists of expendable supplies held for consumption and is charged to expenditure accounts as consumed. Prepayments are recorded under the consumption method where assets are recording and amortized over the life of the related agreement. Prepaid items contain payments made to vendors applicable to future accounting periods. The cost of a prepaid item is recorded as an expense when consumed rather than purchased.

Restricted Assets

Certain debt proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted on the balance sheet or statement of net position, because they are maintained in trust accounts and their use is limited by applicable debt covenants. Typically, restricted assets, committed assets and assigned assets are used prior to using unassigned assets when both are available for the same purpose.

Capital Assets

Capital assets, whether owned by governmental activities or business-type activities, are recorded, and depreciated/amortized (unless the modified approach is used) in the government-wide financial statements. The City has chosen not to apply the modified approach to any networks or subsystems of

infrastructure assets. No long-term assets or depreciation are shown in the governmental fund financial statements.

Capital assets, including public domain infrastructure (i.e., roads, bridges, curbs and gutters, streets and sidewalks, and other assets that are immovable and of value only to the City) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 (\$25,000 for capital improvement projects and infrastructure assets) and an estimated useful life greater than three years. Such assets are recorded at historical cost or estimated historical cost if actual amounts are unknown. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life, are not capitalized. Major improvements are capitalized and depreciated over the remaining useful life of the related asset.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment is depreciated/amortized using the straight-line method over the following estimated useful lives (land and construction-in-progress are not depreciated):

<u>Assets</u>	<u>Useful life (years)</u>
Buildings	10-50
Improvements	10-20
Machinery and Equipment	5-25
Infrastructure	25-75

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Deferred Inflows of Resources

Revenues and other governmental fund financial resources are recognized in the accounting period in which they become both measurable and available. When an asset is recorded in the governmental fund financial statements, but the revenue is not available, the government reports a deferred inflow of resources until such time as the revenue becomes available. Revenue related to property tax, notes receivable and other revenues are recorded in governmental funds but the revenue is not available in the current period, so it is reported as a deferred inflow of resources.

Lease-related amounts are recognized at the inception of leases in which the City is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension and OPEB expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions)

are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Retirees are allowed to participate in the same healthcare plan as active employees and pay the same premium for this benefit which results in an implicit rate subsidy. Even though the City makes no direct payments on behalf of the retirees the City is required to report this implicit cost for active employees who will be able to continue to purchase health insurance once they retire.

Compensated Absences

Vacation and sick leave are granted to all regular and part-time permanent employees. The annual amount of vacation time accrued varies depending on classification and years of service. Accumulated vacation leave vests and the City is obligated to make payment if the employee terminates. Sick leave accrues at rates based on the full-time equivalency status of each employee. Sick leave is vested with 20 years of service. Sick leave is payable upon termination (if vested) or retirement, up to 50 percent (not more than 520 hours) of accumulated sick leave.

For the governmental fund financial statements, the current payroll and current portion of the compensated absences are recorded as a current liability of the applicable funds. Long-term liabilities of governmental funds are not shown on the fund financial statements. For the government-wide financial statements, as well as the proprietary fund financial statements, all the accrued liabilities for compensated absences are recorded as a liability.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are amortized over the life of the bonds using a method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs in the period in which the bonds are issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Interfund Transactions

Interfund transactions, consisting of services performed for other funds or costs billed to other funds are treated as expenditures in the fund receiving the services and as a reimbursement reducing expenditures in the fund performing the services. Exceptions include water sales, sewer charges, and environmental service charges that are recorded as revenue in the enterprise funds and expenses or expenditures in the department receiving the service. In addition, transfers are made between funds to shift resources from a fund legally authorized to receive revenue to a fund authorized to expend the revenue.

Grant Revenue

The City recognizes grant revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the City before the eligibility requirements are met are reported as advance revenues. Some grants and contributions consist of capital assets or resources that are restricted to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the City.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balance

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of nonspendable, restricted, committed, assigned and unassigned designate the relative strength of the constraints placed on how the amounts can be spent. Classification of fund balances imposed by the reporting government, whether by administrative policy or legislative action of the City Council, are shown in aggregate on the government fund financial statements, but not on the proprietary statement of net position. Restricted net position on the government-wide financial statements reflects restrictions imposed by external sources.

Nonspendable fund balance represents amounts such as inventories, prepaid items and the nonexpendable portion of permanent funds. Restricted fund balances represent constraints placed on the use of resources imposed externally by creditors, grantors, contributors, or laws and regulations of other governments. Resources imposed by constitutional provisions of enabling legislation that allows the ability to levy, charge, or mandate payment of resources are also classified as restricted. Committed fund balance includes amounts that can be used only for the specific purposes determined by adoption of a City ordinance by the City Council, the government's highest level of decision-making authority. A formal action would also be required to modify or rescind an established commitment as related to the adopted City ordinance. Assigned fund balance amounts are intended to be used by the government for specific purposes but do not meet the criteria to be restricted or committed. Assigned fund balance is expressed by the direction of the City Council and budget committee as part of the annual budgeting process. Authority to assign amounts used for specific purposes is confirmed as part of the annual budgeting process, the City has no formal policy that establishes this practice. Unassigned fund balance represents the remaining amount that is not restricted, committed, nonspendable nor assigned in the general fund. Unassigned amounts are only reported in the general fund or as a negative amount in all other funds.

Consideration is made that restricted amounts are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes when both restricted and unrestricted fund balance is available. Also, committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in unrestricted fund balance classification could be used. Absent of a minimum fund balance policy, the City, through the budgeting process, establishes a minimum fund balance level to maintain as part of that process. A minimum balance of 20% is suggested in the general fund and a 10% fund balance is suggested for special revenue and enterprise funds.

Governmental fund balances as of June 30, 2023, are as follows:

	General Fund	Highway User Revenue Fund	Transportation Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:					
Nonspendable:					
Perpetual care	\$ -	\$ -	\$ -	\$ 357,193	\$ 357,193
Inventory and prepaids	4,545,716	-	-	154,739	4,700,455
Restricted for:					
Notes receivable	-	-	-	255,200	255,200
Library branch services	-	-	-	902,752	902,752
Library programs externally directed	-	-	-	1,868,407	1,868,407
Court improvements and operations	282,368	-	-	-	282,368
Debt service	-	-	-	22,518,822	22,518,822
Street improvements	-	13,946,197	64,471,551	-	78,417,748
Transit	-	-	13,994,747	-	13,994,747
Public art	-	-	-	1,658,417	1,658,417
Parks operations	-	-	-	5,578,482	5,578,482
Economic development	-	-	-	1,264,278	1,264,278
Tourism	-	-	-	3,459,609	3,459,609
Perpetual care	-	-	-	55,989	55,989
Development fee projects	3,967,266	-	-	-	3,967,266
Other capital projects	-	-	-	16,023,468	16,023,468
Assigned to:					
Capital reserve	5,137,670	-	-	-	5,137,670
Real estate	377,892	-	-	-	377,892
Parking district	-	-	-	2,131,270	2,131,270
Water resource and infrastructure protection	-	-	-	1,525,915	1,525,915
Library services	-	-	-	2,187,510	2,187,510
Unassigned:	65,293,485	-	-	(2,047,565)	63,245,920
Total fund balances	<u>\$ 79,604,397</u>	<u>\$ 13,946,197</u>	<u>\$ 78,466,298</u>	<u>\$ 57,894,486</u>	<u>\$ 229,911,378</u>

Deficit Fund Balance / Net Position

A deficit unassigned fund balance of \$2,047,565 exists in the Capital Projects Fund. The deficit is a result of beginning construction of bonded projects prior to the receipt of proceeds. Additionally, there is a deficit unrestricted net position of \$10,110,634 in the Stormwater fund due to beginning construction of capital improvements prior to the receipt of debt proceeds and \$181,146 in the Airport Fund due to a recent focus on capital purchases and projects.

E. Implementation of New Accounting Principles

During the year ended June 30, 2023, the City implemented the provisions of GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This statement increases the usefulness of the financial statements by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement also requires a government to disclose essential information about the arrangement. The City's analysis of PPPs in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

For the year ended June 30, 2023, the City implemented the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. As a result, the City's financial statements have been modified to reflect the implementation of this new standard.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Budget Basis of Accounting

The City's accounting records for general government operations (general, special revenue, debt service and capital funds) are essentially maintained on a basis consistent with Generally Accepted Accounting Principles (GAAP) except for 60 days sales tax accrual, unrealized gain or loss on investments and allowance for doubtful accounts. Measurable revenues are recorded when they become available to finance expenditures in the current fiscal year. "Available" is defined as: collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on debt, are recognized in the accounting period in which the liability arises. State statute allows for encumbrances to be recognized for a 60-day period following the end of the prior fiscal year as uses of prior year appropriations. To ensure that appropriations do not lapse, divisions are directed to re-budget for all items delivered after June 30.

For the enterprise funds, the annual budget is prepared on a basis that differs from GAAP because state law requires capital purchases and debt service payments to be budgeted as expenses, and bond proceeds and grants that are to be utilized are to be budgeted as revenues.

The accounting and budgeting systems for the City are in accordance with Generally Accepted Accounting Principles (GAAP) format, with minimal variances between the two systems. Budget basis for enterprise funds differ primarily due to state laws. The major differences are as follows:

- Encumbrances (contractual commitments) are considered the equivalent of expenditures. Encumbrances at year-end for goods or services which are not received prior to the end of the fiscal year are cancelled.
- Fund balances reserved for inventory and bonded debt are not included in the budget.
- Certain expenses, such as depreciation, compensated absences and landfill closure and post closure accruals, are not included in the budget.
- Enterprise funds budget capital expenditures and debt service payments as expenses.
- Enterprise funds budget bond proceeds as revenues.

The City will utilize several different fund types to segregate the financial activity within the City either due to regulatory reasons or as designated internally. The fund classifications are Governmental Funds and Proprietary Funds.

Review and Approval

Issues presented during the review and approval period include discussion topics of the Council during the various retreats. These retreats were held in February and April to give City staff the opportunity to present major discussion points to Council and the public. The goal is for Council to make policy decisions and direct staff in preparing the budget. This provides adequate time for the Council to gather input on major budget issues prior to preparation of the budget. The City Council holds study sessions in April. The Council reviews and discusses the issue papers included in the Budget Review Book as well as all personnel recommendations, capital equipment recommendations and the capital improvement plan. The Council arrives at a consensus for all decisions needed. The study sessions provide the opportunity for City management, divisions, and the public to offer information and recommendations to the City Council.

The proposed budget is presented to Council for tentative adoption on or before the third Tuesday in June. Two public hearings are held on the content of the budget. State law requires the operating budget to be all-inclusive. Therefore, the budget includes provisions for contingent revenues, e.g., passenger facility charges, and expenditures that cannot be accurately determined when the budget is adopted, e.g., grants.

The resolution adopting the annual budget requires Council authorization for any expenditure from contingencies, as well as transfer of budget authority between divisions.

The City operates under the State Expenditure Limitation with a one-time adjustment to the base. The adjustment provided for an increase to the base limit to allow for the expenditure of funds resulting from the addition of a 2% Bed, Board and Beverage Tax. Flagstaff is not a Home Rule city. Alternative Home Rule Expenditure Control municipalities require voter approval every four years.

The adopted budget reflects the total funds appropriated. Certain exclusions are allowed by the state (e.g., bond proceeds, debt service and grants) in computing the Expenditure Limitation and this total cannot be exceeded.

Budget authority can be transferred between line items within a section. At year-end, division budgets are reviewed, and budget authority is transferred from contingencies by resolution, if between divisions, as necessary. Council can also amend total appropriations for a division during the year by resolution if there is a corresponding increase/decrease in another division so that the expenditure limitation is not exceeded.

B. Excess of Expenditures over Appropriations

Expenditure appropriations are adopted in the budget at the division level. For presentation purposes, we have elected to show any deficits at the division level within funds. As of June 30, 2023, there are no divisions with an excess of expenditures over appropriations.

III. Detailed Notes on All Funds

A. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the government-wide Statement of Net Position as "cash, investments and equivalents," and "restricted cash and investments."

Deposits

On June 30, 2023, the carrying amount of the City's deposits was \$177,518,900 and the bank balance was \$181,261,359. The \$3,742,459 difference represents deposits in transit, outstanding checks, and other reconciling items on June 30, 2023. There is an additional \$10,231,003 reported as restricted cash as it is held with paying or fiscal agent on June 30, 2023, for debt service payments due on July 1, 2023.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Statutes and the City's investment policy require collateral for demand deposits, certificates of deposit, and repurchase agreements at 102 percent of all deposits not covered by federal depository insurance. All investments are either registered in the City's name or are held by a third party in the City's name. All deposits were insured or collateralized at June 30, 2023.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy matches maturities with cash flow dates, unless matched to a specific requirement the City may not invest more than 25 percent of the portfolio for a period greater than three years or any portion of the portfolio for a period greater than 10 years.

On June 30, 2023, the City's investments included the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
Federal agency notes	\$ 18,468,645	0.178
U.S. treasuries	78,361,711	1.448
State investment pool	14,671,458	0.140
Corporate notes	12,715,496	0.175
Total fair value of investments	<u>\$ 124,217,310</u>	

Credit Risk

City resolution and Arizona State Statutes authorized the City to invest in obligations of the U.S. Treasury, its agencies, and instrumentalities, repurchase agreements, SEC registered money market accounts, certificates of deposit within the top three ratings by a nationally recognized rating agency, and the State of Arizona Local Government Investment Pool (LGIP).

The credit quality ratings of investments as described by nationally recognized Standard and Poor's and Moody's rating service as of June 30, 2023, is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's Rating</u>	<u>S&P Rating</u>	<u>Percent of Investments</u>
Federal agency notes	\$ 18,468,645	AAA	AA+	14.87%
U.S. treasuries	78,361,711	AAA	AA+	63.08%
State investment pool	14,671,458	AAA	AAA f / S1+	11.81%
Corporate notes	12,715,496	AAA/ AA2/ AA3 A1/ A2/ A3	AA+/ AA/ AA-/ A+/ A+/ A / A-/ BBB+	10.24%
Total	<u>\$ 124,217,310</u>			<u>100.00%</u>

Concentration of Credit Risk

The City's investment policy establishes that its investment portfolio, to minimize the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer, or specific class of securities shall not exceed the following. Fully insured or collateralized CD's no more than 25%, US agency securities 100%, State, county, school district and other district municipal bonds or debt with an A rating or better no more than 25%, repurchase agreements 100%, and local government investment pool 100%. The City had investments at June 30, 2023, of 5 percent or more in Federal National Mortgage Association. These investments were 5.78 percent of the City's total investments.

At June 30, 2023, the City's cash and investments included the following:

Carrying amount of investments	\$ 124,217,310
Carrying amount of cash deposits	177,518,900
Cash on deposit with paying agent	10,231,003
Cash on hand	12,850
Total pooled cash and investments	<u>\$ 311,980,063</u>
Pooled cash, equivalents and investments - unrestricted	\$ 267,310,385
Restricted cash and investments	44,669,678
Total pooled cash and investments	<u>\$ 311,980,063</u>

Cash and cash equivalents at June 30, 2023, consisted of the following:

Investments included in cash and cash equivalents	\$ 109,841,534
Carrying amount of unrestricted city deposits	157,456,001
Cash on hand	12,850
Total cash, investments, and cash equivalents per statement of net position	<u>\$ 267,310,385</u>

Investment income comprises the following for the year ended June 30, 2023:

Net interest and dividends	\$ 8,192,870
Net increase (decrease) in the fair value of investments	(1,690,704)
Total net investment income per statement of activities	<u>\$ 6,502,166</u>

Fair Value Measurement

The net decrease in the fair value of investments during fiscal year 2022-2023 was \$1,690,704. This amount considers all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on investments held at June 30, 2023, was \$1,076,168.

In determining fair value, the City uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Fair value measurements framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Fair value measurements define levels within the hierarchy based on the reliability of inputs as follows:

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets
- Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions

The City's investments at June 30, 2023, categorized within the fair value hierarchy detailed above were as follows:

Investments by fair value level: Investment Type	Fair Value Measurements			
	Total Fair Value	(Level 1)	(Level 2)	(Level 3)
Federal agency notes	\$ 18,468,645	\$ -	\$ 18,468,645	\$ -
U.S. treasuries	78,361,711	15,294,638	63,067,073	-
Corporate notes	12,715,496	-	12,715,496	-
Total investments by fair value level	109,545,852	15,294,638	94,251,214	-
External investment pools measured at fair value				
State Treasurer's Investment Pool	14,671,458			
Total investments	<u>\$ 124,217,310</u>			

The State Treasurer's Pool is an external investment pool, the Local Government Investment Pool (Pool 5), with no regulatory oversight. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The State Board of Investment provides oversight for the State Treasurer's investment pools.

Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the City held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares.

In previous years, the City recognized a decrease in fair value of \$1,473,712 consisting of the City's share of a loss on an investment within the Local Government Investment Pool. The State and numerous other bondholders filed suit against the principals, underwriters, trustees, accountants, and others in May 2003. The case is presently pending litigation. There have been several distributions since June 2006. The distributions include payments from the trustee and settlement proceeds received from pending litigation. The City did not receive a distribution this year and the total recovery to date is \$1,126,225.

In previous years, the City recognized a decrease in fair value of \$289,104 consisting of the City's share of a loss on an investment within the Local Government Investment Pool relating to Lehman Brothers Chapter 11 filing. The State has filed claims on behalf of the LGIP investors. The City received a distribution this year in the amount of \$89 and the total recovery to date is \$123,429.

B. Receivables

Receivables as of June 30, 2023, including allowances for uncollectible accounts, are as follows:

Fund	Accounts	Interest	Intergov- ernmental	Leases Receivable	Notes Receivable	Total Receivables
Governmental Activities						
General fund	\$ 7,257,869	\$ 235,345	\$ 1,119,207	\$ 2,858,842	\$ -	\$ 11,471,263
Highway user revenue fund	978,684	36,333	-	-	-	1,015,017
Transportation fund	4,913,068	224,082	1,108,958	-	-	6,246,108
Other governmental funds	2,363,107	115,790	211,195	446,101	255,200	3,391,393
Less: allowance for uncollectibles	(294,379)	-	-	-	-	(294,379)
Total government funds	15,218,349	611,550	2,439,360	3,304,943	255,200	21,829,402
Internal services funds	52,550	16,104	-	-	-	68,654
Total governmental activities	15,270,899	627,654	2,439,360	3,304,943	255,200	21,898,056
Business-type Activities						
Water and wastewater	4,147,861	172,827	643,492	-	-	4,964,180
Stormwater	569,390	-	140,965	-	-	710,355
Environmental services	1,525,122	43,656	-	-	-	1,568,778
Airport	213,858	36,257	2,873,278	6,190,359	-	9,313,752
Other proprietary funds	220,337	-	258,627	-	-	478,964
Less: allowance for uncollectibles	(133,143)	-	-	-	-	(133,143)
Total business-type activities	6,543,425	252,740	3,916,362	6,190,359	-	16,902,886
Total activities	\$ 21,814,324	\$ 880,394	\$ 6,355,722	\$ 9,495,302	\$ 255,200	\$ 38,800,942

C. Capital Assets

A summary of capital asset activity, for the government-wide financial statements, as of June 30, 2023, is as follows:

	Balance July 1, 2022*	Increase	Decrease	Transfers In (Out)	Balance June 30, 2023
Governmental activities:					
Non-depreciable assets:					
Land & other non-depreciable assets	\$ 71,688,998	\$ 2,725,302	\$ (148,113)	\$ -	\$ 74,266,187
Construction-in-progress	33,319,754	21,029,694	(5,124,343)	(45,841)	49,179,264
Total non-depreciable assets	105,008,752	23,754,996	(5,272,456)	(45,841)	123,445,451
Depreciable assets:					
Buildings	124,389,558	895,273	-	-	125,284,831
Improvements	25,196,643	45,557	-	55,572	25,297,772
Machinery and equipment	40,739,852	3,793,491	(761,522)	382,021	44,153,842
Infrastructure	365,048,271	7,681,420	-	960,044	373,689,735
Right to use subscription asset	498,651	170,805	-	-	669,456
Right to lease asset: buildings	565,547	-	-	-	565,547
Total depreciable assets	556,438,522	12,586,546	(761,522)	1,397,637	569,661,183
Accumulated depreciation/amortization:					
Buildings	(35,804,569)	(2,767,121)	1,237	-	(38,570,453)
Improvements	(20,804,785)	(473,618)	-	(123)	(21,278,526)
Machinery and equipment	(28,668,317)	(1,621,773)	722,957	(382,021)	(29,949,154)
Infrastructure	(210,931,162)	(9,821,812)	-	-	(220,752,974)
Right to use subscription asset	-	(379,159)	-	-	(379,159)
Right to lease asset: buildings	(178,424)	(178,424)	-	-	(356,848)
Total accumulated depreciation	(296,387,257)	(15,241,907)	724,194	(382,144)	(311,287,114)
Governmental activities capital assets, net	\$ 365,060,017	\$ 21,099,635	\$ (5,309,784)	\$ 969,652	381,819,520

* The beginning balance was restated due to the understatement of capital assets. See note G.

Less: outstanding debt	(168,087,706)
Less: unamortized premium	(4,603,178)
Plus: unamortized discount	116,093
Less: construction retainage	(1,184,297)
Less: capital accounts payable	(5,207,701)
Plus: non-capital related debt, series 2013	912,635
Plus: unspent capital related debt, series 2016	1,942,894
Plus: non-capital related debt, series 2016	1,370,050
Plus: non-capital related debt, series 2020	116,830,000
Plus: non-capital related debt, series 2020	2,736,095
Net investment in capital assets	<u>\$ 326,644,405</u>

	Balances July 1, 2022*	Increases	Decreases	Transfers	Balance June 30, 2023
Business-type activities:					
Non-depreciable assets:					
Land	\$ 19,236,549	\$ 754,035	\$ (24,997)	\$ -	\$ 19,965,587
Construction-in-progress	51,500,749	7,696,128	(4,316,612)	(1,255,756)	53,624,509
Total non-depreciable assets	70,737,298	8,450,163	(4,341,609)	(1,255,756)	73,590,096
Depreciable assets:					
Buildings	107,047,917	1,217,200	(14,000)	-	108,251,117
Improvements	458,966,185	8,525,071	(3,514,822)	285,981	464,262,415
Machinery and equipment	58,012,014	3,372,517	(150,927)	(382,021)	60,851,583
Right to use subscription asset	-	32,300	-	-	32,300
Right to lease asset: land	6,412	-	-	-	6,412
Total depreciable assets	624,032,528	13,147,088	(3,679,749)	(96,040)	633,403,827
Accumulated depreciation/amortization:					
Buildings	(66,840,922)	(2,301,260)	14,000	-	(69,128,182)
Improvements	(198,705,109)	(8,533,117)	1,651,443	123	(205,586,660)
Machinery and equipment	(36,566,708)	(2,704,444)	150,927	382,021	(38,738,204)
Right to use subscription asset	-	(10,438)	-	-	(10,438)
Right to lease asset: land	(2,653)	(2,653)	-	-	(5,306)
Total accumulated depreciation	(302,115,392)	(13,551,912)	1,816,370	382,144	(313,468,790)
Business-type activities capital assets, net	\$ 392,654,434	\$ 8,045,339	\$ (6,204,988)	\$ (969,652)	393,525,133

* The beginning balance was restated due to the understatement of capital assets. See note G.

Less: associated debt	(30,807,472)
Less: construction retainage	(222,781)
Less: capital accounts payable	(1,605,620)
Less: bond premium	(10,324)
Plus: bond discount	56,287
Plus: deferred outflow related to refunding	152,753
Net investment in capital assets	<u>\$ 361,087,976</u>

Depreciation and amortization expense was charged to the governmental functions in the government-wide financial statements as follows:

Governmental Activities:

General government	\$ 1,128,514
Public safety	1,267,092
Public works	565,828
Economic and physical development	434,409
Culture and recreation	1,664,599
Highway and streets	10,181,465
Total depreciation expense - governmental activities	<u>\$ 15,241,907</u>

Depreciation and amortization expense was charged to the business-type functions in the government-wide financial statements as follows:

Business-Type Activities:

Water and wastewater	\$ 9,339,701
Stormwater	714,788
Airport	2,157,963
Environmental services	857,989
Housing authority	481,471
Total depreciation expense - business-type activities	<u>\$ 13,551,912</u>

D. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Net interfund receivables and payables between governmental activities and business-type activities of \$2,602,242 are included in the government-wide financial statements on June 30, 2023. The interfund balances on June 30, 2023, are short-term loans to cover temporary cash deficits in various funds. This occasionally occurs prior to bond sales or grant reimbursements. All interfund balances outstanding on June 30, 2023, are expected to be repaid within one year.

The following interfund receivables and payables are included in the fund financial statements on June 30, 2023:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Activities:		
General fund	\$ 3,246,895	\$ -
Total governmental activities	<u>3,246,895</u>	<u>-</u>
Business-type Activities:		
Water and wastewater fund	10,100,000	-
Airport fund	-	3,000,000
Stormwater fund	-	10,100,000
Housing authority fund	-	246,895
Total business-type activities	<u>10,100,000</u>	<u>13,346,895</u>
Total governmental and business-type activities	<u>\$ 13,346,895</u>	<u>\$ 13,346,895</u>
Less: fund eliminations	(10,100,000)	
Adjustment for internal service fund elimination	<u>(644,653)</u>	
Total government-wide statement of net position	<u>\$ 2,602,242</u>	

Transfers

The net transfers of \$566,934 from business-type activities to governmental activities on the government-wide statement of activities are primarily capital assets and operations. The following transfers are reflected in the fund financial statements for the year ended June 30, 2023:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Activities:		
General fund	\$ 11,337,714	\$ 3,628,470
Highway user revenue fund	13,000	5,950,824
Transportation fund	5,943,769	-
Nonmajor governmental funds	13,086,189	20,398,660
Total governmental activities	<u>30,380,672</u>	<u>29,977,954</u>
Business-type Activities:		
Water and wastewater fund	25,717	1,167,916
Stormwater fund	755,119	25,717
Environmental services fund	-	263,646
Airport fund	273,725	-
Total business-type activities	<u>1,054,561</u>	<u>1,457,279</u>
Total governmental and business-type activities	<u>\$ 31,435,233</u>	<u>\$ 31,435,233</u>
Less: fund eliminations	(31,837,951)	
Less: net capital assets transfer	<u>969,652</u>	
Total government-wide statement of activities	<u>\$ 566,934</u>	

The business-type activities transferred \$1,015,493 of capital assets to governmental activities and the governmental activities transferred \$45,841 to business-type activities for a consolidated net total of \$969,652 in capital assets to the government wide financials. The BBB fund transferred \$2,877,956 to the general fund to support general fund operations. The transportation fund transferred \$5,943,769 to the highway user revenue fund to support highway user fund operations. The general fund transferred \$8,667,957, the water resource and infrastructure protection fund transferred \$182,483 and the airport fund transferred \$273,725 to the pension bond fund for debt service payments. The general fund transferred \$1,726,313 to the library fund for the City's share of expenditures for the libraries within the City limits. The general obligation bond fund received a \$8,263,950 transfer from the secondary property tax revenue fund for payment of debt service.

E. Lease Receivable

Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources. The discount methodology is the city's incremental borrowing rate. For additional information, refer to the disclosures below.

Governmental Activities

The City, acting as lessor, leases building and office space under long-term, non-cancelable lease agreements. The leases expire at various dates through 2038 and provide for renewal options ranging from one year to five years. During the year ended June 30, 2023, the City recognized \$546,904 and \$24,830 in lease revenue and interest revenue, respectively, pursuant to these contracts.

The City, acting as lessor, leases land under long-term, non-cancelable lease agreements. The leases expire at various dates through 2080 and provide for renewal options ranging from one year to ten years. During

the year ended June 30, 2023, the City recognized \$24,996 and \$24,631 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Proprietary/Business-Type Activities

The City, acting as lessor, leases building and office space under long-term, non-cancelable lease agreements. The leases expire at various dates through 2032 and provide for renewal options ranging from one year to five years. During the year ended June 30, 2023, the City recognized \$446,477 and \$4,841 in lease revenue and interest revenue, respectively, pursuant to these contracts.

The City, acting as lessor, leases land under long-term, non-cancelable lease agreements. The leases expire at various dates through 2086 and provide for renewal options ranging from one year to fifty-nine years. During the year ended June 30, 2023, the City recognized \$170,074 and \$92,703 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 325,524	\$ 46,733	\$ 534,719	\$ 93,429
2025	123,607	44,934	196,047	91,078
2026	117,735	43,338	198,672	89,008
2027	120,182	41,719	192,445	86,906
2028	122,681	40,064	137,605	84,871
2029 - 2033	651,255	174,233	525,090	397,558
2034 - 2038	448,539	132,501	420,000	360,983
2039 - 2043	49,025	117,056	473,054	323,218
2044 - 2048	71,715	111,951	530,805	280,756
2049 - 2053	98,332	104,752	593,667	233,182
2054 - 2058	129,421	95,100	662,094	180,044
2059 - 2063	165,601	82,590	223,415	138,080
2064 - 2068	207,566	66,757	264,545	117,335
2069 - 2073	256,097	47,078	308,133	92,944
2074 - 2078	312,074	22,956	353,880	64,862
2079 - 2083	105,589	1,437	410,729	32,307
2084 - 2085	-	-	165,459	2,717
	<u>\$ 3,304,943</u>	<u>\$ 1,173,199</u>	<u>\$ 6,190,359</u>	<u>\$ 2,669,278</u>

F. Long-Term Debt

General Obligation Debt

The City of Flagstaff issues general obligation debt to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities.

General obligation debt are direct obligations and pledge the full faith and credit of the government. The water and wastewater general obligation debt is a water infrastructure and finance authority note backed by the ultimate taxing power and general revenues of the City; however, the debt is carried as a liability of the water and wastewater fund to reflect the intention of the City to retire those bonds from resources in the water and wastewater funds.

General obligation debt outstanding at June 30, 2023:

<u>Purpose</u>	<u>Amount</u>
Governmental activities	\$ 27,850,000
Total general obligation debt outstanding	<u>\$ 27,850,000</u>

General obligation debt at June 30, 2023, consist of the following individual issues:

Governmental activities:

\$11,460,000 Capital projects, series 2013 due in annual installments of \$560,000 to \$950,000 through July 1, 2028; interest rate at 1.625% to 4.000%. Construction related to forest initiative, streets and utility improvements and open space/Flagstaff Urban Trail System.	\$ 5,230,000
\$6,600,000 Capital projects, series 2014A due in annual installments of \$200,000 to \$460,000 through July 1, 2034; interest rate at 1.5% to 5.0%. Construction related to parks and recreation facilities improvements and land purchase for open space/Flagstaff Urban Trail System.	4,505,000
\$16,105,000 Capital projects, series 2016 due in annual installments of \$565,000 to \$1,090,000 through July 1, 2036; interest rate at 3.0% to 4.0%. Construction related to open space acquisition, core services maintenance facilities, and forest health and water supply protection project.	12,455,000
\$11,090,000 Capital projects, series 2020 due in annual installments of \$585,000 to \$4,175,000 through July 1, 2028; interest rate at 4.0% to 5.0%. Construction related to courthouse building and public safety communication systems.	5,660,000
Total governmental activities	<u>27,850,000</u>
Total General Obligation Debt	<u>\$ 27,850,000</u>

Annual debt service requirements to maturity for general obligation debt are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 4,270,000	\$ 1,013,900
2025	2,435,000	867,375
2026	2,520,000	771,475
2027	2,615,000	674,013
2028	2,710,000	574,825
2029-2033	8,110,000	1,733,163
2034-2037	5,190,000	387,599
	<u>\$ 27,850,000</u>	<u>\$ 6,022,350</u>

Statutory Debt Limitation

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, wastewater, electric, parks and open space, streets and public safety purposes may not exceed 20 percent of the City of Flagstaff's net secondary assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6 percent of the City's net secondary assessed valuation.

The City's computation of legal debt margins available for creation of additional debt at June 30, 2023, was \$215,845,039 and \$64,753,512 for the 20 percent and 6 percent debt limits, respectively.

Revenue Bonds

Greater Arizona Development Authority revenue bonds are issued specifically for the purpose of constructing public infrastructure projects. These bonds have state shared revenue pledged as a repayment revenue stream. These bonds funded the Business Incubator building.

On July 20, 2016, the City issued \$8,930,000 in pledged revenue obligations, Series 2016 and on June 21, 2018, the City issued \$9,700,000 in pledged revenue obligations, Series 2018, for Road Repair/Street Safety Projects. The payments will be payable from and secured by a lien on Excise Tax Revenues. "Excise Tax Revenues" are revenues from the restricted transaction privilege tax of 0.33% (\$0.0033) approved at an election held in and for the City on November 4, 2014 (the "Election"), which will expire on December 31, 2034 (the "Road Repair/Street Safety Rate"). The Election authorized bonds payable from the Road Repair/Street Safety Rate in an amount not to exceed \$20,000,000.

On August 29, 2017, the City issued \$17,129,000 in direct placement utility revenue refunding obligations, Series 2017, for water and wastewater improvements. The City has pledged net revenues of the utility system for payment of all amounts due, and the repayment of these amounts are secured by a lien on and pledge of net revenues for the water and wastewater fund. Outstanding utility revenue refunding obligations are \$9,511,000 on June 30, 2023.

On June 20, 2019, the City issued \$9,585,000 in direct placement utility system revenue obligations, Series 2019, for water and wastewater improvements. The City has pledged net revenues of the utility system for payment of all amounts due, and the repayment of these amounts are secured by a lien on and pledge of net revenues for the water and wastewater fund. Outstanding utility revenue refunding obligations are \$7,830,000 on June 30, 2023.

On May 11, 2022, the City issued \$4,092,000 in direct placement utility system revenue obligation, Series 2022, for stormwater improvements. The City has pledged net revenues of the utility system for payment of all amounts due, and the repayment of these amounts are secured by a lien on and pledge of net revenues for the stormwater fund. Outstanding utility system revenue obligations are \$3,858,000 on June 30, 2023.

On May 11, 2022, the City issued \$4,930,000 in direct placement utility system revenue refunding obligation, Series 2022, for water improvements. The City has pledged net revenues of the utility system for payment of all amounts due, and the repayment of these amounts are secured by a lien on and pledge of net revenues for the drinking water fund. Outstanding utility system revenue refunding obligations are \$4,280,000 on June 30, 2023.

The City's outstanding revenue refunding bonds and revenue bonds related to business-type activities contain a provision that whenever a purchase event of default shall have occurred and be continuing, the seller shall, but only if requested by the trustee, have the right to take any action permitted or required pursuant to this agreement and to take whatever other action at law or in equity as may appear necessary

or desirable to collect the amounts then due and thereafter to become due on their scheduled payment dates or to enforce the performance and observance of any duty, covenant, obligation or agreement of the City hereunder, including, without limitation, appointment of a receiver of the system, however, under no circumstances may amounts due hereunder be accelerated.

Revenue bonds outstanding at June 30, 2023:

<u>Purpose</u>	<u>Amount</u>
Governmental activities	\$ 15,870,000
Business-type activities	11,688,000
Business-type activities - advance refunding	13,791,000
Total revenue bonds outstanding	<u>\$ 41,349,000</u>

Revenue bonds at June 30, 2023, consist of the following individual issues:

Governmental activities:

\$3,370,000 Greater Arizona Development Authority revenue bonds, series 2010A, due in annual installments of \$50,000 to \$240,000 through August 1, 2030; interest at 2.0% to 4.625%. Business incubator construction.	\$ 1,650,000
\$8,930,000 Road Repair Street Safety pledged refunding bonds, series 2016 due in annual installments of \$450,000 to \$735,000 through July 1, 2032; interest at 2.0% to 4.0%. Repair of existing streets and roadways.	6,020,000
\$9,700,000 Road Repair Street Safety pledged revenue bonds, series 2018 due in annual installments of \$360,000 to \$1,450,000 through July 1, 2034; interest at 2.0% to 4.25%. Repair of existing streets and roadways.	8,200,000
Total governmental activities	<u>15,870,000</u>

Business-type activities:

\$17,129,000 Utility revenue refunding obligations, series 2017 due in annual installments of \$957,000 to \$2,364,000 through July 1, 2027; interest at 1.99%. Water and wastewater improvements.	9,511,000
\$9,585,000 Utility revenue obligations, series 2019 due in annual installments of \$355,000 to \$835,000 through July 1, 2034; interest at 2.41%. Water and wastewater improvements.	7,830,000
\$4,092,000 Utility system revenue obligation, series 2022 due in annual installments of \$213,000 to \$307,000 through July 1, 2037; interest at 2.67%. Stormwater improvements.	3,858,000
\$4,930,000 Utility system revenue refunding obligation, series 2022 due in annual installments of \$137,000 to \$734,000 through July 1, 2029; interest at 2.49%. Water improvements.	4,280,000
Total business-type activities	<u>25,479,000</u>
Total Revenue Bonds	<u>\$ 41,349,000</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30	Direct Placement			
	Principal	Interest	Principal	Interest
2024	\$ 1,125,000	\$ 602,844	\$ 3,514,000	\$ 548,730
2025	1,170,000	556,494	3,208,000	474,838
2026	1,215,000	508,325	3,273,000	403,982
2027	1,270,000	457,763	3,349,000	331,569
2028	1,320,000	404,681	3,177,000	259,322
2029-2033	6,925,000	1,198,003	5,849,000	723,181
2034-2038	2,845,000	100,334	3,109,000	139,396
Total	<u>\$ 15,870,000</u>	<u>\$ 3,828,444</u>	<u>\$ 25,479,000</u>	<u>\$ 2,881,018</u>

Other Debt

Certificates of Participation

On February 5, 2020, the City issued \$3,845,000 in capital lease certificates of participation, series 2020 for the Courthouse Facility. Principal and interest on the bonds are payable from capital lease payments and are not considered general obligations of the City. They are appropriated along with all other expenditures of the general government.

On August 1, 2020, the City issued \$131,000,000 in capital lease certificates of participation, series 2020A for the payment of the Public Safety Personnel Retirement System unfunded accrued pension liability. Principal and interest on the bonds are payable from capital lease payments and are not considered general obligations of the City. They are appropriated along with all other expenditures of the general government.

On June 21, 2018, the City issued \$3,880,000 in capital lease certificates of participation, series 2018 for the Core Services Facility. Principal and interest on the bonds are payable from capital lease payments and are not considered general obligations of the City. They are appropriated along with all other expenditures of Solid Waste.

Certificates of participation bonds outstanding at June 30, 2023:

Purpose	Amount
Governmental activities	\$ 120,365,000
Business-type activities	3,515,000
Total certificates of participation outstanding	<u>\$ 123,880,000</u>

Certificates of participation on June 30, 2023, consist of the following individual issues:

Governmental activities:

\$3,845,000 Certificates of participation, series 2020 due in annual installments of \$100,000 to \$220,000, through July 1, 2045; interest at 3.0% to 5.0%. Construction of courthouse building.	\$ 3,535,000
\$131,000,000 Certificates of participation, series 2020A due in annual installments of \$1,630,000 to \$8,365,000, through May 1, 2040; interest at 0.701% to 2.48%. Public Safety Personnel Retirement System unfunded accrued pension liability.	116,830,000
Total governmental activities	<u>120,365,000</u>

Business-type activities:

\$3,880,000 Certificates of participation, series 2018 due in annual installments of \$85,000 to \$240,000 through July 1, 2043; interest at 3.0% to 3.125%. Core Services facility.	3,515,000
Total business-type activities	<u>3,515,000</u>
Total Certificates of Participation	<u>\$ 123,880,000</u>

Annual debt service requirements to maturity for certificates of participation debt are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 5,975,000	\$ 2,951,680	\$ 100,000	\$ 116,294
2025	6,050,000	2,876,928	105,000	113,219
2026	6,130,000	2,795,314	105,000	110,068
2027	6,230,000	2,694,467	110,000	106,844
2028	6,345,000	2,582,767	110,000	103,544
2029-2033	33,810,000	10,823,893	745,000	456,388
2034-2038	37,930,000	6,168,068	915,000	320,125
2039-2043	17,460,000	887,116	1,085,000	144,784
2044-2045	435,000	13,125	240,000	4,350
Total	<u>\$ 120,365,000</u>	<u>\$ 31,793,358</u>	<u>\$ 3,515,000</u>	<u>\$ 1,475,616</u>

The following is a summary of debt service requirements, including interest requirements, to maturity for long-term debt at June 30, 2023:

Fiscal Year	General Obligation Debt	Revenue Bonds	Certificates of Participation	Total
2022-2023	\$ 5,283,900	\$ 5,790,574	\$ 9,142,974	\$ 20,217,448
2023-2024	3,302,375	5,409,332	9,145,147	17,856,854
2024-2025	3,291,475	5,400,307	9,140,382	17,832,164
2025-2026	3,289,013	5,408,332	9,141,311	17,838,656
2026-2027	3,284,825	5,161,003	9,141,311	17,587,139
2027-2028	3,316,263	3,603,335	9,144,009	16,063,607
2028-2029	1,633,400	2,993,976	9,171,537	13,798,913
2029-2030	1,632,800	2,855,890	9,170,982	13,659,672
2030-2031	1,630,200	2,623,000	9,174,699	13,427,899
2031-2032	1,630,500	2,618,983	9,174,054	13,423,537
2032-2033	1,633,500	2,628,971	9,057,270	13,319,741
2033-2034	1,629,200	2,630,395	9,057,016	13,316,611
2034-2035	1,157,200	312,078	9,069,862	10,539,140
2035-2036	1,157,699	311,188	9,075,421	10,544,308
2036-2037	-	311,098	9,073,624	9,384,722
2037-2038	-	-	9,084,510	9,084,510
2038-2039	-	-	9,087,412	9,087,412
2039-2040	-	-	467,397	467,397
2040-2041	-	-	468,497	468,497
2041-2042	-	-	469,084	469,084
2042-2043	-	-	469,175	469,175
2043-2044	-	-	223,300	223,300
Less interest	(6,022,350)	(6,709,462)	(33,268,974)	(46,000,786)
	<u>\$ 27,850,000</u>	<u>\$ 41,349,000</u>	<u>\$ 123,880,000</u>	<u>\$ 193,079,000</u>

Authorized and Issued Debt

The voters of the City authorize capital projects and the related debt mechanism to finance these capital projects. On May 18, 2004, voters approved \$47.4 million for various capital projects, \$46.6 million for future water rights and production, and \$61.2 million for various facility capital projects. As of June 30, 2023, \$2.8 million remains unissued for capital projects, all related debt has been issued for future water rights and production, and \$57.8 million remains unissued for facility capital projects. On November 2, 2010, voters approved \$21.2 million for public safety communication system and various street and utilities improvements. As of June 30, 2023, all related debt has been issued. On November 6, 2012, voters approved \$24.0 million for a Core Service Maintenance Facility and Forest Health and Watershed Protection. As of June 30, 2023, all related debt has been issued. On November 8, 2016, voters approved \$12.0 million for a Courthouse Facility. As of June 30, 2023, all related debt has been issued. On November 8, 2022, voters approved \$57.3 million for wildfire suppression, stormwater flood mitigation and wastewater treatment infrastructure as well as \$20.0 million for creating rental and homeownership opportunities for residents of Flagstaff. As of June 30, 2023, all authorized debt remains unissued.

Loans Payable - Direct Borrowings

The City of Flagstaff has various direct borrowing loan agreements with the Water and Wastewater Infrastructure Finance Authority (WIFA) of Arizona Revolving Fund Loan Program for the acquisition and construction of water and wastewater facilities and obtaining water rights.

Loans from direct borrowings outstanding as of June 30, 2023:

<u>Purpose</u>	Amount
Governmental activities	\$ 2,736,095
Business-type activities	676,309
	<u>\$ 3,412,404</u>

Loan from direct borrowing payables on June 30, 2023, consist of the following individual financing options:

Governmental activities:

\$5,000,000 Water infrastructure finance authority due in annual installments of \$221,536 to \$309,391, through July 1, 2039; interest at 0.373%. Forest health and water supply protection project.	\$ 2,736,095
Total governmental activities	<u>2,736,095</u>

Business-type activities:

\$594,950 Water infrastructure finance authority due in annual installments of \$24,531 to \$33,603 through July 1, 2029; interest at 2.45%. Original amount issued \$1,000,000, amount deobligated \$405,050. Well infrastructure improvements.	219,002
\$1,100,000 as amended 10/02/09, \$800,000 Water infrastructure finance authority due in annual installments of \$51,224 to \$70,168 through July 1, 2029; interest at 2.45%. Amount issued to date \$1,100,000. Local aquifer study.	457,307
Total business-type activities:	<u>676,309</u>
Total Loans Payable - Direct Borrowings	<u>\$ 3,412,404</u>

Annual debt service requirements to maturity for direct borrowing loan payables are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 229,912	\$ 46,511	\$ 89,744	\$ 14,371
2025	234,218	42,124	91,942	12,118
2026	238,605	37,655	94,195	9,810
2027	243,074	33,103	96,502	7,446
2028	247,627	28,464	98,867	5,024
2029-2033	1,309,469	69,654	205,059	2,543
2034-2038	233,190	1,577	-	-
Total	<u>\$ 2,736,095</u>	<u>\$ 259,088</u>	<u>\$ 676,309</u>	<u>\$ 51,312</u>

Obligations under Purchase Financing

Purchase financing agreements related to governmental activities consist of renewable energy solar equipment of \$412,233 (net of accumulated depreciation) and parking meter assets of \$380,218 (net of accumulated depreciation). Finance purchase agreements related to business-type activities consist of airport hangars of \$329,058 (net of accumulated depreciation) and renewable energy solar equipment of \$786,806 (net of accumulated depreciation).

These purchase financing agreements generally require annual payments, and the lease terms vary from five to twenty-one years. The lease agreements qualify as finance purchases for accounting purposes and, therefore have been recorded at the present value of their future minimum lease payments as of the date of inception.

Year Ending June 30	Governmental Activities	Business-type Activities
2024	\$ 204,840	\$ 403,163
2025	201,643	281,195
2026	195,088	152,812
2027	135,009	147,915
2028	74,851	142,865
2029	35,892	68,497
Total future minimum lease payments	847,323	1,196,447
Less: interest costs	(54,872)	(80,583)
Present value of future minimum lease payments	<u>\$ 792,451</u>	<u>\$ 1,115,864</u>

Leases Payable

Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. The discount methodology used is the city's incremental borrowing rate. For additional information, refer to the disclosures below.

In various governmental funds, the City, acting as lessee, leased buildings and open space under long-term, non-cancelable lease agreements. The leases expire at various dates through 2025 provide for renewal options ranging from one year to two years. The City is required to make monthly fixed payments ranging from \$5,000 to \$9,646. The value of the right to use assets as of June 30, 2023 of ranged from \$211,929 to \$353,618 with accumulated amortization ranging from \$121,102 to \$235,745.

In the water and wastewater fund, the City, acting as lessee, leased land under long-term, non-cancelable lease agreements. The leases expire in 2024. The City is required to make annual fixed payments of \$4,016. The value of the right to use asset as of June 30, 2023 of \$6,412 with accumulated amortization of \$5,306.

Annual debt service requirements to maturity for lease payables are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2024	\$ 182,817	\$ 594
2025	30,860	42
	<u>\$ 213,677</u>	<u>\$ 636</u>

Subscription-Based Information Technology Arrangements

The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more. The City uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The City’s estimated incremental borrowing rate is calculated as described above.

In various governmental funds, the subscriptions expire at various dates through 2025. The City is required to make annual payments ranging from \$12,000 to \$81,406. The value of the right to use assets as of June 30, 2023, of ranged from \$5,160 to \$113,815 with accumulated amortization ranging from \$3,050 to \$74,555.

In the water and wastewater funds, the subscriptions expire at various dates through 2025. The City is required to make annual payments totaling \$60,050. The value of the right to use asset as of June 30, 2023, is \$32,300 with accumulated amortization of \$10,438.

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 166,234	\$ 4,667	\$ 10,535	\$ 465
2025	94,249	1,977	10,765	235
	<u>\$ 260,483</u>	<u>\$ 6,644</u>	<u>\$ 21,300</u>	<u>\$ 700</u>

Pledged Revenues

The City has pledged future water, wastewater and stormwater utility revenues to repay Water Infrastructure Financing Authority loans and revenue bonds issued during the period of 2010-2022. The various bonds were issued for the purchase or construction of various water infrastructure including wells, water distribution lines, wastewater collection lines, treatment plant improvements and stormwater drainage improvements. At June 30, 2023, \$29,087,639 remains outstanding to be repaid by future water, wastewater and stormwater revenues, if such revenues prove insufficient, the remainder will be repaid as a general obligation of the City. For the fiscal year ended June 30, 2023, net revenue available for service of this debt was \$12,451,343. The debt principal and interest paid in fiscal year 2022-2023 equal \$4,402,152 (35.35% of available pledged net revenues). For additional information on pledged revenues related to revenue bonds, refer to Schedule 17 in the Statistical Section of this report.

The City has pledged certain revenues for the repayment of \$3,370,000 Greater Arizona Development Authority (GADA) revenue bonds issued in 2011 for the construction of a business incubator facility at the U.S. Geological Survey Campus. The bonds are secured by a pledge of the City’s state shared revenues not specifically reserved by law or other regulation to be expended for other purposes. At June 30, 2023, \$1,970,138 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2023, net revenues available for the service of this debt were \$25,737,656. The debt principal and interest paid in fiscal year 2022-2023 was \$247,863 (0.96% of available pledged net revenues). For additional information on pledged revenues for GADA revenue bonds, refer to Schedule 17 in the Statistical Section of this report.

The City has pledged certain revenues for the repayment of \$8,930,000 in Road Repair/Street Safety pledged revenue obligation bonds issued in 2016 and \$9,700,000 issued in 2018. The bonds were issued to construct street improvements and the ongoing preservation of street conditions inside the City limits. The bonds have a senior lien on the 0.33% excise tax revenues. At June 30, 2023, \$17,728,306 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2023, net revenues available for service of the debt were \$7,402,548. The debt principal and interest paid in fiscal year 2022-2023 was \$1,484,613 (20.06% of available pledged net revenues). For additional information on pledged revenues for the bonds, refer to Schedule 17 in the Statistical Section of this report.

Changes in Long-term Liabilities

Liquidation of compensated absences, other postemployment benefits and net pension liability for governmental funds have been made from the General, Library, HURF, BBB, and Library funds.

Non-current liability activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 33,725,000	\$ -	\$ (5,875,000)	\$ 27,850,000	\$ 4,270,000
Revenue bonds	16,955,000	-	(1,085,000)	15,870,000	1,125,000
Certificates of participation	126,765,000	-	(6,400,000)	120,365,000	5,975,000
Total bonds payable	177,445,000	-	(13,360,000)	164,085,000	11,370,000
Loan payable - direct borrowing	2,957,683	4,097	(225,685)	2,736,095	229,912
Financed purchases	970,245	-	(177,794)	792,451	183,715
Bond premium	5,084,713	-	(481,535)	4,603,178	458,272
Bond discount	(116,093)	-	-	(116,093)	-
Leases payable	391,802	-	(178,125)	213,677	182,817
Subscription liability	498,651	170,805	(408,973)	260,483	166,234
Compensated absences	4,934,768	2,196,699	(2,148,502)	4,982,965	2,199,575
Other postemployment benefits	8,946,028	5,070,536	(6,079,577)	7,936,987	378,687
Net pension liability	29,715,621	15,570,885	(8,623,296)	36,663,210	-
Claims and judgements	188,647	147,610	(97,033)	239,224	114,224
Governmental activities long-term liability	\$ 231,017,065	\$ 23,160,632	\$ (31,780,520)	\$ 222,397,177	\$ 15,283,436
Business-type activities:					
Bonds payable:					
General obligation debt	\$ 936,467	\$ -	\$ (936,467)	\$ -	\$ -
Revenue bonds - direct placement	29,242,000	-	(3,763,000)	25,479,000	3,514,000
Certificates of participation	3,610,000	-	(95,000)	3,515,000	100,000
Total bonds payable	33,788,467	-	(4,794,467)	28,994,000	3,614,000
Water loan payable - direct borrowing	763,906	-	(87,597)	676,309	89,744
Financed purchases	1,465,693	-	(349,830)	1,115,863	367,049
Total loan and leases payable	2,229,599	-	(437,427)	1,792,172	456,793
Bond premium	13,052	-	(2,728)	10,324	3,064
Bond discount	(56,287)	-	-	(56,287)	-
Leases payable	3,206	-	(3,206)	-	-
Subscription liability	-	32,300	(11,000)	21,300	10,535
Compensated absences	846,629	19,471	(91,428)	774,672	374,199
Other postemployment benefits	2,120,679	1,198,295	(1,445,100)	1,873,874	89,405
Net pension liability	10,125,352	5,473,733	(3,022,885)	12,576,200	-
Landfill closure/postclosure	17,400,522	2,939,498	-	20,340,020	-
Business-type activities long-term liability	\$ 66,471,219	\$ 9,663,297	\$ (9,808,241)	\$ 66,326,275	\$ 4,547,996

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts and public officials' errors and omissions. The City purchases commercial insurance to cover these losses. However, \$100,000 of each claim resulting in a loss is retained by the City. The City provides for the self-insurance retention in the internal service fund. Outstanding claims as of June 30, 2023, have potential exposure to the City of approximately \$239,224 based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The City uses an application of historical experience to determine claims payable. However, due to the preliminary status of the claims, no determination can be made as to the likelihood, if any, of an unfavorable outcome. The net position of the Internal Service Fund is designated for future losses related to the self-insurance retention. Settled claims have not exceeded commercial coverage in the last three fiscal years.

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2020-2022	\$ 116,927	\$ 318,778	\$ 247,058	\$ 188,647
2022-2023	188,647	147,610	97,033	239,224

The City of Flagstaff participates in a risk sharing pool for employee health care, through the Northern Arizona Public Employees Trust, a public entity risk pool. Members do not bear any risk of loss. The overall experience rating of the trust determines premium charges.

B. Commitments and Contingent Liabilities

The City is involved in litigation arising in the ordinary course of its operations. The City believes that its ultimate liability, if any, in connection with these matters will not have a material adverse effect on the City's financial position, changes in financial position, or liquidity.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The following table presents the City's construction commitments and encumbrances as of June 30, 2023:

Capital Project Program Classification	Spent to Date	Remaining Commitment
Buildings	\$ 342,063	\$ 8,336
Streets	26,943,462	21,579,542
Water	4,875,862	6,408,319
Wastewater	510,521	2,985,781
Reclaim water	207,576	122,689
Stormwater	5,711,902	2,239,613
Airport	2,033,804	1,175,891
Other land improvements	7,100,345	7,268,209
Total construction commitments	\$ 47,725,535	\$ 41,788,380

Outstanding Encumbrances at June 30, 2023:

Governmental Activities:	
General fund	\$ 3,987,034
HURF fund	322,519
Transportation fund	504,995
Other government funds	1,217,733
Total governmental activities	6,032,281
Business-type Activities:	
Water, wastewater, and reclaim fund	2,120,949
Stormwater fund	468,363
Environmental services fund	1,559,455
Airport fund	1,706,776
Total business-type activities	5,855,543
Total governmental and business-type activities	\$ 11,887,824

C. Retirement, Pension and OPEB Plans

All full-time employees of the City are covered by one of three pension plans. The Arizona State Retirement system is for the benefit of the employees of the state and certain other governmental jurisdictions. All full-time City employees, except sworn fire and police personnel, are included in the Arizona State Retirement System. Sworn police and fire personnel participate in the Public Safety Retirement System. In addition, the Mayor and City Council members are covered by the State's Elected Officials Plan.

Plan Descriptions

The City contributes to the three plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The plans are component units of the State of Arizona.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the City. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, and Article 2 and 2.1.

The *Public Safety Personnel Retirement System* (PSPRS) administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a nine-member board, known as The Board of Trustees, and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP) or participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the City's financial statements.

The *Elected Officials Retirement Plan* (EORP) is a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB) plan that covers elected officials and judges of certain state and local governments who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The EORP is governed by Board of Trustees of the PSPRS according to the provisions of A.S.R. Title 38, Chapter 5, and Article 3.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report can be obtained by writing or calling the applicable plan.

ASRS

3300 N. Central Ave.
P.O. Box 33910
Phoenix, AZ 85067-3910
(602) 240-2200/ (800) 621-3778
www.azasrs.gov

PSPRS and EORP

3010 E. Camelback Rd.
Suite 200
Phoenix, AZ 85016-4416
(602) 255-5575
www.psprs.com

At June 30, 2023, the City reported the following aggregate amounts related to pensions and OPEB for all plans to which it contributes:

Pension Plans	Net Pension Liability/Asset	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
ASRS				
Governmental activities	\$ 35,174,458	\$ 5,259,500	\$ 1,245,480	\$ 3,491,947
Business-type activities	12,576,200	1,901,394	445,308	1,248,502
PSPRS - Police	(882,686)	4,335,301	364,476	1,587,160
PSPRS - Fire				
Governmental activities	(3,669,322)	3,555,791	557,519	973,876
Business-type activities	(326,577)	302,993	49,621	91,439
EORP	1,488,752	162,309	28,729	143,150
Total	\$ 44,360,825	\$ 15,517,288	\$ 2,691,133	\$ 7,536,074

OPEB Plans	Net OPEB Liability/(Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense/(Income)
OPEB				
Governmental activities	\$ 7,936,987	\$ 2,370,077	\$ 3,311,070	\$ 484,924
Business-type activities	1,873,874	559,558	781,722	106,100
PSPRS - Fire	(1,715,272)	77,898	148,511	(185,168)
Total	\$ 8,095,589	\$ 3,007,533	\$ 4,241,303	\$ 405,856

The ASRS and PSPRS – Police OPEB plans did not have significant financial impact and therefore were not reported.

Arizona State Retirement System (ASRS)

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rates.

Benefits Provided

The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated based on age, average monthly compensation, and served credit as follows:

	Retirement	
	Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years, and age equals 80	30 years, age 55
	10 years, age 62	25 years, age 60
	5 years, age 50*	10 years, age 62
	any years, age 65	5 years, age 50*
		any years, age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a members' death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the members' account balance that includes the members' contribution and employer's contributions, plus interest earned.

Contributions

In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2023, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.17% (12.03% retirement and 0.14% long-term disability) of the members' annual covered payroll and the City was required by statute to contribute at the actuarially determined rate of 12.17% (11.92% retirement, 0.11% for health insurance premium, and 0.14% long-term disability) of the active members' annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.68% (9.62% for retirement and 0.06% for long-term disability) of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS. The City's contributions to the ASRS pension plan for the year ended June 30, 2023, was \$4,384.073 inclusive of Housing Authority.

During fiscal year 2022-2023, the City paid for ASRS pension contributions 73% from governmental funds and 27% from enterprise funds.

Pension Liability

At June 30, 2023, the City reported a liability of \$47,750,658 for its proportionate share of the ASRS net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022. The City's reported liability at June 30, 2023, increased by \$9,305,631 from the City's prior year liability of \$38,445,027 due to changes in the ASRS net pension liability and the City's proportionate share of that liability. The ASRS publicly available financial report provided details on the change in the net pension liability.

The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2022. The City's proportion measured as June 30, 2022, was 0.2926%, which was no change from its proportion measured as of June 30, 2022, 0.2926%.

Pension Expense and Deferred Outflows - Inflows of Resources

For the year ended June 30, 2023, the City recognized pension expense of \$4,740,449. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ 406,864	\$ -
Net difference between projected and actual earnings on pension plan investments	2,369,957	(1,257,799)
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(432,989)
City contributions subsequent to the measurement date	4,384,073	-
Total	<u>\$ 7,160,894</u>	<u>\$ (1,690,788)</u>

The amounts reported as deferred outflows of resources related to ASRS pensions resulting from City contributions after the measurement date will be recognized as a reduction of the net liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30,	
2024	\$ 1,832,481
2025	(575,779)
2026	(2,183,834)
2027	2,013,166
	<u>\$ 1,086,034</u>

Actuarial Assumptions

The significant actuarial assumptions used to measure the total pension liability are as follows:

ASRS

Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4%
Inflation factor	2.3%
Permanent benefit increase	Included for pensions
Mortality rates	2017 SRA Scale U-MP
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2021 valuation was based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rates of Return
Equity	50%	3.90%
Fixed income - credit	20%	5.30%
Fixed income - interest rate sensitive	10%	-0.20%
Real Estate	20%	6.00%
Total	100%	

Discount Rate

The discount rate used to measure the ASRS total pension was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates as determined by the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate

The following table presents the City’s proportionate shares of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability	<u>\$ 70,454,676</u>	<u>\$ 47,750,658</u>	<u>\$ 28,819,054</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS)

Benefits Provided

The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute established benefits terms. Retirement disability and survivor benefits are calculated based on age, average monthly compensation, and service credit, which can be found on the following page:

PSPRS**Initial Membership Date:**

	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental disability	50% or normal retirement, whichever is greater	
Catastrophic disability	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary disability	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20 years	
Survivor benefit		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the members' compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with the respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the members and dependents.

The City has police and fire benefits, however the police benefits are not material and are therefore not presented.

Employees Covered by Benefit Terms

At June 30, 2023, the following employees were covered by the agent pension plans' benefit terms:

	Police Pension	Fire Pension	Fire OPEB
Inactive employees or beneficiaries currently receiving benefits	90	96	96
Inactive employees entitled to but not yet receiving benefits	34	17	8
Active employees	51	66	66
Total	175	179	170

Contributions and Annual OPEB Cost

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability.

Contribution rates for the year ended June 30, 2023, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>Active member - Pension</u>	<u>City - Pension</u>	<u>City - Health Insurance Premium Benefit*</u>
PSPRS Police	7.65%	8.00%	N/A
PSPRS Fire	7.65% - 10.65%	8.35% - 12.35%	0.00%

In addition, the City was required by statute to contribute at the actuarially determined rate of 8.00 percent for the PSPRS Police and 8.00 percent for PSPRS Fire of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the PSPRS.

The City's contributions to the plans for the year ended June 30, 2023, were:

	<u>City - Pension</u>	<u>City - Health Insurance Premium Benefit</u>
PSPRS Police	\$ 442,029	N/A
PSPRS Fire	650,693	-

During fiscal year 2022-2023, the City paid for PSPRS pension and OPEB contributions for police with 100% general fund dollars and 92.0% from the general fund plus 8.0% from the airport fund as related to fire contributions.

Net Pension/OPEB (Asset) Liability

At June 30, 2023, the City reported net pension asset of \$882,686 and \$3,995,899 for police and fire respectively and a net asset for fire in the amount of \$1,715,272 related to OPEB. The net asset were measured as of June 30, 2022, and the total liability used to calculate the net asset was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, changing the wage inflation from 3.5 percent to a range of 3.0 - 6.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

Actuarial Assumptions

Actuarial assumptions used in the June 30, 2022; valuation was based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

PSPRS

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.20%
Wage inflation	3.0-6.25% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2 percent using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS	Long-Term Expected	
Asset Class	Target	Real Geometric
Asset Class	Allocation	Rate of Return
U.S. Public Equity	24%	3.49%
International Public Equity	16%	4.47%
Global Private Equity	20%	7.18%
Other Assets (Capital Appreciation)	7%	4.83%
Core Bonds	2%	0.45%
Private Credit	20%	5.10%
Diversifying Strategies	10%	2.68%
Cash - Mellon	1%	-0.35%
Total	100%	

Pension Discount Rates

At June 30, 2022, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.2 percent which was a decrease of 0.1 from the discount rate used as of June 30, 2021. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability/OPEB asset.

Changes in the Net Pension/OPEB (Asset) Liability

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (Asset) (a) - (b)
PSPRS - Police*			
Balances at June 30, 2022,	\$ 91,223,383	\$ 107,606,353	\$ (16,382,970)
Changes for the year:			
Service cost	889,355	-	889,355
Interest on the total pension liability	6,533,446	-	6,533,446
Differences between expected and actual experience in the measurement of the total pension liability	3,340,871	-	3,340,871
Contributions- employer	-	731,520	(731,520)
Contributions- employee	-	478,668	(478,668)
Changes of Assumptions	1,658,296	-	1,658,296
Benefit payments, including refunds of employee contributions	(5,226,958)	(5,226,958)	-
Net investment income	-	(4,212,399)	4,212,399
Administrative expense	-	(76,105)	76,105
Net changes	<u>7,195,010</u>	<u>(8,305,274)</u>	<u>15,500,284</u>
Balances at June 30, 2022	<u>\$ 98,418,393</u>	<u>\$ 99,301,079</u>	<u>\$ (882,686)</u>

* The OPEB plan related to PSPRS - Police did not have significant financial impact and therefore is not reported.

	Total	Plan	Net	Total	Plan	Net
	Pension	Fiduciary	Pension	OPEB	Fiduciary	OPEB
	Liability (a)	Net Position (b)	Liability (Asset) (a) - (b)	Liability (a)	Net Position (b)	Asset (a) - (b)
PSPRS - Fire						
Balances at June 30, 2022	\$ 101,853,546	\$ 118,890,097	\$ (17,036,551)	\$ 1,465,891	\$ 3,411,090	\$ (1,945,199)
Changes for the year:						
Service cost	1,240,372	-	1,240,372	24,892	-	24,892
Interest on the total pension liability	7,324,012	-	7,324,012	105,768	-	105,768
Differences between expected and actual experience in the measurement of the pension liability	383,514	-	383,514	(71,930)	-	(71,930)
Contributions- employer	-	1,495,998	(1,495,998)	-	-	-
Contributions- employee	-	649,496	(649,496)	-	-	-
Changes of assumptions	1,462,932	-	1,462,932	35,113	-	35,113
Benefit payments, including refunds of employee contributions	(5,529,964)	(5,529,964)	-	(83,819)	(83,819)	-
Net investment income	-	(4,690,568)	4,690,568	-	(133,704)	133,704
Administrative expense	-	(84,748)	84,748	-	(2,380)	2,380
Net changes	<u>4,880,866</u>	<u>(8,159,786)</u>	<u>13,040,652</u>	<u>10,024</u>	<u>(219,903)</u>	<u>229,927</u>
Balances at June 30, 2023	<u>\$ 106,734,412</u>	<u>\$ 110,730,311</u>	<u>\$ (3,995,899)</u>	<u>\$ 1,475,915</u>	<u>\$ 3,191,187</u>	<u>\$ (1,715,272)</u>

Sensitivity of the City's Net Pension Liability and Net OPEB Asset to Changes in the Discount Rate

The following table presents the City's net pension/OPEB (asset) liabilities calculated using the discount rates noted above as well as what the City's net pension/OPEB (asset) liabilities would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS - Police			
Rate	6.20%	7.20%	8.20%
Net pension liability	\$ 12,562,834	\$ (882,686)	\$ (11,779,248)
PSPRS - Fire			
Rate	6.20%	7.20%	8.20%
Net pension liability	\$ (1,557,812)	\$ (1,715,272)	\$ (1,848,655)
Net OPEB asset	\$ 9,570,726	\$ (3,995,899)	\$ (15,154,893)

Plan Fiduciary Net Position

Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Expense

For the year ended June 30, 2023, the City recognized \$1,587,160 and \$1,065,315 pension expenses for police and fire, respectively and negative \$185,168 related to OPEB (Fire).

Deferred Outflows/Inflows of Resources

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	PSPRS - Police		PSPRS - Fire		PSPRS - Fire OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,787,742	\$ -	\$ 1,774,615	\$ (135,063)	\$ -	\$ (148,511)
Changes of assumptions	1,105,530	-	1,433,476	-	29,703	-
Net difference between projected and actual earnings on pension plan investments	-	(364,476)	-	(472,077)	48,195	-
City contributions subsequent to the measurement date	442,029	-	650,693	-	-	-
Total	<u>\$ 4,335,301</u>	<u>\$ (364,476)</u>	<u>\$ 3,858,784</u>	<u>\$ (607,140)</u>	<u>\$ 77,898</u>	<u>\$ (148,511)</u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from city contributions after the measurement date will be recognized as an increase of the net pension and OPEB asset in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows, or resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	<u>PSPRS Police</u>	<u>PSPRS Fire</u>	<u>PSPRS OPEB Fire</u>
2024	\$ 1,371,827	\$ 640,557	\$ (63,575)
2025	979,525	192,866	(38,723)
2026	(1,206,211)	(881,056)	(44,230)
2027	2,383,655	2,648,584	75,915
	<u>\$ 3,528,796</u>	<u>\$ 2,600,951</u>	<u>\$ (70,613)</u>

PSPDCRP plan

City sworn police officer or fire personnel who are not members of PSPRS participate in the PSPDCRP. The PSPDCRP is a defined contribution pension plan. The PSPRS Board of Trustees governs the PSPDCRP according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.1. Benefit terms, including contribution requirements, are established by State statute.

For the year ended June 30, 2023, active PSPDCRP members were required by statute to contribute at least 9 percent of the members’ annual covered payroll, and the City was required by statute to contribute 9 percent of active members’ annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the earnings on those contributions. Employees vest in a portion of the City’s contributions each year as set forth in statute. The plan retains nonvested City contributions when forfeited because of employment terminations. For the year ended June 30, 2023, the City recognized pension expense of \$38,678.

Elected Officials' Retirement Plan (EORP)

Benefits Provided

The EORP provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated based on age, average yearly compensation, and service credit as follows:

EORP	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and disability		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability retirement	80% with 10 or more years of service	75% with 10 or more years of service
	40% with 5 to 10 years of service	37.5% with 5 to 10 years of service
	20% with less than 5 years of service	18.75% with less than 5 years of service
Survivor benefit		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the State Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

Contributions

State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability. For the year ended June 30, 2023, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the City to contribute at the actuarially rate of 70.42 percent of all active EORP members' annual covered payroll. Also, statute required the City to contribute 58.39 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 64.42 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the City's required contributions to ASRS, ACR and EODCRS for these elected officials and judges. In addition, statute required the City to contribute 48.58 percent of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the EORP would typically fill.

The City's contribution to the plan for the year ended June 30, 2023, was \$148,865. The pension contributions were paid 100 percent from the General Fund.

Pension Liability

At June 30, 2023, the City reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The amount the city recognized as its proportionate liability that was associated with the City were as follows:

City's proportionate share of the EORP net pension liability	\$ 1,488,752
State's proportionate share of the EORP net pension liability associated with the City	144,956
Total	<u>\$ 1,633,708</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, decreasing the wage inflation from 3.75 percent to 3.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

The City's proportion of the net pension liability was based on the City's required contribution to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2022. The City's proportion measured as of June 30, 2022, and the change from its proportion measured at June 30, 2021, were 0.220513% and 0.008871%, respectively.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2023, the City recognized pension expense for the EORP of \$159,837 and revenue of \$16,687 for the City's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension deferred outflows/Inflows of resources

<u>EORP</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 13,444	\$ -
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(28,729)
City contributions subsequent to the measurement date	148,865	-
Total	<u>\$ 162,309</u>	<u>\$ (28,729)</u>

The amounts reported as deferred outflows of resources related to EORP pensions resulting from City contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ending June 30	
2024	\$ (26,022)
2025	129
2026	(6,337)
2027	16,945
	<u>\$ (15,285)</u>

Actuarial Assumptions

The significant actuarial assumptions used to measure the total pension liability are as follows:

EORP

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.20%
Wage inflation	3.25%
Price inflation	2.50%
Cost-of-living adjustment	1.85%
Mortality rates	PubG-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022 valuation was based on the results of an actuarial experience study for the five -year period ended June 30, 2021.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.20 percent using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset call are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Geometric Real Rate of Return
U.S. Public Equity	24%	3.49%
International Public Equity	16%	4.47%
Global Private Equity	20%	7.18%
Other Assets (Capital Appreciation)	7%	4.83%
Core Bonds	2%	0.01%
Private Credit	20%	5.10%
Diversifying Strategies	10%	2.68%
Cash - Mellon	1%	-0.35%
Total	100%	

Discount Rate

At June 30, 2022, the discount rate used to measure the EORP total pension liability was 7.2 percent was a decrease. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and State contributions will be made as currently required by statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the EORP Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.2 percent, as well as what the City's proportionate share to the net pension liability would

be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
EORP			
Rate	6.20%	7.20%	8.20%
Net pension liability	\$ 1,699,620	\$ 1,488,752	\$ 1,308,130

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the separately issued EORP financial report.

EODCRS plan

Elected officials who are not members of EORP or ASRS participate in the EODCRS and the Elected Officials Defined Contribution Retirement System Disability Program (EODCDP). The EODCRS is a defined contribution pension plan. The EODCDP is a cost-sharing multiple-employer defined benefit disability (OPEB) plan for EODCRS members. The PSPRS Board of Trustees governs the EODCRS and EODCDP according to the provisions of A.R.S. Title 38, Chapter 5, Articles 3.1 and 3.2. Benefit terms, including contribution requirements, are established by State statute. The EODCDP is not further disclosed because of its relative insignificance to the City's financial statements.

For the year ended June 30, 2023, active EODCRS members were required by statute to contribute 8 percent of the members' annual covered payroll, and the City was required by statute to contribute 6 percent of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the City's contributions to the individual employee account and the earnings on those contributions. For the year ended June 30, 2022, the City recognized pension expense of \$5,886.

The City Postemployment Healthcare Plan

Plan Description

The City of Flagstaff provides post-retirement healthcare insurance benefits for its retirees as a single employer defined benefit OPEB plan which is administered through Northern Arizona Public Employee Benefit Trust (NAPEBT). No assets are accumulated in a trust that meets the criteria in GASB No. 75, paragraph four, to pay the benefits for the single-employer defined benefit OPEB plan.

Benefits Provided

Eligible retirees and their beneficiaries up to the age of 65 are allowed to participate in the same healthcare plan as active employees and pay the same premium for this benefit which results in an implicit rate subsidy. Even though the City makes no direct payments on behalf of the retirees the City is required to report this implicit cost for active employees who will be able to continue to purchase health insurance once they retire. Substantially, all the City's employees may become eligible for those benefits when they qualify for retirement. To be eligible a retiree must qualify to receive retirement benefits from the Arizona State Retirement System and elect coverage at date of retirement.

Plan Membership

As of July 1, 2021, OPEB plan membership consisted of the following:

Retirees currently receiving health benefits	54
Active members	<u>664</u>
Total	718

OPEB Liability

At June 30, 2023, the City reported a net OPEB liability of \$9,810,861. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability were determined from the actuarial valuations as of June 30, 2021.

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2021, valuation was based on an experience studies for ASRS for the period from July 1, 2015 through June 30, 2020 and from PSPRS for the period from July 1, 2015, through June 30, 2020.

Change in Net OPEB Liability

	<u>Increase (Decrease)</u>
	Total OPEB
OPEB	Liability
Balances at June 30, 2022	<u>\$ 11,066,707</u>
Changes for the year:	
Service cost	754,126
Interest on the total pension liability	250,207
Changes of assumptions	(1,783,242)
Benefit payments, including refunds of employee contributions	<u>(476,937)</u>
Net changes	<u>(1,255,846)</u>
Balances at June 30, 2023	<u><u>\$ 9,810,861</u></u>

The City has chosen not to fund this plan; therefore, the total OPEB liability is the net OPEB liability.

Actuarial Methods and Assumptions

The significant actuarial assumptions used to measure the total OPEB liability are as follows:

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry level, level percent of salary
Mortality rates	MP-2020 tables
Healthcare cost trend rate	8.25% to 4.5% over 10 years

Discount Rate

At June 30, 2022, the discount rate used to measure the City's OPEB total liability was 3.54 percent. Because the City is not prefunding the OPEB benefits, the discount rates used in this valuation for financial disclosure purposes as of June 30, 2021, and 2022 are based on the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of the City's Total OPEB Liability to Changes in the Discount Rate

The following table presents the City's OPEB liability calculated using the discount rate of 3.54% as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
City's proportionate share of the OPEB liability	<u>\$ 10,870,420</u>	<u>\$ 9,810,861</u>	<u>\$ 8,876,686</u>

Sensitivity of the City's Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the City as of June 30, 2022, as well as what the City's total OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease	Current Discount Rate *	1% Increase
City's proportionate share of the OPEB liability	<u>\$ 8,625,813</u>	<u>\$ 9,810,861</u>	<u>\$ 11,221,312</u>

*Current trend rates are 5.00% in 2022-2023, 5.45% to 2023-2024, and 7.00% to 4.5% over a 10- year period for medical and drug plan costs.

OPEB Expense and Deferred Outflows - Inflow of Resources

For the year ending June 30, 2023, the City recognized an OPEB expense of \$591,021. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 2,461,548	\$ (1,897,986)
Net difference between expected and actual experience in the total OPEB liability	-	(2,194,806)
City benefit payments subsequent to the measurement date	468,087	-
Total	<u>\$ 2,929,635</u>	<u>\$ (4,092,792)</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB liability will be recognized in the OPEB expense as follows:

Year ending June 30,	
2024	\$ (413,312)
2025	(413,312)
2026	(405,271)
2027	(212,636)
2028	(38,793)
Thereafter	(147,920)
	<u>\$ (1,631,244)</u>

D. Landfill Closure and Post Closure Care Cost

State and federal laws and regulations require the City to place a final cover on its Cinder Lake landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The City reports a portion of these closures and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The estimated liability for landfill closure and post closure care costs has a balance of \$20,340,020 as of June 30, 2023, which is based on 84.54% percent usage of the landfill. The remaining \$3,719,753 will be accrued over the remaining life of the landfill, which is currently estimated to be five years.

The accrual for the closure and post closure care costs for fiscal year 2022-2023 is \$2,939,498. Based on current estimates for landfill closure and post closure care costs, the City is setting aside legally restricted funds to ensure sufficient funds will be available to meet these requirements. The City makes annual contributions to finance closure and post closure care costs; at June 30, 2023, the balance of the cash and investments held for those purposes is \$12,498,950. The investments are reported as restricted cash and investments in the City's Environmental Service Fund and are held by the State of Arizona Local Government Investment Pool.

The estimated total current cost of the landfill closure and post closure care, \$24,059,773, is based on the amount that would be paid if all equipment, facilities, and services required to care, monitor, and maintain the landfill were acquired as of June 30, 2023. However, the actual cost of closure and post closure care may be higher or lower due to other factors such as inflation, changes in technology, or changes in landfill laws and regulations.

According to state and federal laws and regulations, the City must comply with the local government financial test requirements that assure the City can meet the cost of landfill closure, post-closure and corrective action when needed. The City, which has pledged its full faith and credit to meet state financial responsibility requirements, is following these requirements.

In March of 1999, the City purchased 343.9 acres of land from the U.S. Forest Service. This land is adjacent to the existing landfill and will be used to open additional cells as needed. As these cells are utilized, additional liabilities for closure and post closure care requirements will be accrued. The City applied

existing policy to the Environmental Services Fund increasing its expenditures as City residential and commercial collection programs are now charged for landfill fees.

E. Tax Abatement

The City enters into property tax abatement agreements with local businesses under the state of Arizona Government Property Lease Excise Tax (GPLETs). Under the law enacted in 1996, Arizona’s cities, towns, counties, and county stadium districts (government lessors) are allowed to lease property they own to private parties (lessees) for nongovernmental use and collect an excise tax. Because the property is owned by the City, it is exempt from property taxes. The abatements may be granted to any business located within or promising to relocate to the City to encourage continued provision of stable good paying employment opportunities for the City’s residents. The City believes that its efforts will perpetuate the City’s overall economic health and demonstrate the City’s attractiveness as a place to do business.

For the fiscal year ended June 30, 2023, the City abated assessed property taxes totaling \$49,028 under this program including the following Government Property Lease Excise Tax (GPLET) abatement agreements:

A 1.52 percent property tax abatement to Joy Cone manufacturing. The 2021 abatement amounted to \$49,028.

F. Subsequent Events

During July, August and September of 2023, the City received \$17,074,736 in draws from two of its Water Infrastructure Finance Authority loans payable.

G. Adjustments to and restatements of beginning balances

The city has two identified errors that necessitated a correction. The first correction related to the calculation of the 60-day sales tax resulting in an overstatement of revenue and accounts receivable of \$4,491,295 in the prior year. This correction was prompted by newly available information. The error in question pertained to the accurate estimation of our sales tax receivable over a 60-day period, and it has now been rectified to reflect the correct figures. The newly available information revealed discrepancies in the previous calculations, stemming from methodological oversights. As a result, the previously reported sales tax was inaccurately stated in the prior year. The second adjustment is a discovery that easement and right of way dedication that are recorded at the time of the final plat were not being properly recorded as capital assets resulting in an understatement of capital assets. The city has retroactively calculated the estimated value of those dedications as of the date of final plat and adjusted the capital assets balances accordingly.

	Fund Statements					Government Wide	
	General Fund	Transportation Tax Fund	BBB Fund	Water and Wastewater Fund	Stormwater Fund	Governmental Activities	Business-type Activities
Net position/fund balance as previously reported at June 30, 2022	\$ 75,208,499	\$ 69,236,532	\$ 20,345,414	\$ 286,625,519	\$ 55,652,162	\$ 361,315,188	\$ 399,315,378
Prior period adjustments:							
60 day sales tax recalculation	(1,695,522)	(2,031,922)	(763,851)	-	-	(4,491,295)	-
Right of way and easement adjustment	-	-	-	2,494,403	694,628	2,830,153	3,189,031
Total prior period adjustment	<u>(1,695,522)</u>	<u>(2,031,922)</u>	<u>(763,851)</u>	<u>2,494,403</u>	<u>694,628</u>	<u>(1,661,142)</u>	<u>3,189,031</u>
Net position/fund balance as restated, July 1, 2022	<u>\$ 73,512,977</u>	<u>\$ 67,204,610</u>	<u>\$ 19,581,563</u>	<u>\$ 289,119,922</u>	<u>\$ 56,346,790</u>	<u>\$ 359,654,046</u>	<u>\$ 402,504,409</u>

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City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Cost-Sharing Pension Plans
June 30, 2023

	Reporting Fiscal Year (Measurement Date)		
	2022-2023	2021-2022	2020-2021
	(2021-2022)	(2020-2021)	(2019-2020)
Arizona State Retirement System			
Proportion of the net pension liability	0.292550%	0.292590%	0.301400%
Proportionate share of the net pension liability	\$ 47,750,657	\$ 38,445,027	\$ 52,222,131
Covered payroll	\$ 34,944,558	\$ 33,005,980	\$ 33,145,052
Proportionate share of the net pension liability as a percentage of its covered payroll	136.65%	116.48%	157.56%
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%
EORP			
Proportion of the net pension liability	0.2205134%	0.2293840%	0.2214790%
City's proportionate share of the net pension liability	\$ 1,488,752	\$ 1,395,946	\$ 1,494,901
State's proportionate share of the net pension liability associated with the City	144,956	140,315	142,078
Total	\$ 1,633,708	\$ 1,536,261	\$ 1,636,979
Covered payroll	\$ 190,640	\$ 183,403	\$ 187,000
City's proportionate share of the net pension liability as a percentage of its covered payroll	780.92%	761.14%	799.41%
Plan fiduciary net position as a percentage of the total pension liability	32.01%	36.28%	29.80%

Reporting fiscal year 2013-2014 information is not available.

2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)	2016-2017 (2015-2016)	2015-2016 (2014-2015)	2014-2015 (2013-2014)
0.305020%	0.333310%	0.312660%	0.311530%	0.300450%	0.302625%
\$ 44,383,959	\$ 46,485,015	\$ 48,706,334	\$ 50,284,072	\$ 46,798,712	\$ 44,778,290
\$ 32,447,746	\$ 31,911,275	\$ 28,842,056	\$ 27,573,067	\$ 26,638,622	\$ 26,638,622
136.79%	145.67%	168.87%	182.37%	175.68%	168.10%
73.24%	73.40%	69.92%	67.06%	68.35%	69.49%
0.2122050%	0.1689530%	0.2177500%	0.2097849%	0.1942242%	0.2500258%
\$ 1,407,293	\$ 1,064,634	\$ 2,653,363	\$ 1,981,949	\$ 1,517,768	\$ 1,676,603
132,271	182,419	550,687	409,221	473,166	514,062
\$ 1,539,564	\$ 1,247,053	\$ 2,391,170	\$ 2,391,170	\$ 1,990,934	\$ 2,190,665
\$ 184,269	\$ 180,000	\$ 194,354	\$ 189,999	\$ 157,579	\$ 204,400
763.72%	591.46%	1365.22%	1043.14%	963.18%	820.26%
30.14%	30.40%	19.70%	23.42%	28.32%	31.91%

City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the Changes in Net Pension Liability and Related Ratios
Agent Pension Plans - PSPRS Police
June 30, 2023

	Reporting Fiscal Year (Measurement Date)		
	2022-2023 (2021-2022)	2021-2022 (2020-2021)	2020-2021 (2019-2020)
PSPRS Police			
Total pension liability			
Service cost	\$ 889,355	\$ 1,035,271	\$ 1,135,219
Interest on the total pension liability	6,533,446	6,358,327	6,113,422
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	3,340,871	516,872	1,208,232
Changes of assumptions or other inputs	1,658,296	-	-
Benefit payments, including refunds of employee contributions	(5,226,958)	(5,504,359)	(4,499,790)
Net change in total pension liability	7,195,010	2,406,111	3,957,083
Total pension liability - beginning	91,223,383	88,817,272	84,860,189
Total pension liability - ending (a)	<u>\$ 98,418,393</u>	<u>\$ 91,223,383</u>	<u>\$ 88,817,272</u>
Plan fiduciary net position			
Contributions - employer	\$ 731,520	\$ 56,134,692	\$ 6,284,379
Contributions - employee	478,668	477,435	537,822
Net investment income	(4,212,399)	22,313,817	436,641
Benefit payments, including refunds of employee contributions	(5,226,958)	(5,504,359)	(4,499,790)
Hall/Parker Settlement	-	-	-
Pension plan administrative expenses	(76,105)	(97,741)	(35,788)
Other changes	-	-	-
Net change in plan fiduciary net position	(8,305,274)	73,323,844	2,723,264
Plan fiduciary net position - beginning (restated)	107,606,353	34,282,509	31,559,245
Plan fiduciary net position - ending (b)	<u>\$ 99,301,079</u>	<u>\$ 107,606,353</u>	<u>\$ 34,282,509</u>
Net pension liability - ending (a) - (b)	<u>\$ (882,686)</u>	<u>\$ (16,382,970)</u>	<u>\$ 54,534,763</u>
Plan fiduciary net position as a percentage of the total pension liability	100.90%	117.96%	38.60%
Covered payroll	\$ 5,210,182	\$ 4,584,510	\$ 5,527,309
Net pension liability as a percentage of covered payroll	-16.94%	-357.35%	986.64%

Reporting fiscal year 2013-2014 information is not available.

	2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)	2016-2017 (2015-2016)	2015-2016 (2014-2015)	2014-2015 (2013-2014)
\$	1,314,269	\$ 1,278,269	\$ 1,591,484	\$ 1,367,771	\$ 1,373,545	\$ 1,312,430
	5,830,298	5,476,675	5,131,739	4,818,389	4,650,797	3,904,338
	-	-	924,114	1,967,589	-	1,353,950
	590,373	1,216,507	(293,545)	(111,993)	(346,202)	(671,478)
	1,650,864	-	2,159,906	2,578,910	-	6,987,647
	(3,998,301)	(3,737,501)	(3,804,819)	(3,575,345)	(3,505,319)	(3,311,491)
	5,387,503	4,233,950	5,708,879	7,045,321	2,172,821	9,575,396
	79,472,686	75,238,736	69,529,857	62,484,536	60,311,715	50,736,319
\$	84,860,189	\$ 79,472,686	\$ 75,238,736	\$ 69,529,857	\$ 62,484,536	\$ 60,311,715
\$	3,441,524	\$ 4,046,869	\$ 3,657,762	\$ 3,441,521	\$ 2,578,489	\$ 2,311,119
	550,585	646,186	912,701	1,147,170	841,533	768,029
	1,756,930	2,081,145	3,105,491	146,825	821,133	2,757,888
	(3,998,301)	(3,737,501)	(3,804,819)	(3,575,345)	(3,505,319)	(3,311,491)
	-	(922,190)	-	-	-	-
	(31,510)	(32,374)	(27,878)	(21,527)	(20,411)	-
	-	328	(58,723)	(112,440)	(357,501)	(1,371,053)
	1,719,228	2,082,463	3,784,534	1,026,204	357,924	1,154,492
	29,840,016	27,776,266	23,991,732	22,965,528	22,607,604	21,453,112
\$	31,559,244	\$ 29,858,729	\$ 27,776,266	\$ 23,991,732	\$ 22,965,528	\$ 22,607,604
\$	53,300,945	\$ 49,613,957	\$ 47,462,470	\$ 45,538,125	\$ 39,519,008	\$ 37,704,111
	37.19%	37.57%	36.92%	34.51%	36.75%	37.48%
\$	5,875,114	\$ 6,555,255	\$ 7,155,954	\$ 7,318,199	\$ 7,526,730	\$ 7,425,908
	907.23%	756.86%	663.26%	622.26%	525.05%	507.74%

City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the Changes in Net Pension Liability and Related Ratios
Agent Pension Plans - PSPRS Fire
June 30, 2023

	Reporting Fiscal Year		
	(Measurement Date)		
	2022-2023 (2021-2022)	2021-2022 (2020-2021)	2020-2021 (2019-2020)
PSPRS Fire			
Total pension liability			
Service cost	\$ 1,240,372	\$ 1,139,137	\$ 1,149,078
Interest on the total pension liability	7,324,012	6,941,055	6,733,345
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	383,514	2,674,365	599,182
Changes of assumptions or other inputs	1,462,932	-	-
Benefit payments, including refunds of employee contributions	(5,529,964)	(5,689,625)	(5,563,021)
Net change in total pension liability	<u>4,880,866</u>	<u>5,064,932</u>	<u>2,918,584</u>
Total pension liability - beginning	<u>101,853,546</u>	<u>96,788,614</u>	<u>93,870,030</u>
Total pension liability - ending (a)	<u>\$ 106,734,412</u>	<u>\$ 101,853,546</u>	<u>\$ 96,788,614</u>
Plan fiduciary net position			
Contributions - employer	\$ 1,495,998	\$ 63,705,770	\$ 7,273,509
Contributions - employee	649,496	496,467	549,407
Net investment income	(4,690,568)	24,700,340	470,249
Benefit payments, including refunds of employee contributions	(5,529,964)	(5,689,625)	(5,563,021)
Hall/Parker Settlement	-	-	-
Pension plan administrative expenses	(84,748)	(107,926)	(38,533)
Other changes	-	-	-
Net change in plan fiduciary net position	<u>(8,159,786)</u>	<u>83,105,026</u>	<u>2,691,611</u>
Plan fiduciary net position - beginning (restated)	<u>118,890,097</u>	<u>35,785,071</u>	<u>33,093,460</u>
Plan fiduciary net position - ending (b)	<u>\$ 110,730,311</u>	<u>\$ 118,890,097</u>	<u>\$ 35,785,071</u>
Net pension liability - ending (a) - (b)	<u>\$ (3,995,899)</u>	<u>\$ (17,036,551)</u>	<u>\$ 61,003,543</u>
Plan fiduciary net position as a percentage of the total pension liability	103.74%	116.73%	36.97%
Covered payroll	\$ 6,109,308	\$ 5,646,127	\$ 5,239,842
Net pension liability as a percentage of covered payroll	-65.41%	-301.74%	1164.22%

Reporting fiscal year 2013-2014 information is not available.

2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)	2016-2017 (2015-2016)	2015-2016 (2014-2015)	2014-2015 (2013-2014)
\$ 1,229,846	\$ 1,232,288	\$ 1,376,479	\$ 1,107,145	\$ 973,454	\$ 950,445
6,594,132	6,209,142	5,668,204	5,356,440	5,239,671	4,390,766
-	-	804,628	2,064,045	-	1,553,904
(675,316)	2,491,418	193,670	669,848	52,497	1,431,974
1,681,383	-	5,454,472	2,647,110	-	7,269,797
<u>(5,680,128)</u>	<u>(5,007,832)</u>	<u>(5,180,329)</u>	<u>(4,095,893)</u>	<u>(5,594,036)</u>	<u>(3,994,598)</u>
<u>3,149,917</u>	<u>4,925,016</u>	<u>8,317,124</u>	<u>7,748,695</u>	<u>671,586</u>	<u>11,602,288</u>
<u>90,720,113</u>	<u>85,795,097</u>	<u>77,477,973</u>	<u>69,729,278</u>	<u>69,057,692</u>	<u>57,455,404</u>
<u>\$ 93,870,030</u>	<u>\$ 90,720,113</u>	<u>\$ 85,795,097</u>	<u>\$ 77,477,973</u>	<u>\$ 69,729,278</u>	<u>\$ 69,057,692</u>
\$ 5,315,168	\$ 4,950,022	\$ 4,239,954	\$ 3,952,628	\$ 2,418,742	\$ 2,030,211
435,225	565,220	703,312	669,429	732,850	525,878
1,830,884	2,181,684	3,290,746	160,712	963,491	3,407,667
(5,680,128)	(5,007,832)	(5,180,329)	(4,095,893)	(5,594,036)	(3,994,598)
-	(908,136)	-	-	-	-
(32,805)	(33,905)	(29,518)	(23,526)	(23,873)	-
-	357	12,535	(27,936)	48,864	(1,831,071)
<u>1,868,344</u>	<u>1,747,410</u>	<u>3,036,700</u>	<u>635,414</u>	<u>(1,453,962)</u>	<u>138,087</u>
<u>31,255,156</u>	<u>29,508,064</u>	<u>26,471,364</u>	<u>25,835,950</u>	<u>27,289,912</u>	<u>27,151,825</u>
<u>\$ 33,123,500</u>	<u>\$ 31,255,474</u>	<u>\$ 29,508,064</u>	<u>\$ 26,471,364</u>	<u>\$ 25,835,950</u>	<u>\$ 27,289,912</u>
<u>\$ 60,746,530</u>	<u>\$ 59,464,639</u>	<u>\$ 56,287,033</u>	<u>\$ 51,006,609</u>	<u>\$ 43,893,328</u>	<u>\$ 41,767,780</u>
35.29%	34.45%	34.39%	34.17%	37.05%	39.52%
\$ 5,299,696	\$ 5,683,984	\$ 5,650,572	\$ 5,491,792	\$ 4,847,679	\$ 4,788,197
1146.23%	1046.18%	996.13%	928.78%	905.45%	872.31%

City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the Changes in Net OPEB Asset and Related Ratios
Agent OPEB Plans - PSPRS Fire
June 30, 2023

	Reporting Fiscal Year		
	(Measurement Date)		
	2022-2023 (2021-2022)	2021-2022 (2020-2021)	2020-2021 (2019-2020)
PSPRS Fire			
Total OPEB liability			
Service cost	\$ 24,892	\$ 25,482	\$ 25,532
Interest on the total OPEB liability	105,768	110,067	108,941
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the OPEB liability	(71,930)	(105,821)	(6,882)
Changes of assumptions or other inputs	35,113	-	-
Benefit payments, including refunds of employee contributions	(83,819)	(92,252)	(91,651)
Net change in total OPEB liability	<u>10,024</u>	<u>(62,524)</u>	<u>35,940</u>
Total OPEB liability - beginning	<u>1,465,891</u>	<u>1,528,415</u>	<u>1,492,475</u>
Total OPEB liability - ending (a)	<u>\$ 1,475,915</u>	<u>\$ 1,465,891</u>	<u>\$ 1,528,415</u>
Plan fiduciary net position			
Contributions - employer	\$ -	\$ -	\$ -
Net investment income	(133,704)	752,263	35,241
Benefit payments, including refunds of employee contributions	(83,819)	(92,252)	(91,651)
OPEB plan administrative expenses	(2,380)	(3,093)	(2,866)
Other changes	-	-	-
Net change in plan fiduciary net position	<u>(219,903)</u>	<u>656,918</u>	<u>(59,276)</u>
Plan fiduciary net position - beginning (restated)	<u>3,411,090</u>	<u>2,754,172</u>	<u>2,813,448</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,191,187</u>	<u>\$ 3,411,090</u>	<u>\$ 2,754,172</u>
Net OPEB (asset) liability - ending (a) - (b)	<u>\$ (1,715,272)</u>	<u>\$ (1,945,199)</u>	<u>\$ (1,225,757)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	216.22%	232.70%	180.20%
Covered payroll	\$ 6,109,308	\$ 5,646,127	\$ 5,239,842
Net OPEB (asset) liability as a percentage of covered payroll	-28.08%	-34.45%	-23.39%

Reporting fiscal year 2016-2017 through 2013-2014 information is not available.

2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)
\$ 16,484	\$ 18,757	\$ 19,777
118,278	116,896	117,249
-	-	9,376
(193,022)	(31,819)	(61,082)
16,310	-	21,953
(94,885)	(89,633)	(91,188)
(136,835)	14,201	16,085
1,629,310	1,615,109	1,599,024
<u>\$ 1,492,475</u>	<u>\$ 1,629,310</u>	<u>\$ 1,615,109</u>
\$ -	\$ (317)	\$ -
147,468	183,884	287,005
(94,885)	(89,633)	(91,188)
(2,546)	(2,799)	(2,540)
-	1	-
50,037	91,136	193,277
2,763,411	2,671,958	2,478,681
<u>\$ 2,813,448</u>	<u>\$ 2,763,094</u>	<u>\$ 2,671,958</u>
<u>\$ (1,320,973)</u>	<u>\$ (1,133,784)</u>	<u>\$ (1,056,849)</u>
188.51%	169.59%	165.44%
\$ 5,299,696	\$ 5,683,984	\$ 5,650,572
-24.93%	-19.95%	-18.70%

City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the Changes in Net OPEB Liability and Related Ratios
Single Employer OPEB Plans - City OPEB
June 30, 2023

	Reporting Fiscal Year (Measurement Date)		
	2022-2023	2021-2022	2020-2021
	(2021-2022)	(2020-2021)	(2019-2020)
City OPEB			
Total OPEB liability			
Service cost	\$ 754,126	\$ 585,601	\$ 480,223
Interest on the total OPEB liability	250,207	210,376	291,110
Differences between expected and actual experience in the measurement of the OPEB liability	-	(115,937)	-
Changes of assumptions or other inputs	(1,783,242)	1,674,818	760,916
Benefit payments, including refunds of employee contributions	(476,937)	(441,218)	(429,062)
Net change in total OPEB liability	(1,255,846)	1,913,640	1,103,187
Total OPEB liability - beginning	11,066,707	9,153,067	8,049,880
Total OPEB liability - ending (a)	\$ 9,810,861	\$ 11,066,707	\$ 9,153,067
Plan fiduciary net position			
Net change in plan fiduciary net position	\$ -	\$ -	\$ -
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ -
Net OPEB liability - ending (a) - (b)	\$ 9,810,861	\$ 11,066,707	\$ 9,153,067
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered payroll	\$ 53,668,201	\$ 50,035,257	\$ 50,086,352
Net pension liability as a percentage of covered payroll	18.28%	22.12%	18.27%

Reporting fiscal year 2016-2017 through 2013-2014 information is not available.

2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)
\$ 482,750	\$ 580,616	\$ 612,124
382,358	368,976	309,152
(2,597,490)	-	(2,273,189)
612,806	(844,549)	1,126,321
(455,699)	(411,713)	(155,812)
(1,575,275)	(306,670)	(381,404)
9,625,155	9,931,825	10,313,229
<u>\$ 8,049,880</u>	<u>\$ 9,625,155</u>	<u>\$ 9,931,825</u>
\$ -	\$ -	\$ -
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 8,049,880</u>	<u>\$ 9,625,155</u>	<u>\$ 9,931,825</u>
0.00%	0.00%	0.00%
\$ 48,357,183	\$ 48,357,183	\$ 44,717,801
16.65%	19.90%	22.21%

City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the City's Pension/OPEB* Contributions
June 30, 2023

	Reporting Fiscal Year			
	2022-2023	2021-2022	2020-2021	2019-2020
Arizona State Retirement System				
Statutorily required contributions	\$ 4,384,073	\$ 4,196,842	\$ 3,845,197	\$ 3,795,108
Contributions in relation to the statutorily required contribution	4,384,073	4,196,842	3,845,197	3,795,108
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 36,779,135</u>	<u>\$ 34,944,558</u>	<u>\$ 33,005,980</u>	<u>\$ 33,145,052</u>
Contributions as a percentage of covered payroll	11.92%	12.01%	11.65%	11.45%
Elected Officials Retirement Plan				
Statutorily required contributions	\$ 148,865	\$ 98,572	\$ 101,660	\$ 100,679
Contributions in relation to the statutorily required contribution	148,865	98,572	101,660	100,679
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 249,693</u>	<u>\$ 190,640</u>	<u>\$ 183,403</u>	<u>\$ 187,000</u>
Contributions as a percentage of covered payroll	59.62%	51.71%	55.43%	53.84%
PSPRS - Police**				
Statutorily required contributions	\$ 432,672	\$ 555,741	\$ 1,074,231	\$ 3,434,035
Contributions in relation to the statutorily required contribution	442,029	731,520	56,134,692	6,331,039
Contribution deficiency (excess)	<u>\$ (9,357)</u>	<u>\$ (175,779)</u>	<u>\$ (55,060,461)</u>	<u>\$ (2,897,004)</u>
Covered payroll	<u>\$ 5,458,896</u>	<u>\$ 5,210,182</u>	<u>\$ 4,584,510</u>	<u>\$ 5,527,309</u>
Contributions as a percentage of covered payroll	8.10%	14.04%	1224.44%	114.54%
PSPRS - Fire**				
Statutorily required contributions	\$ 570,077	\$ 880,217	\$ 1,505,870	\$ 5,183,976
Contributions in relation to the statutorily required contribution	650,693	1,495,998	63,705,770	6,910,825
Contribution deficiency (excess)	<u>\$ (80,616)</u>	<u>\$ (615,781)</u>	<u>\$ (62,199,900)</u>	<u>\$ (1,726,849)</u>
Covered payroll	<u>\$ 6,837,863</u>	<u>\$ 6,109,308</u>	<u>\$ 5,646,127</u>	<u>\$ 5,239,842</u>
Contributions as a percentage of covered payroll	9.52%	24.49%	1128.31%	131.89%

* The City had no OPEB contributions for the current or prior years.

** For contributions for 2017-2018, the City chose to use credits with PSPRS for the Hall Parker Settlement refunds related to excess contributions in prior years.

2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
\$ 3,627,657	\$ 3,478,329	\$ 3,357,591	\$ 3,168,876	\$ 3,002,707	\$ 2,837,013
<u>3,627,657</u>	<u>3,478,329</u>	<u>3,357,591</u>	<u>3,168,876</u>	<u>3,002,707</u>	<u>2,837,013</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 32,447,746</u>	<u>\$ 31,911,275</u>	<u>\$ 30,673,166</u>	<u>\$ 28,842,056</u>	<u>\$ 27,573,067</u>	<u>\$ 26,638,622</u>
11.18%	10.90%	10.95%	10.99%	10.89%	10.65%
\$ 98,293	\$ 39,638	\$ 40,588	\$ 39,815	\$ 37,483	\$ 50,732
<u>98,293</u>	<u>39,638</u>	<u>40,588</u>	<u>39,815</u>	<u>37,483</u>	<u>50,732</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 184,269</u>	<u>\$ 180,000</u>	<u>\$ 194,354</u>	<u>\$ 189,999</u>	<u>\$ 157,579</u>	<u>\$ 204,400</u>
53.34%	22.02%	20.88%	20.96%	23.79%	24.82%
\$ 3,441,524	\$ 3,229,323	\$ 3,275,134	\$ 3,401,213	\$ 2,578,489	\$ 2,311,119
<u>3,441,524</u>	<u>3,124,679</u>	<u>3,657,762</u>	<u>3,441,521</u>	<u>2,578,489</u>	<u>2,311,119</u>
<u>\$ -</u>	<u>\$ 104,644</u>	<u>\$ (382,628)</u>	<u>\$ (40,308)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 5,875,114</u>	<u>\$ 6,555,225</u>	<u>\$ 7,155,954</u>	<u>\$ 7,318,199</u>	<u>\$ 7,526,730</u>	<u>\$ 7,425,908</u>
58.58%	47.67%	51.11%	47.03%	34.26%	31.12%
\$ 5,315,168	\$ 4,589,139	\$ 4,239,954	\$ 3,952,628	\$ 2,418,742	\$ 2,030,211
<u>5,315,168</u>	<u>4,041,886</u>	<u>4,239,954</u>	<u>3,952,628</u>	<u>2,418,742</u>	<u>2,030,211</u>
<u>\$ -</u>	<u>\$ 547,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 5,299,696</u>	<u>\$ 5,683,984</u>	<u>\$ 5,650,572</u>	<u>\$ 5,491,792</u>	<u>\$ 4,847,679</u>	<u>\$ 4,788,197</u>
100.29%	71.11%	75.04%	71.97%	49.89%	42.40%

City of Flagstaff, Arizona
Notes to the Required Supplementary Information
June 30, 2023

I. Actuarially Determined Contribution Rates

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years
Asset valuation method	7-year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2021 actuarial valuation, the investment rate of return was 7.3%.
Projected salary increases	In the 2021 actuarial valuation, projected salary increases were 3.5%–7.5% for PSPRS
Wage growth	In the 2021 actuarial valuation, wage growth was 3.0%
Permanent Benefit Increases	The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. We have assumed that to be 1.75% for this valuation.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period July 1, 2012 - June 30, 2016.
Mortality	In the 2023 actuarial valuation, changed to PubS-2010 mortality table with 75% of MP-2020 fully generational projection scales.

II. Factors That Affect the Identification of Trends

Beginning in fiscal year 2013-2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2013-2014, the plan transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from the plan’s Pension Fund to the new Health Insurance Fund.

III. Information Prior to Measurement Date

Information prior to the measurement date (June 30, 2017) for OPEB are not available. Information for subsequent years will be presented, when it is available to present ten years of information.

Non-Major Funds Other Governmental Funds

Special Revenue Funds

Special Revenue Funds are 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 particular functions or activities.

Housing and Community Services Fund

This fund was established in fiscal year 1996-1997 to account for the funding received for the Community Development Block Grant program and affordable housing activities.

COVID Relief Fund

This fund was established to account for the receipt and expenditures of the City's allocation of the Coronavirus Aid, Relief, and Economic Security Act (CARES) funding as well as the City's allocation of the American Rescue Plan Act (ARPA) funding. Resources allocated to this fund must be used for specific purposes as outlined in the legislature.

Library Fund

The City Library is financed through City sales tax allocations, State and County grants and individual contributions. Funds provided must be used for library activities such as cultural and educational programs and technical services.

Bed, Board and Beverage Tax Fund

This fund accounts for the Bed, Board and Beverage tax revenues as approved by voters in the 2010 general election and related expenditures. These resources are restricted for use in the areas of Beautification, Economic Development, Tourism, Arts & Science and Recreation.

Parking District Fund

This fund was established to comprehensively manage the public parking in downtown Flagstaff and the surrounding neighborhood.

Water Resource & Infrastructure Protection Fund

This fund accounts for the water resource and infrastructure protection fee and the related expenditures. These resources are restricted to support the Wildland Fire Management program.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

General Obligation Bond Fund

This fund is used to account for the accumulation of resources for, and the payments of, general long-term obligation principal and interest.

Secondary Property Tax Revenue Fund

This fund is used to account for secondary property tax revenues. Monies received by this fund are legally restricted to payment of general obligation debt.

Pension Bond Fund

This fund accounts for the accumulation of resources for and the payment of principal, interest and related costs for Pension Bond issued in fiscal year 2020-2021.

Capital Project Funds

Capital Project Funds are used to account for major capital acquisition and construction separate from ongoing operating activities. Resources for capital projects typically result from the issuance of general obligation or other government debt.

Capital Project Bond Construction Fund

This fund accounts for major capital acquisition and construction projects which are funded mainly with general obligation or other governmental debt.

Permanent Funds

Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Perpetual Care Fund

This fund accounts for the perpetual care of the City's cemetery.



City of Flagstaff, Arizona
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue Funds				
	Housing & Community Services Fund	COVID Relief Fund	Library Fund	BBB Fund	Parking District Fund
Assets					
Cash and investments	\$ 2,413,899	\$ 2,698,118	\$ 2,129,874	\$ 20,923,346	\$ 2,054,743
Accounts receivable, net	115,575	-	361,198	1,655,024	82,596
Interest receivable	7,402	-	12,587	64,870	5,929
Intergovernmental receivable	47,894	-	17,795	29,047	-
Notes receivable	255,200	-	-	-	-
Lease receivable	-	-	-	421,351	24,750
Prepaid items	-	-	-	13,513	-
Inventory	-	-	-	141,226	-
Restricted cash and investments	-	-	2,771,159	212,023	-
Total assets	<u>\$ 2,839,970</u>	<u>\$ 2,698,118</u>	<u>\$ 5,292,613</u>	<u>\$ 23,460,400</u>	<u>\$ 2,168,018</u>
Liabilities, Deferred Inflows and Fund Balance					
Liabilities:					
Accounts payable	\$ 54,116	\$ 2,101	\$ 166,757	\$ 764,338	\$ 7,702
Accrued payroll	1,545	-	58,917	45,723	5,014
Construction retainage payable	-	-	66,726	47,875	-
Advanced revenue	-	2,696,017	41,544	144,978	-
Total liabilities	<u>55,661</u>	<u>2,698,118</u>	<u>333,944</u>	<u>1,002,914</u>	<u>12,716</u>
Deferred inflows of resources:					
Unavailable revenue - notes receivable	255,200	-	-	-	-
Unavailable revenue - other revenue	95,715	-	-	-	-
Deferred inflows - leases	-	-	-	415,141	24,032
Total deferred inflows of resources	<u>350,915</u>	<u>-</u>	<u>-</u>	<u>415,141</u>	<u>24,032</u>
Fund balances:					
Nonspendable:					
Perpetual care	-	-	-	-	-
Prepays	-	-	-	13,513	-
Inventory	-	-	-	141,226	-
Restricted for:					
Notes receivable	255,200	-	-	-	-
Library branch services	-	-	902,752	-	-
Library programs board directed	-	-	1,868,407	-	-
Debt service	-	-	-	-	-
Public art	-	-	-	1,658,417	-
Economic development	-	-	-	1,264,278	-
Tourism	-	-	-	3,459,609	-
Park maintenance and operations	-	-	-	5,578,482	-
Other capital projects	2,178,194	-	-	9,926,820	-
Perpetual care	-	-	-	-	-
Assigned to:					
Parking district	-	-	-	-	2,131,270
Library services	-	-	2,187,510	-	-
Water resource and infrastructure protection	-	-	-	-	-
Unassigned (deficit):					
Total fund balance	<u>2,433,394</u>	<u>-</u>	<u>4,958,669</u>	<u>22,042,345</u>	<u>2,131,270</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,839,970</u>	<u>\$ 2,698,118</u>	<u>\$ 5,292,613</u>	<u>\$ 23,460,400</u>	<u>\$ 2,168,018</u>

Water Resource & Infrastructure Protection Fund	Debt Service Funds			Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
	General Obligation Bond Fund	Secondary Property Tax Revenue Fund	Pension Bond Fund	Capital Projects Bond Construction	Perpetual Care Fund	
\$ 1,381,400	\$ -	\$ 2,930,508	\$ -	\$ 213,930	\$ 54,804	\$ 34,800,622
147,514	-	-	-	-	-	2,361,907
4,380	-	16,715	2,698	24	1,185	115,790
5,006	-	-	-	111,453	-	211,195
-	-	-	-	-	-	255,200
-	-	-	-	-	-	446,101
-	-	-	-	-	-	13,513
-	-	-	-	-	-	141,226
-	-	4,826,650	14,742,251	2,172,507	357,193	25,081,783
<u>\$ 1,538,300</u>	<u>\$ -</u>	<u>\$ 7,773,873</u>	<u>\$ 14,744,949</u>	<u>\$ 2,497,914</u>	<u>\$ 413,182</u>	<u>\$ 63,427,337</u>
\$ 244	\$ -	\$ -	\$ -	\$ 577,025	\$ -	\$ 1,572,283
12,141	-	-	-	-	-	123,340
-	-	-	-	50,000	-	164,601
-	-	-	-	-	-	2,882,539
<u>12,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>627,025</u>	<u>-</u>	<u>4,742,763</u>
-	-	-	-	-	-	255,200
-	-	-	-	-	-	95,715
-	-	-	-	-	-	439,173
-	-	-	-	-	-	790,088
-	-	-	-	-	357,193	357,193
-	-	-	-	-	-	13,513
-	-	-	-	-	-	141,226
-	-	-	-	-	-	255,200
-	-	-	-	-	-	902,752
-	-	-	-	-	-	1,868,407
-	-	7,773,873	14,744,949	-	-	22,518,822
-	-	-	-	-	-	1,658,417
-	-	-	-	-	-	1,264,278
-	-	-	-	-	-	3,459,609
-	-	-	-	-	-	5,578,482
-	-	-	-	3,918,454	-	16,023,468
-	-	-	-	-	55,989	55,989
-	-	-	-	-	-	2,131,270
-	-	-	-	-	-	2,187,510
1,525,915	-	-	-	-	-	1,525,915
-	-	-	-	(2,047,565)	-	(2,047,565)
<u>1,525,915</u>	<u>-</u>	<u>7,773,873</u>	<u>14,744,949</u>	<u>1,870,889</u>	<u>413,182</u>	<u>57,894,486</u>
<u>\$ 1,538,300</u>	<u>\$ -</u>	<u>\$ 7,773,873</u>	<u>\$ 14,744,949</u>	<u>\$ 2,497,914</u>	<u>\$ 413,182</u>	<u>\$ 63,427,337</u>

City of Flagstaff, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2023

	Special Revenue Funds				
	Housing & Community Services Fund	COVID Relief Fund	Library Fund	BBB Fund	Parking District Fund
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ 12,236,987	\$ -
Intergovernmental	-	-	4,301,218	-	-
Grants and entitlements	61,041	338,108	76,153	224,068	-
Licenses and permits	-	-	-	1,040	-
Charges for services	-	-	-	96,213	1,263,314
Rents	13,260	-	-	461,139	27,819
Investment earnings	61,292	-	109,949	521,421	48,787
Contributions	10,200	-	47,181	-	-
Miscellaneous	314,032	-	25,740	2,805	643
Total revenues	459,825	338,108	4,560,241	13,543,673	1,340,563
Expenditures:					
Current:					
General government	-	338,108	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Economic and physical development	835,236	-	-	4,472,255	-
Culture and recreation	-	-	5,416,120	1,165,904	-
Highways and streets	-	-	-	337	598,039
Debt service:					
Principal retirement	-	-	117,798	171,943	268,258
Interest and other charges	-	-	846	78,344	14,621
Capital outlay	-	-	655,108	1,665,568	-
Total expenditures	835,236	338,108	6,189,872	7,554,351	880,918
Excess (deficiency) of revenues over expenditures	(375,411)	-	(1,629,631)	5,989,322	459,645
Other Financing Sources (Uses):					
Loan issuance	-	-	-	-	-
Transfers in	518,310	-	1,792,813	247,000	-
Transfers out	-	-	-	(3,775,540)	-
Total other financing sources (uses)	518,310	-	1,792,813	(3,528,540)	-
Net change in fund balance	142,899	-	163,182	2,460,782	459,645
Fund balances, beginning of year (as restated)	2,290,495	-	4,795,487	19,581,563	1,671,625
Fund balance, end of year	\$ 2,433,394	\$ -	\$ 4,958,669	\$ 22,042,345	\$ 2,131,270

Water Resource & Infrastructure Protection Fund	Debt Service Funds			Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
	General Obligation Bond Fund	Secondary Property Tax Revenue Fund	Pension Bond Fund	Capital Projects Bond Construction	Perpetual Care Fund	
\$ -	\$ -	\$ 8,236,364	\$ -	\$ -	\$ -	\$ 20,473,351
-	-	-	-	-	-	4,301,218
20,536	-	-	-	181,637	-	901,543
-	-	-	-	-	-	1,040
1,185,068	-	-	-	-	-	2,544,595
-	-	-	-	-	-	502,218
35,253	-	79,165	539,005	82,717	10,180	1,487,769
-	-	-	-	250,000	12,030	319,411
-	-	-	-	-	-	343,220
<u>1,240,857</u>	<u>-</u>	<u>8,315,529</u>	<u>539,005</u>	<u>514,354</u>	<u>22,210</u>	<u>30,874,365</u>
-	-	-	-	131,588	-	469,696
722,756	-	-	-	-	-	722,756
-	-	-	-	165	-	165
-	-	-	-	8,058	-	5,315,549
-	-	-	-	1,613	-	6,583,637
-	-	-	-	-	-	598,376
-	6,100,685	-	6,295,000	-	-	12,953,684
-	1,306,104	-	2,902,868	-	-	4,302,783
-	-	-	-	2,268,026	-	4,588,702
<u>722,756</u>	<u>7,406,789</u>	<u>-</u>	<u>9,197,868</u>	<u>2,409,450</u>	<u>-</u>	<u>35,535,348</u>
518,101	(7,406,789)	8,315,529	(8,658,863)	(1,895,096)	22,210	(4,660,983)
-	-	-	-	4,097	-	4,097
-	8,263,950	-	9,124,165	452,422	-	20,398,660
(182,483)	(857,161)	(8,263,950)	-	(7,055)	-	(13,086,189)
<u>(182,483)</u>	<u>7,406,789</u>	<u>(8,263,950)</u>	<u>9,124,165</u>	<u>449,464</u>	<u>-</u>	<u>7,316,568</u>
335,618	-	51,579	465,302	(1,445,632)	22,210	2,655,585
1,190,297	-	7,722,294	14,279,647	3,316,521	390,972	55,238,901
<u>\$ 1,525,915</u>	<u>\$ -</u>	<u>\$ 7,773,873</u>	<u>\$ 14,744,949</u>	<u>\$ 1,870,889</u>	<u>\$ 413,182</u>	<u>\$ 57,894,486</u>



Other Supplementary Information

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City of Flagstaff, Arizona
Housing & Community Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Grants and entitlements	\$ 3,333,991	\$ 3,333,991	\$ 61,041	\$ (3,272,950)
Rent	-	-	13,260	13,260
Contributions	-	-	10,200	10,200
Investment earnings	4,000	4,000	61,292	57,292
Miscellaneous	-	-	314,032	314,032
Total revenues	3,337,991	3,337,991	459,825	(2,878,166)
Expenditures:				
Current:				
Economic and physical development	5,959,270	5,959,270	835,236	5,124,034
Total expenditures	5,959,270	5,959,270	835,236	5,124,034
Excess (deficiency) of revenues over (under) expenditures	(2,621,279)	(2,621,279)	(375,411)	2,245,868
Other Financing Sources (Uses):				
Transfers in	518,669	518,669	518,310	359
Total other financing sources (uses)	518,669	518,669	518,310	359
Net change in fund balances	(2,102,610)	(2,102,610)	142,899	2,246,227
Fund balances, beginning of year	2,285,572	2,285,572	2,290,495	4,923
Fund balances, end of year	\$ 182,962	\$ 182,962	\$ 2,433,394	\$ 2,251,150

City of Flagstaff, Arizona
COVID Relief Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grants and entitlements	\$ -	\$ -	\$ 338,108	\$ 338,108
Total revenues	<u>-</u>	<u>-</u>	<u>338,108</u>	<u>338,108</u>
Expenditures:				
Current:				
General government	3,118,516	3,118,516	338,108	2,780,408
Total expenditures	<u>3,118,516</u>	<u>3,118,516</u>	<u>338,108</u>	<u>2,780,408</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,118,516)</u>	<u>(3,118,516)</u>	<u>-</u>	<u>3,118,516</u>
Net change in fund balances	<u>(3,118,516)</u>	<u>(3,118,516)</u>	<u>-</u>	<u>3,118,516</u>
Fund balances, beginning of year	<u>3,118,516</u>	<u>3,118,516</u>	<u>-</u>	<u>(3,118,516)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Flagstaff, Arizona
Library Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 4,006,938	\$ 4,006,938	\$ 4,301,218	\$ 294,280
Grants and entitlements	100,000	100,000	76,153	(23,847)
Investment earnings	39,727	39,727	109,949	70,222
Contributions	-	-	47,181	47,181
Miscellaneous	41,000	41,000	25,740	(15,260)
Total revenues	<u>4,187,665</u>	<u>4,187,665</u>	<u>4,560,241</u>	<u>372,576</u>
Expenditures:				
Current:				
Culture and recreation	6,038,413	6,038,413	5,534,764	503,649
Capital outlay	1,670,390	1,670,390	655,108	1,015,282
Contingency	100,000	100,000	-	100,000
Total expenditures	<u>7,808,803</u>	<u>7,808,803</u>	<u>6,189,872</u>	<u>1,618,931</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,621,138)</u>	<u>(3,621,138)</u>	<u>(1,629,631)</u>	<u>1,991,507</u>
Other Financing Sources (Uses):				
Transfers in	1,792,813	1,792,813	1,792,813	-
Total other financing sources (uses)	<u>1,792,813</u>	<u>1,792,813</u>	<u>1,792,813</u>	<u>-</u>
Net change in fund balances	<u>(1,828,325)</u>	<u>(1,828,325)</u>	<u>163,182</u>	<u>1,991,507</u>
Fund balances, beginning of year	<u>3,764,301</u>	<u>3,764,301</u>	<u>4,795,487</u>	<u>1,031,186</u>
Fund balances, end of year	<u>\$ 1,935,976</u>	<u>\$ 1,935,976</u>	<u>\$ 4,958,669</u>	<u>\$ 3,022,693</u>

City of Flagstaff, Arizona
BBB Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 10,149,100	\$ 10,149,100	\$ 12,142,089	\$ 1,992,989
Grants and entitlements	300,000	300,000	224,068	(75,932)
Charges for services	125,840	125,840	79,073	(46,767)
Licenses and permits	-	-	1,040	1,040
Rents	419,286	419,286	472,653	53,367
Investment earnings	74,271	74,271	523,321	449,050
Miscellaneous	-	-	2,805	2,805
Total revenues	<u>11,068,497</u>	<u>11,068,497</u>	<u>13,445,049</u>	<u>2,376,552</u>
Expenditures:				
Current:				
Economic and physical development	4,688,316	4,688,316	4,467,685	220,631
Culture and recreation	1,396,194	1,396,194	1,165,904	230,290
Highways and streets	-	-	337	(337)
Debt service:				
Principal retirement	170,000	170,000	170,000	-
Interest and other charges	78,363	78,363	78,330	33
Capital outlay	7,806,984	7,806,984	1,665,568	6,141,416
Contingency	240,000	240,000	6,527	233,473
Total expenditures	<u>14,379,857</u>	<u>14,379,857</u>	<u>7,554,351</u>	<u>6,825,506</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,311,360)</u>	<u>(3,311,360)</u>	<u>5,890,698</u>	<u>9,202,058</u>
Other Financing Sources (Uses):				
Transfers in	247,000	247,000	247,000	-
Transfers out	(3,611,408)	(3,611,408)	(3,775,540)	(164,132)
Total other financing sources (uses)	<u>(3,364,408)</u>	<u>(3,364,408)</u>	<u>(3,528,540)</u>	<u>(164,132)</u>
Net change in fund balances	<u>(6,675,768)</u>	<u>(6,675,768)</u>	<u>2,362,158</u>	<u>9,037,926</u>
Fund balances, beginning of year	<u>13,449,890</u>	<u>13,449,890</u>	<u>19,889,734</u>	<u>6,439,844</u>
Fund balances, end of year	<u>\$ 6,774,122</u>	<u>\$ 6,774,122</u>	<u>\$ 22,251,892</u>	<u>\$ 15,477,770</u>
Adjustment from budgetary basis to GAAP basis net change in fund balances			\$ 2,362,158	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			98,624	
Adjusted net change in fund balance - GAAP basis			<u>\$ 2,460,782</u>	

City of Flagstaff, Arizona
Parking District Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for service	\$ 1,225,907	\$ 1,225,907	\$ 1,263,314	\$ 37,407
Investment earnings	24,000	24,000	48,536	24,536
Miscellaneous	-	-	643	643
Total revenues	<u>1,249,907</u>	<u>1,249,907</u>	<u>1,312,493</u>	<u>62,586</u>
Expenditures:				
Current:				
Highways and streets	908,586	908,586	736,976	171,610
Debt service:				
Principal retirement	101,780	101,780	101,780	-
Interest and other charges	13,245	13,245	13,245	-
Capital outlay	1,392,790	1,392,790	-	1,392,790
Contingency	30,000	30,000	-	30,000
Total expenditures	<u>2,446,401</u>	<u>2,446,401</u>	<u>852,001</u>	<u>1,594,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,196,494)</u>	<u>(1,196,494)</u>	<u>460,492</u>	<u>1,656,986</u>
Net change in fund balances	<u>(1,196,494)</u>	<u>(1,196,494)</u>	<u>460,492</u>	<u>1,656,986</u>
Fund balances, beginning of year	<u>1,600,826</u>	<u>1,600,826</u>	<u>1,670,051</u>	<u>69,225</u>
Fund balances, end of year	<u>\$ 404,332</u>	<u>\$ 404,332</u>	<u>\$ 2,130,543</u>	<u>\$ 1,726,211</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 460,492	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			28,070	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis			(28,917)	
Adjusted net change in fund balance - GAAP basis			<u>\$ 459,645</u>	

City of Flagstaff, Arizona
Water Resource & Infrastructure Protection Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grants and entitlements	\$ 1,200,000	\$ 1,200,000	\$ 20,536	\$ (1,179,464)
Charges for services	1,277,380	1,277,380	1,186,818	(90,562)
Investment earnings	5,000	5,000	35,253	30,253
Total revenues	<u>2,482,380</u>	<u>2,482,380</u>	<u>1,242,607</u>	<u>(1,239,773)</u>
Expenditures:				
Current:				
Public safety	2,253,868	2,253,868	722,756	1,531,112
Total expenditures	<u>2,253,868</u>	<u>2,253,868</u>	<u>722,756</u>	<u>1,531,112</u>
Excess (deficiency) of revenues over (under) expenditures	<u>228,512</u>	<u>228,512</u>	<u>519,851</u>	<u>291,339</u>
Other Financing Sources (Uses):				
Transfers out	(183,957)	(183,957)	(182,483)	1,474
Total other financing sources (uses)	<u>(183,957)</u>	<u>(183,957)</u>	<u>(182,483)</u>	<u>1,474</u>
Net change in fund balances	<u>44,555</u>	<u>44,555</u>	<u>337,368</u>	<u>292,813</u>
Fund balances, beginning of year	<u>927,627</u>	<u>927,627</u>	<u>1,188,927</u>	<u>261,300</u>
Fund balances, end of year	<u>\$ 972,182</u>	<u>\$ 972,182</u>	<u>\$ 1,526,295</u>	<u>\$ 554,113</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 337,368	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis			(1,750)	
Adjusted net change in fund balance - GAAP basis			<u>\$ 335,618</u>	

City of Flagstaff, Arizona
General Obligation Bond Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Debt service:				
Principal retirement	\$ 6,955,855	\$ 6,955,855	\$ 6,100,685	\$ 855,170
Interest and other charges	1,346,653	1,346,653	1,306,105	40,548
Total expenditures	<u>8,302,508</u>	<u>8,302,508</u>	<u>7,406,790</u>	<u>895,718</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,302,508)</u>	<u>(8,302,508)</u>	<u>(7,406,790)</u>	<u>895,718</u>
Other Financing Sources (Uses):				
Transfers in	8,302,508	8,302,508	8,263,951	(38,557)
Transfers out	-	-	(857,161)	(857,161)
Total other financing sources (uses)	<u>8,302,508</u>	<u>8,302,508</u>	<u>7,406,790</u>	<u>(895,718)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Flagstaff, Arizona
Secondary Property Tax Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 8,206,714	\$ 8,206,714	\$ 8,236,364	\$ 29,650
Investment earnings	39,000	39,000	79,165	40,165
Total revenues	<u>8,245,714</u>	<u>8,245,714</u>	<u>8,315,529</u>	<u>69,815</u>
Expenditures:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>8,245,714</u>	<u>8,245,714</u>	<u>8,315,529</u>	<u>69,815</u>
Other Financing Sources (Uses):				
Transfers out	<u>(8,302,508)</u>	<u>(8,302,508)</u>	<u>(8,263,950)</u>	<u>38,558</u>
Total other financing sources (uses)	<u>(8,302,508)</u>	<u>(8,302,508)</u>	<u>(8,263,950)</u>	<u>38,558</u>
Net change in fund balances	<u>(56,794)</u>	<u>(56,794)</u>	<u>51,579</u>	<u>108,373</u>
Fund balances, beginning of year	<u>7,733,163</u>	<u>7,733,163</u>	<u>7,722,294</u>	<u>(10,869)</u>
Fund balances, end of year	<u><u>\$ 7,676,369</u></u>	<u><u>\$ 7,676,369</u></u>	<u><u>\$ 7,773,873</u></u>	<u><u>\$ 97,504</u></u>

City of Flagstaff, Arizona
Pension Bond Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Investment earnings	\$ 72,000	\$ 72,000	\$ 539,005	\$ 467,005
Total revenues	72,000	72,000	539,005	467,005
Expenditures:				
Debt service:				
Principal retirement	6,295,000	6,295,000	6,295,000	-
Interest and other charges	2,902,868	2,902,868	2,902,868	-
Total expenditures	9,197,868	9,197,868	9,197,868	-
Excess (deficiency) of revenues over (under) expenditures	(9,125,868)	(9,125,868)	(8,658,863)	467,005
Other Financing Sources (Uses):				
Transfers in	9,197,868	9,197,868	9,124,165	(73,703)
Total other financing sources (uses)	9,197,868	9,197,868	9,124,165	(73,703)
Net change in fund balances	72,000	72,000	465,302	393,302
Fund balances, beginning of year	14,323,384	14,323,384	14,279,647	(43,737)
Fund balances, end of year	\$ 14,395,384	\$ 14,395,384	\$ 14,744,949	\$ 349,565

City of Flagstaff, Arizona
Capital Projects Bond Construction
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grants and entitlements	\$ 260,013	\$ 260,013	\$ 181,637	\$ (78,376)
Investment earnings	-	-	82,717	82,717
Miscellaneous	2,000,000	2,000,000	-	(2,000,000)
Contributions	-	-	250,000	250,000
Total revenues	<u>2,260,013</u>	<u>2,260,013</u>	<u>514,354</u>	<u>(1,745,659)</u>
Expenditures:				
Current:				
General government	2,563,721	2,563,721	131,588	2,432,133
Public works	-	-	165	(165)
Economic and physical development	-	-	8,058	(8,058)
Culture and recreation	-	-	1,613	(1,613)
Capital outlay	46,544,346	46,544,346	2,268,026	44,276,320
Total expenditures	<u>49,108,067</u>	<u>49,108,067</u>	<u>2,409,450</u>	<u>46,698,617</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(46,848,054)</u>	<u>(46,848,054)</u>	<u>(1,895,096)</u>	<u>44,952,958</u>
Other Financing Sources (Uses):				
Loan issuance	42,303,708	42,303,708	4,097	(42,299,611)
Transfers in	210,500	210,500	452,422	241,922
Transfers out	-	-	(7,055)	(7,055)
Total other financing sources (uses)	<u>42,514,208</u>	<u>42,514,208</u>	<u>449,464</u>	<u>(42,064,744)</u>
Net change in fund balances	<u>(4,333,846)</u>	<u>(4,333,846)</u>	<u>(1,445,632)</u>	<u>2,888,214</u>
Fund balances, beginning of year	<u>4,333,846</u>	<u>4,333,846</u>	<u>3,316,521</u>	<u>(1,017,325)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,870,889</u>	<u>\$ 1,870,889</u>

City of Flagstaff, Arizona
Financial Data Submission Summary
Net Position Accounts
Year Ended June 30, 2023

	Public Housing 14.850 & 14.872	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871	Emergency Housing Voucher 14.EHV
Assets:					
Current Assets:					
Cash:					
Cash - Unrestricted	\$ 1,800,553	\$ -	\$ 39,485	\$ 436,288	\$ -
Cash - Other Restricted	-	-	-	-	-
Cash - Tenant Security Deposits	74,719	-	-	-	-
Cash - Restricted - Payment of Current Liabilities	-	-	-	-	-
Total Cash	1,875,272	-	39,485	436,288	-
Accounts Receivables:					
Accounts Receivable - PHA Projects	-	-	-	-	-
Accounts Receivable - HUD Other Projects	54,813	76,330	-	36,430	91,054
Accounts Receivable - Other Government	-	-	-	-	-
Accounts Receivable - Miscellaneous	1,459	317	48,476	48,622	18,309
Accounts Receivable - Tenants	24,646	5,982	-	819	-
Allowance for Doubtful Accounts - Tenants	(5,641)	-	-	-	-
Allowance for Doubtful Accounts - Other	-	-	-	-	-
Fraud Recovery	53,063	-	-	18,647	-
Allowance for Doubtful Accounts - Fraud	(53,063)	-	-	(5,242)	-
Accrued Interest Receivable	-	-	-	-	-
Total Receivables, Net	75,277	82,629	48,476	99,276	109,363
Current investments					
Investments - Unrestricted	-	-	-	-	-
Investments - Restricted	-	-	-	-	-
Investments - Restricted for Payment of Current Liability	-	-	-	-	-
Prepaid Expenses and Other Assets	95,467	-	2,182	5,651	-
Inventories	-	-	-	-	-
Allowance for Obsolete Inventories	-	-	-	-	-
Inter Program Due From	-	-	93,057	61,963	-
Assets Held for Sale	-	-	-	-	-
Total Current Assets	2,046,016	82,629	183,200	603,178	109,363
Noncurrent Assets:					
Capital Assets:					
Land	921,950	-	-	-	-
Buildings	11,892,653	-	-	-	-
Furniture, Equipment & Machinery - Dwellings	1,008,349	-	-	-	-
Furniture, Equipment & Machinery - Administration	511,526	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Accumulated Depreciation	(10,140,262)	-	-	-	-
Construction in Progress	-	-	-	-	-
Total Capital Assets, Net	4,194,216	-	-	-	-
Notes receivable - Noncurrent	-	-	-	-	-
Other Assets	-	-	-	-	-
Total Non-Current Assets	4,194,216	-	-	-	-
Deferred Outflow of Resources	178,533	-	51,975	65,320	-
Total Assets and Deferred Outflow of Resources	\$ 6,418,765	\$ 82,629	\$ 235,175	\$ 668,498	\$ 109,363

	Moderate Rehabilitation 14.856	Elimination	Total
\$	36,655	\$ -	\$ 2,312,981
	-	-	-
	-	-	74,719
	-	-	-
	36,655	-	2,387,700
	-	-	-
	-	-	258,627
	-	-	-
	-	-	117,183
	-	-	31,447
	-	-	(5,641)
	-	-	-
	-	-	71,710
	-	-	(58,305)
	-	-	-
	-	-	415,021
	-	-	-
	-	-	-
	-	-	-
	-	-	103,300
	-	-	-
	-	-	-
	-	(155,020)	-
	-	-	-
	36,655	(155,020)	2,906,021
	-	-	921,950
	-	-	11,892,653
	-	-	1,008,349
	-	-	511,526
	-	-	-
	-	-	(10,140,262)
	-	-	-
	-	-	4,194,216
	-	-	-
	-	-	-
	-	-	4,194,216
	-	-	295,828
\$	36,655	\$ (155,020)	\$ 7,396,065

(continued)

City of Flagstaff, Arizona
Financial Data Submission Summary
Net Position Accounts
Year Ended June 30, 2023

	Public Housing 14.850 & 14.872	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871	Emergency Housing Voucher 14.EHV
Liabilities and Net Position:					
Liabilities:					
Current Liabilities:					
Bank Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable <= 90 Days	204,728	3,144	22,634	32,445	3,074
Accrued Wage/Payroll Taxes Payable	26,928	965	5,344	7,270	949
Accrued Compensated Absences	36,012	-	-	9,473	-
Accrued Interest Payable	-	-	-	-	-
Accounts Payable - HUD PHA Programs	-	-	-	5,043	-
Account Payable - PHA Projects	-	-	-	-	-
Accounts Payable - Other Government	109,556	-	-	-	-
Tenant Security Deposits	74,719	-	-	-	-
Unearned Revenues	30,862	-	-	-	-
Current Portion of L-T Debt - Capital	-	-	-	-	-
Current Portion of L-T Debt - Operating	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-
Accrued Liabilities - Other	-	-	-	-	-
Inter Program - Due To	86,681	12,611	-	13,011	42,236
Total Current Liabilities	569,486	16,720	27,978	67,242	46,259
Noncurrent Liabilities					
Long-term Debt, Net of Current - Capital	-	-	-	-	-
Long-term Debt, Net of Current - Operating	-	-	-	-	-
Non-current Liabilities - Other	-	-	-	-	-
Accrued Compensated Absences	55,104	-	-	6,651	-
Accrued Pension and OPEB Liabilities	1,073,728	-	273,987	395,657	-
Total Non-Current Liabilities	1,128,832	-	273,987	402,308	-
Total Liabilities	1,698,318	16,720	301,965	469,550	46,259
Deferred Inflow of Resources	82,024	-	30,890	23,726	-
Net Position:					
Net Investment in Capital Assets	4,194,216	-	-	-	-
Restricted Net Position	-	-	-	151,684	63,104
Unrestricted Net Position	444,207	65,909	(97,680)	23,538	-
Total Equity/Net Position	4,638,423	65,909	(97,680)	175,222	63,104
Total Liabilities, Deferred Inflows of Resources and Equity/ Net Position	\$ 6,418,765	\$ 82,629	\$ 235,175	\$ 668,498	\$ 109,363

Moderate Rehabilitation 14,856	Elimination	Total
\$ -	\$ -	\$ -
-	-	266,025
-	-	41,456
-	-	45,485
-	-	-
27,628	-	32,671
-	-	-
-	-	109,556
-	-	74,719
-	-	30,862
-	-	-
-	-	-
-	-	-
-	-	-
481	(155,020)	-
<u>28,109</u>	<u>(155,020)</u>	<u>600,774</u>
-	-	-
-	-	-
-	-	-
-	-	61,755
-	-	1,743,372
-	-	1,805,127
<u>28,109</u>	<u>(155,020)</u>	<u>2,405,901</u>
-	-	136,640
-	-	4,194,216
-	-	214,788
8,546	-	444,520
<u>8,546</u>	<u>-</u>	<u>4,853,524</u>
<u>\$ 36,655</u>	<u>\$ (155,020)</u>	<u>\$ 7,396,065</u>

(concluded)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Year Ended June 30, 2023

	Public Housing 14.850 & 14.872	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871
Revenues:				
Net Tenant Rental Revenue	\$ 1,681,990	\$ -	\$ -	\$ -
Tenant Revenue - Other	536	-	-	-
Total Tenant Revenue	1,682,526	-	-	-
HUD PHA Operating Grants	864,910	167,749	-	5,339,024
Capital Grants	177,271	-	-	-
Management Fee	-	-	-	-
Asset Management Fee	-	-	-	-
Bookkeeping Fee	-	-	-	-
Front Line Service Fee	-	-	-	-
Other Fees	-	-	-	-
Total Fee Revenue	-	-	-	-
Other Government Grants	-	-	-	-
Investment Income - Unrestricted	12,378	-	-	3,968
Mortgage Interest Income	-	-	-	-
Proceeds -Disposition of Assets Held for Sale	-	-	-	-
Cost of Sale of Assets	-	-	-	-
Fraud Recovery	33,165	-	-	22,768
Other Revenue	-	-	343,213	443,244
Gain or Loss on Sale of Capital Assets	-	-	-	-
Investment Income - Restricted	-	-	-	-
Total Revenue	2,770,250	167,749	343,213	5,809,004
Expenses:				
Administrative				
Administrative Salaries	487,631	5,047	154,087	298,705
Auditing Fees	23,375	-	-	11,687
Management Fee	-	-	-	-
Bookkeeping Fee	-	-	-	-
Advertising and Marketing	-	-	-	-
Employee Benefit Contributions - Administrative	130,832	182	(2,600)	319,203
Office Expenses	148,283	1,418	17,555	54,222
Legal Expense	2,046	-	-	-
Travel	38,761	-	10,878	21,367
Allocated Overhead	-	-	-	-
Other	7,059	-	967	2,876
Total Administrative	837,987	6,647	180,887	708,060
Tenant Services				
Asset Management Fee	-	-	-	-
Tenant Services - Salaries	-	-	-	-
Relocation Costs	-	-	-	-
Employee Benefit - Tenant Services	-	-	-	-
Tenant Services - Other	3,313	-	368	-
Total Tenant Services	3,313	-	368	-

Emergency Housing Voucher 14.EHV	Moderate Rehabilitation 14.856	Elimination	Total
\$ -	\$ -	\$ -	\$ 1,681,990
-	-	-	536
-	-	-	1,682,526
428,449	89,632	-	\$ 6,889,764
-	-	-	177,271
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	55,933
13,977	-	-	800,434
-	-	-	-
-	-	-	-
442,426	89,632	-	9,622,274
23,517	-	-	968,987
-	-	-	35,062
-	13,424	-	13,424
-	-	-	-
-	-	-	-
8,900	-	-	456,517
1,396	-	-	222,874
-	-	-	2,046
3,464	-	-	74,470
-	-	-	-
-	-	-	10,902
37,277	13,424	-	1,784,282
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
29,285	-	-	32,966
29,285	-	-	32,966

(continued)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Year Ended June 30, 2023

	Public Housing 14.850 & 14.872	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871
Utilities				
Water	188,705	-	-	-
Electricity	19,866	-	1,237	-
Gas	152,801	-	-	-
Fuel	-	-	-	-
Labor	-	-	-	-
Sewer	92,181	-	-	-
Employee Benefit - Utilities	-	-	-	-
Other Utilities Expense	-	-	-	-
Total Utilities	453,553	-	1,237	-
Ordinary Maintenance and Operations				
Ordinary Maintenance and Operations - Labor	534,677	-	73,180	-
Ordinary Maintenance and Operations - Materials and Other	88,446	-	3,515	-
Ordinary Maintenance and Operations Contracts	150,014	-	3,974	-
Employee Benefit Contributions - Ordinary Maintenance	166	-	-	-
Total Maintenance	773,303	-	80,669	-
Protective Services				
Protective Services - Labor	-	-	-	-
Protective Services - Other Contract Costs	30,000	-	-	-
Protective Services - Other	-	-	-	-
Employee Benefit - Protective Services	-	-	-	-
Total Protective Services	30,000	-	-	-
General Expense				
Property Insurance	90,548	-	-	(401)
Liability Insurance	8,614	-	-	8,257
Workmen's Compensation	9,224	320	2,700	2,892
All Other Insurance	-	-	-	3,848
Total insurance Premiums	108,386	320	2,700	14,596
Other General Expenses	(40,916)	-	(13,662)	(7,916)
Compensated Absences	-	-	-	-
Payments in Lieu of Taxes	109,556	-	-	-
Bad debt - Tenant Rents	10,519	-	-	(11,907)
Bad debt - Mortgages	-	-	-	-
Bad debt - Other	-	-	-	-
Severance Expense	-	-	-	-
Total General Expenses	79,159	-	(13,662)	(19,823)
Financial Expenses				
Interest Expense - Mortgage Payable	-	-	-	-
Interest on Notes Payable (Short & Long Term)	-	-	-	-
Amortization of Bond Issue Costs	-	-	-	-
Total Financial Expenses	-	-	-	-
Total Operating Expenses	2,285,701	6,967	252,199	702,833
Excess of Operating Revenue over Operating Expenses	484,549	160,782	91,014	5,106,171

Emergency Housing Voucher 14.EHV	Moderate Rehabilitation 14.856	Elimination	Total
-	-	-	188,705
-	-	-	21,103
-	-	-	152,801
-	-	-	-
-	-	-	-
-	-	-	92,181
-	-	-	-
-	-	-	-
-	-	-	454,790
-	-	-	-
-	-	-	607,857
-	-	-	91,961
-	-	-	153,988
-	-	-	166
-	-	-	853,972
-	-	-	-
-	-	-	30,000
-	-	-	-
-	-	-	-
-	-	-	30,000
-	-	-	-
-	-	-	90,147
-	-	-	16,871
355	-	-	15,491
-	-	-	3,848
355	-	-	126,357
-	-	-	-
-	-	-	(62,494)
-	-	-	-
-	-	-	109,556
-	-	-	(1,388)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	45,674
-	-	-	-
-	-	-	-
-	-	-	-
66,917	13,424	-	3,328,041
375,509	76,208	-	6,294,233

(continued)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Year Ended June 30, 2023

	Public Housing 14.850 & 14.872	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871
Other Expenses				
Extraordinary Maintenance	2,338	-	850	-
Casualty Losses - Non-capitalized	-	-	-	-
Housing Assistance Payments	-	153,176	-	4,782,747
HAP Portability-In	-	-	-	411,328
Depreciation Expense	481,471	-	-	-
Fraud Losses	-	-	-	59
Capital Outlays - Governmental Funds	-	-	-	-
Debt Principal Payment - Governmental Funds	-	-	-	-
Dwelling Units Rent Expense	-	-	-	-
Total Other Expense	<u>483,809</u>	<u>153,176</u>	<u>850</u>	<u>5,194,134</u>
 Total Expenses	<u>2,769,510</u>	<u>160,143</u>	<u>253,049</u>	<u>5,896,967</u>
Other Financing Sources (Uses)				
Operating Transfer In	140,000	-	-	-
Operating Transfer Out	(140,000)	-	-	-
Operating Transfers from/to Primary Government	-	-	-	-
Operating Transfers from/to Component Unit	-	-	-	-
Proceeds from Notes, Loans and Bonds	-	-	-	-
Proceeds from Property Sales	-	-	-	-
Extraordinary Items, Net Gain/Loss	-	-	-	-
Special Items (Net Gain/Loss)	-	-	-	-
Inter Project Excess Cash Transfer In	-	-	-	-
Inter Project Excess Cash Transfer Out	-	-	-	-
Transfers between Program and Project - In	-	-	-	-
Transfers between Project and Program - Out	-	-	-	-
Transfer of Funds	-	-	-	-
Transfer of Equity	-	-	-	-
Prior Period Adjustments	-	-	-	-
Total Other financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Total Revenue Over (Under)				
Total Expenses	<u>740</u>	<u>7,606</u>	<u>90,164</u>	<u>(87,963)</u>
Beginning Net Position	<u>4,637,683</u>	<u>58,303</u>	<u>(187,844)</u>	<u>263,185</u>
Required Annual Debt Principal Payments	-	-	-	-
Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-
Changes in Compensated Absence Balance	-	-	-	-
Changes in Contingent Liability Balance	-	-	-	-
Changes in Unrecognized Pension Transition Liability	-	-	-	-
Changes in Special Term/Severance Benefits Liability	-	-	-	-
Changes in Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-
Changes in Allowance for Doubtful Accounts - Other	-	-	-	-
Ending Net Position	<u>\$ 4,638,423</u>	<u>\$ 65,909</u>	<u>\$ (97,680)</u>	<u>\$ 175,222</u>
	-	-	-	-

Emergency Housing Voucher 14.EHV	Moderate Rehabilitation 14.856	Elimination	Total
-	-	-	3,188
-	-	-	-
350,246	76,208	-	5,362,377
13,469	-	-	424,797
-	-	-	481,471
-	-	-	59
-	-	-	-
-	-	-	-
-	-	-	-
<u>363,715</u>	<u>76,208</u>	<u>-</u>	<u>6,271,892</u>
<u>430,632</u>	<u>89,632</u>	<u>-</u>	<u>9,599,933</u>
-	-	-	140,000
-	-	-	(140,000)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>11,794</u>	<u>-</u>	<u>-</u>	<u>22,341</u>
<u>51,310</u>	<u>8,546</u>	<u>-</u>	<u>4,831,183</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 63,104</u>	<u>\$ 8,546</u>	<u>\$ -</u>	<u>\$ 4,853,524</u>

(continued)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Year Ended June 30, 2023

	Public Housing 14.850 & 14.872	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871
Administrative Fee Equity	\$ -	\$ -	\$ -	\$ 110,393
Housing Assistance Payments Equity	-	-	-	64,829
Unit Months Available	3,180	480	-	5,268
Number of Unit Months Leased	3,138	155	-	4,943
Excess Cash	1,197,412	-	-	-
Land Purchases	-	-	-	-
Building Purchases	-	-	-	-
Furniture & Equipment - Dwelling Purchases	-	-	-	-
Furniture & Equipment - Administrative Purchases	-	-	-	-
Leasehold Improvements Purchases	-	-	-	-
Infrastructure Purchases	-	-	-	-
CFFP Debt Service Payments	-	-	-	-
Replacement Housing Factor Funds	-	-	-	-

Emergency Housing Voucher 14.EHV	Moderate Rehabilitation 14.856	Elimination	Total
\$ -	\$ -	\$ -	\$ 110,393
-	-	-	64,829
348	144	-	9,420
290	127	-	8,653
-	-	-	1,197,412
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

(concluded)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Public Housing - Consolidated
Year Ended June 30, 2023

	Operating Fund Program	Capital Fund Grants	Other Project Total
Revenues:			
Net Tenant Rental Revenue	\$ 1,681,990	\$ -	\$ 1,681,990
Tenant Revenue - Other	536	-	536
Total Tenant Revenue	1,682,526	-	1,682,526
HUD PHA Operating Grants	643,023	221,887	864,910
Capital Grants	-	177,271	177,271
Management Fee	-	-	-
Asset Management Fee	-	-	-
Bookkeeping Fee	-	-	-
Front Line Service Fee	-	-	-
Other Fees	-	-	-
Other Government Grants	-	-	-
Investment Income - Unrestricted	12,378	-	12,378
Mortgage Interest Income	-	-	-
Fraud Recovery	33,165	-	33,165
Other Revenue	-	-	-
Gain or Loss on Sale of Capital Assets	-	-	-
Investment Income - Restricted	-	-	-
Total Revenue	2,371,092	399,158	2,770,250
Expenses:			
Administrative			
Administrative Salaries	439,499	48,132	487,631
Auditing Fees	23,375	-	23,375
Management Fee	-	-	-
Bookkeeping Fee	-	-	-
Advertising and Marketing	-	-	-
Employee Benefit contributions - Administrative	113,802	17,030	130,832
Office Expenses	136,601	11,682	148,283
Legal Expense	2,046	-	2,046
Travel	35,485	3,276	38,761
Allocated Overhead	-	-	-
Other	6,831	228	7,059
Total Administrative	757,639	80,348	837,987
Tenant Services			
Tenant Services - Salaries	-	-	-
Relocation Costs	-	-	-
Employee Benefit - Tenant Services	-	-	-
Tenant Services - Other	3,313	-	3,313
Total Tenant Services	3,313	-	3,313
Utilities			
Water	188,705	-	188,705
Electricity	19,866	-	19,866
Gas	152,801	-	152,801
Sewer	92,181	-	92,181
Employee Benefit - Utilities	-	-	-
Other Utilities Expense	-	-	-
Total Utilities	453,553	-	453,553

(continued)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Public Housing - Consolidated
Year Ended June 30, 2023

	Operating Fund Program	Capital Fund Grants	Other Project Total
Ordinary Maintenance and Operations			
Labor	534,677	-	534,677
Materials and Other	88,446	-	88,446
Contracts	149,170	844	150,014
Employee Benefit Contributions	166	-	166
Total Maintenance	<u>772,459</u>	<u>844</u>	<u>773,303</u>
Protective Services			
Protective Services - Labor	-	-	-
Protective Services - Other Contract Costs	30,000	-	30,000
Protective Services - Other	-	-	-
Employee Benefit - Protective Services	-	-	-
Total Protective Services	<u>30,000</u>	<u>-</u>	<u>30,000</u>
General Expense			
Property Insurance	90,548	-	90,548
Liability Insurance	8,614	-	8,614
Workmen's Compensation	8,529	695	9,224
All Other Insurance	-	-	-
Total insurance Premiums	<u>107,691</u>	<u>695</u>	<u>108,386</u>
Other General Expenses			
Other General Expenses	(40,916)	-	(40,916)
Compensated Absences	-	-	-
Payments in Lieu of Taxes	109,556	-	109,556
Bad debt - Tenant Rents	10,519	-	10,519
Bad debt - Mortgages	-	-	-
Bad debt - Other	-	-	-
Severance Expense	-	-	-
Total Other General Expenses	<u>79,159</u>	<u>-</u>	<u>79,159</u>
Financial Expenses			
Interest Expense - Mortgage Payable	-	-	-
Amortization of Bond Issue Costs	-	-	-
Total Financial Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>2,203,814</u>	<u>81,887</u>	<u>2,285,701</u>
Excess of Operating Revenue over Operating Expenses	<u>167,278</u>	<u>317,271</u>	<u>484,549</u>
Other Expenses			
Extraordinary Maintenance	2,338	-	2,338
Casualty Losses - Non-capitalized	-	-	-
Housing Assistance Payments	-	-	-
HAP Portability-In	-	-	-
Depreciation Expense	481,471	-	481,471
Fraud Losses	-	-	-
Total Other Expense	<u>483,809</u>	<u>-</u>	<u>483,809</u>
Total Expenses	<u>2,687,623</u>	<u>81,887</u>	<u>2,769,510</u>

(continued)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Public Housing - Consolidated
Year Ended June 30, 2023

	Operating Fund Program	Capital Fund Grants	Other Project Total
Other Financing Sources (Uses)			
Operating Transfer In	140,000	-	140,000
Operating transfer Out	-	(140,000)	(140,000)
Operating Transfers from/to Primary Government	-	-	-
Operating Transfers from/to Component Unit	-	-	-
Proceeds from Notes, Loans and Bonds	-	-	-
Proceeds from Property Sales	-	-	-
Extraordinary Items, Net Gain/Loss	-	-	-
Special Items (Net Gain/Loss)	-	-	-
Inter Project Excess Cash Transfer In	-	-	-
Inter Project Excess Cash Transfer Out	-	-	-
Transfers between Program and Project - In	-	-	-
Transfers between Project and Program - Out	-	-	-
Transfer of Funds	-	-	-
Transfer of Equity	-	-	-
Prior Period Adjustments	-	-	-
Total Other financing Sources (Uses)	<u>140,000</u>	<u>(140,000)</u>	<u>-</u>
Excess (Deficiency) of Total Revenue Over (Under)			
Total Expenses	<u>(176,531)</u>	<u>177,271</u>	<u>740</u>
Beginning Net Position	<u>4,637,683</u>	<u>-</u>	<u>4,637,683</u>
Required Annual Debt Principal Payments	-	-	-
Prior Period Adjustments, Equity Transfers and Correction of Errors	177,271	(177,271)	-
Changes in Compensated Absence Balance	-	-	-
Changes in Contingent Liability Balance	-	-	-
Changes in Unrecognized Pension Transition Liability	-	-	-
Changes in Special Term/Severance Benefits Liability	-	-	-
Changes in Allowance for Doubtful Accounts - Dwelling Rents	-	-	-
Changes in Allowance for Doubtful Accounts - Other	-	-	-
Ending Net Position	<u>\$ 4,638,423</u>	<u>\$ -</u>	<u>\$ 4,638,423</u>
Administrative Fee Equity	\$ -	\$ -	\$ -
Housing Assistance Payments Equity	-	-	-
Unit Months Available	3,180	-	3,180
Number of Unit Months Leased	3,138	-	3,138
Excess Cash	1,197,412	-	1,197,412
Land Purchases	-	-	-
Building Purchases	-	-	-
Furniture & Equipment - Dwelling Purchases	-	-	-
Furniture & Equipment - Administrative Purchases	-	-	-
Leasehold Improvements Purchases	-	-	-
Infrastructure Purchases	-	-	-
CFFP Debt Service Payments	-	-	-
Replacement Housing Factor Funds	-	-	-

(concluded)

Statistical Section

This part of the City of Flagstaff's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

<u>Contents:</u>	<u>Page</u>
Financial Trends	142
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	148
These schedules contain information to help the reader assess the City's most significant local revenue source, sales tax.	
Debt Capacity	151
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	165
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	168
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

Schedule 1
City of Flagstaff
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2013-2014	2014-2015 ⁽¹⁾	2015-2016	2016-2017	2017-2018 ⁽²⁾	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023 ⁽³⁾
Governmental activities										
Net investment in capital assets	\$ 227,347,151	\$ 230,658,509	\$ 246,897,365	\$ 245,638,486	\$ 251,337,203	\$ 262,523,967	\$ 275,765,434	\$ 291,276,562	\$ 302,991,379	\$ 326,644,405
Restricted	43,761,156	53,192,347	60,981,953	86,071,589	86,287,362	81,804,376	90,040,134	115,107,926	168,106,887	163,987,534
Unrestricted	37,176,483	(65,530,075)	(72,922,639)	(92,822,132)	(91,938,637)	(91,237,974)	(84,540,350)	(94,523,757)	(109,783,078)	(77,195,675)
Total governmental activities net position	<u>\$ 308,284,790</u>	<u>\$ 218,320,781</u>	<u>\$ 234,956,679</u>	<u>\$ 238,887,943</u>	<u>\$ 245,685,928</u>	<u>\$ 253,090,369</u>	<u>\$ 281,265,218</u>	<u>\$ 311,860,731</u>	<u>\$ 361,315,188</u>	<u>\$ 413,436,264</u>
Business-type activities										
Net investment in capital assets	\$ 310,552,949	\$ 311,963,433	\$ 311,644,865	\$ 317,301,221	\$ 327,068,826	\$ 320,224,485	\$ 326,373,816	\$ 349,763,437	\$ 351,090,227	\$ 361,087,976
Restricted	2,492,562	2,664,263	2,903,553	3,142,245	-	-	-	123,252	1,523,968	1,875,729
Unrestricted	31,128,319	18,390,515	20,537,654	26,426,890	24,117,982	37,550,330	41,842,104	37,896,424	46,701,183	46,658,826
Total business-type activities and net position	<u>\$ 344,173,830</u>	<u>\$ 333,018,211</u>	<u>\$ 335,086,072</u>	<u>\$ 346,870,356</u>	<u>\$ 351,186,808</u>	<u>\$ 357,774,815</u>	<u>\$ 368,215,920</u>	<u>\$ 387,783,113</u>	<u>\$ 399,315,378</u>	<u>\$ 409,622,531</u>
Primary government										
Net investment in capital assets	\$ 537,900,100	\$ 542,621,942	\$ 558,542,230	\$ 562,939,707	\$ 578,406,029	\$ 582,748,452	\$ 602,139,250	\$ 641,039,999	\$ 654,081,606	\$ 687,732,381
Restricted	46,253,718	55,856,610	63,885,506	89,213,834	86,287,362	81,804,376	90,040,134	115,231,178	169,630,855	165,863,263
Unrestricted	68,304,802	(47,139,560)	(52,384,985)	(66,395,242)	(67,820,655)	(53,687,644)	(42,698,246)	(56,627,333)	(63,081,895)	(30,536,849)
Total primary government net position	<u>\$ 652,458,620</u>	<u>\$ 551,338,992</u>	<u>\$ 570,042,751</u>	<u>\$ 585,758,299</u>	<u>\$ 596,872,736</u>	<u>\$ 610,865,184</u>	<u>\$ 649,481,138</u>	<u>\$ 699,643,844</u>	<u>\$ 760,630,566</u>	<u>\$ 823,058,795</u>

(1) In fiscal year 2014-2015, beginning net position was restated due to the implementation of GASB Statement No. 68

(2) In fiscal year 2017-2018, beginning net position was restated due to the implementation of GASB Statement No. 75

(3) In fiscal year 2022-2023, beginning net position was restated due to prior period corrections

Source: Statement of Net Position prepared for the ACFR.

Schedule 2
City of Flagstaff
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Expenses										
Governmental activities:										
General government	\$ 10,732,510	\$ 17,625,846	\$ 17,210,187	\$ 19,320,158	\$ 20,893,077	\$ 20,428,990	\$ 18,404,198	\$ 17,978,407	\$ 21,949,232	\$ 24,482,695
Public safety	28,730,111	35,255,450	34,711,251	42,090,228	39,801,651	42,341,569	44,262,923	44,568,463	37,540,112	37,169,436
Public works	1,573,541	1,664,308	1,650,323	1,895,576	1,477,756	1,982,339	2,130,869	1,788,521	1,157,825	2,389,867
Economic and physical development	9,018,496	9,343,417	10,259,240	9,833,154	10,401,134	10,295,023	11,019,964	11,843,707	10,082,513	11,687,092
Culture and recreation	12,919,475	12,511,424	12,974,830	13,563,829	14,521,931	14,138,231	15,631,659	13,206,098	14,373,497	15,847,143
Highways and streets	17,698,346	18,174,944	13,059,212	15,849,094	16,992,461	19,316,189	17,417,183	19,486,590	18,787,236	20,298,481
Interest on long-term debt	2,946,685	2,944,000	2,295,418	2,743,633	2,623,267	2,163,451	2,076,671	4,009,038	4,738,717	4,356,878
Total governmental activities expense	<u>83,619,164</u>	<u>97,519,389</u>	<u>92,160,461</u>	<u>105,295,672</u>	<u>106,711,277</u>	<u>110,665,792</u>	<u>110,943,467</u>	<u>112,880,824</u>	<u>108,629,132</u>	<u>116,231,592</u>
Business-type activities:										
Water	24,366,128	14,307,902	14,674,337	15,454,108	15,173,129	16,152,593	18,421,251	18,668,402	18,450,588	21,614,190
Wastewater and reclaimed	-	10,879,594	10,490,816	11,150,309	11,055,308	10,992,004	10,045,850	10,554,029	9,239,327	10,299,517
Environmental	11,637,566	12,071,509	12,087,144	12,337,663	17,913,116	12,533,960	12,643,566	13,268,587	13,226,083	17,923,511
Airport	4,118,280	4,540,208	4,307,615	5,080,905	4,790,967	4,833,095	5,553,096	5,342,801	3,816,045	6,332,676
Housing authority	6,090,790	6,084,019	6,125,950	6,657,398	6,981,632	7,241,036	7,687,704	8,031,804	7,593,877	9,599,933
Stormwater	1,576,865	1,184,464	1,245,532	1,180,230	1,437,221	1,401,054	1,431,353	1,594,807	5,531,725	3,716,379
Total business-type activities expense	<u>47,789,629</u>	<u>49,067,696</u>	<u>48,931,394</u>	<u>51,860,613</u>	<u>57,351,373</u>	<u>53,153,742</u>	<u>55,782,820</u>	<u>57,460,430</u>	<u>57,857,645</u>	<u>69,486,206</u>
Total primary government expense	<u>\$ 131,408,793</u>	<u>\$ 146,587,085</u>	<u>\$ 141,091,855</u>	<u>\$ 157,156,285</u>	<u>\$ 164,062,650</u>	<u>\$ 163,819,534</u>	<u>\$ 166,726,287</u>	<u>\$ 170,341,254</u>	<u>\$ 166,486,777</u>	<u>\$ 185,717,798</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 4,568,438	\$ 3,091,342	\$ 3,241,987	\$ 3,143,969	\$ 2,685,942	\$ 2,759,870	\$ 2,418,517	\$ 2,431,158	\$ 2,307,704	\$ 2,260,868
Public safety	628,038	879,755	647,910	832,352	888,558	885,484	665,670	2,134,346	2,321,251	1,822,767
Public works	1,215	520	605	740	940	6,160	1,198	135	-	-
Economic and physical development	903,233	2,329,258	3,767,060	3,785,805	4,334,694	4,284,343	6,152,909	6,560,474	7,018,630	5,508,450
Culture and recreation	1,656,628	1,605,120	1,633,338	1,785,874	1,845,794	1,754,950	1,264,523	413,078	1,071,489	1,446,674
Highways and streets	-	-	-	173,960	1,346,238	1,547,532	1,326,992	514,833	1,522,627	1,485,082
Operating grants and contributions	7,071,557	6,670,678	7,726,612	7,723,935	7,220,425	7,685,026	15,851,393	11,136,533	19,526,671	8,456,730
Capital grants and contributions	14,603,667	13,008,629	11,806,049	8,774,146	11,096,549	10,023,919	11,977,909	14,728,894	11,456,613	16,130,164
Total governmental activities program revenues	<u>29,432,776</u>	<u>27,585,302</u>	<u>28,823,561</u>	<u>26,220,781</u>	<u>29,419,140</u>	<u>28,947,284</u>	<u>39,659,111</u>	<u>37,919,451</u>	<u>45,224,985</u>	<u>37,110,735</u>
Business-type activities:										
Charges for services:										
Water	23,432,153	14,043,177	14,589,041	15,973,118	16,156,035	16,219,453	17,480,478	18,463,575	17,422,686	17,649,831
Wastewater and reclaimed	-	8,907,760	9,387,949	9,943,603	10,594,304	11,137,492	11,388,928	12,321,969	12,344,602	11,856,017
Environmental	12,490,237	12,646,619	12,760,747	13,047,045	12,891,528	12,674,791	12,863,428	14,231,558	15,528,266	15,307,675
Airport	1,504,703	1,528,202	1,603,852	1,503,945	1,624,593	1,741,470	1,641,859	1,549,584	2,547,919	2,012,845
Housing authority	974,184	1,027,945	1,455,715	1,605,422	1,824,876	2,025,923	2,220,494	2,344,871	2,333,587	2,538,893
Stormwater	1,465,522	1,466,347	1,495,296	1,598,913	2,109,364	2,704,123	4,383,791	4,413,157	4,456,851	4,738,735
Operating grants and contributions	4,051,236	4,742,685	4,775,797	4,953,619	4,806,729	5,359,352	6,826,998	8,368,732	9,120,361	11,907,101
Capital grants and contributions	7,835,529	4,749,158	4,339,777	13,162,230	10,117,475	4,523,132	6,000,761	11,476,527	3,996,971	8,520,350
Total business-type activities program revenues	<u>51,753,564</u>	<u>49,111,893</u>	<u>50,408,174</u>	<u>61,787,895</u>	<u>60,124,904</u>	<u>56,385,736</u>	<u>62,806,737</u>	<u>73,169,973</u>	<u>67,751,243</u>	<u>74,531,447</u>
Total primary government program revenues	<u>\$ 81,186,340</u>	<u>\$ 76,697,195</u>	<u>\$ 79,231,735</u>	<u>\$ 88,008,676</u>	<u>\$ 89,544,044</u>	<u>\$ 85,333,020</u>	<u>\$ 102,465,848</u>	<u>\$ 111,089,424</u>	<u>\$ 112,976,228</u>	<u>\$ 111,642,182</u>

Schedule 2 (continued)
City of Flagstaff
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Net (Expense)/Revenue										
Governmental activities	\$ (54,186,388)	\$ (69,934,087)	\$ (63,336,900)	\$ (79,074,891)	\$ (77,292,137)	\$ (81,718,508)	\$ (71,284,356)	\$ (74,961,373)	\$ (63,404,147)	\$ (79,120,857)
Business-type activities	3,963,935	44,197	1,476,780	9,927,282	2,773,531	3,231,994	7,023,917	15,709,543	9,893,598	5,045,241
Total primary government net expense	<u>\$ (50,222,453)</u>	<u>\$ (69,889,890)</u>	<u>\$ (61,860,120)</u>	<u>\$ (69,147,609)</u>	<u>\$ (74,518,606)</u>	<u>\$ (78,486,514)</u>	<u>\$ (64,260,439)</u>	<u>\$ (59,251,830)</u>	<u>\$ (53,510,549)</u>	<u>\$ (74,075,616)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 11,044,817	\$ 11,211,038	\$ 11,339,774	\$ 11,674,553	\$ 12,482,546	\$ 13,541,400	\$ 14,100,719	\$ 14,358,593	\$ 14,943,139	\$ 15,342,909
Sales taxes	37,675,638	42,539,371	48,343,259	53,582,850	53,833,727	52,515,201	60,666,358	69,893,143	77,098,861	81,305,031
State shared sales taxes - unrestricted	15,666,968	16,683,665	17,080,154	18,139,582	19,024,571	19,400,339	20,664,280	23,958,572	25,466,219	30,874,399
Investment earnings	749,038	1,179,131	1,668,431	(447,324)	(477,888)	5,097,974	5,415,354	(564,917)	(5,379,619)	4,061,170
Miscellaneous	1,813,164	645,571	1,404,390	1,123,129	2,059,029	692,049	578,352	924,099	1,574,470	691,097
Gain on sale of capital assets	241,231	65,201	-	-	121,321	4,626	76,017	32,710	12,790	49,505
Contributions to permanent fund	18,700	16,821	15,470	6,950	8,490	26,460	17,590	19,910	23,000	12,030
Transfers in (out)	(2,908,700)	(1,407,710)	121,320	(1,073,585)	(1,240,613)	(2,155,100)	(2,059,465)	(3,065,224)	(880,256)	566,934
Total governmental activities	<u>64,300,856</u>	<u>70,933,088</u>	<u>79,972,798</u>	<u>83,006,155</u>	<u>85,811,183</u>	<u>89,122,949</u>	<u>99,459,205</u>	<u>105,556,886</u>	<u>112,858,604</u>	<u>132,903,075</u>
Business-type activities:										
Investment earnings	213,335	303,863	336,685	406,101	588,404	1,077,312	1,159,898	545,272	526,570	2,440,996
Miscellaneous	567,079	1,119,502	375,716	377,316	270,192	123,601	197,825	200,014	148,041	198,119
Gain (loss) on sale of capital assets	73,916	493,358	-	-	122,837	-	-	47,140	83,800	700
Transfers in (out)	2,908,700	1,407,710	(121,320)	1,073,585	1,240,613	2,155,100	2,059,465	3,065,224	880,256	(566,934)
Total business-type activities	<u>3,763,030</u>	<u>3,324,433</u>	<u>591,081</u>	<u>1,857,002</u>	<u>2,222,046</u>	<u>3,356,013</u>	<u>3,417,188</u>	<u>3,857,650</u>	<u>1,638,667</u>	<u>2,072,881</u>
Total primary government	<u>\$ 68,063,886</u>	<u>\$ 74,257,521</u>	<u>\$ 80,563,879</u>	<u>\$ 84,863,157</u>	<u>\$ 88,033,229</u>	<u>\$ 92,478,962</u>	<u>\$ 102,876,393</u>	<u>\$ 109,414,536</u>	<u>\$ 114,497,271</u>	<u>\$ 134,975,956</u>
Change in Net Position										
Governmental activities	\$ 10,114,468	\$ 999,001	\$ 16,635,898	\$ 3,931,264	\$ 8,519,046	\$ 7,404,441	\$ 28,174,849	\$ 30,595,513	\$ 49,454,457	\$ 53,782,218
Business-type activities	7,726,965	3,368,630	2,067,861	11,784,284	4,995,577	6,588,007	10,441,105	19,567,193	11,532,265	7,118,122
Total primary government	<u>\$ 17,841,433</u>	<u>\$ 4,367,631</u>	<u>\$ 18,703,759</u>	<u>\$ 15,715,548</u>	<u>\$ 13,514,623</u>	<u>\$ 13,992,448</u>	<u>\$ 38,615,954</u>	<u>\$ 50,162,706</u>	<u>\$ 60,986,722</u>	<u>\$ 60,900,340</u>

Source: From Statement of Activities prepared for ACFR.

Schedule 3
City of Flagstaff
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
General Fund										
Nonspendable	\$ 440,644	\$ 323,792	\$ 335,134	\$ 342,576	\$ 371,817	\$ 265,682	\$ 252,089	\$ 350,993	\$ 3,277,832	\$ 4,545,716
Restricted	1,698,333	1,951,220	2,255,454	1,750,086	2,338,644	2,646,337	3,109,659	2,956,942	3,690,261	4,249,634
Assigned	8,063,998	8,192,178	8,903,561	8,011,051	6,879,808	5,527,570	4,936,669	4,954,453	5,379,329	5,515,562
Unassigned	21,559,814	23,153,900	27,425,564	30,361,068	27,458,215	31,212,732	44,386,623	56,817,489	62,880,985	65,293,485
Total general fund	\$ 31,762,789	\$ 33,621,090	\$ 38,919,713	\$ 40,464,781	\$ 37,048,484	\$ 39,652,321	\$ 52,685,040	\$ 65,079,877	\$ 75,228,407	\$ 79,604,397
All Other Governmental Funds										
Nonspendable	\$ 271,477	\$ 293,238	\$ 8,379,744	\$ 309,428	\$ 318,437	\$ 664,118	\$ 664,652	\$ 392,298	\$ 518,817	\$ 511,932
Restricted	48,320,324	51,003,624	47,948,587	81,723,554	82,267,232	78,490,415	86,291,252	110,475,662	132,668,193	145,997,919
Assigned	-	-	-	2,078,968	1,864,086	3,101,098	3,235,171	3,415,545	4,237,469	5,844,695
Unassigned	-	(282,178)	(2,934,084)	(2,669,832)	(70,068)	(77,271)	(3,013,281)	(465,007)	(580,869)	(2,047,565)
Total all other governmental funds	\$ 48,591,801	\$ 51,014,684	\$ 53,394,247	\$ 81,442,118	\$ 84,379,687	\$ 82,178,360	\$ 87,177,794	\$ 113,818,498	\$ 136,843,610	\$ 150,306,981

Schedule 4
City of Flagstaff
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Revenues:										
Taxes	\$ 48,806,758	\$ 53,725,196	\$ 59,711,556	\$ 65,263,433	\$ 66,323,666	\$ 65,994,613	\$ 74,787,774	\$ 84,239,882	\$ 92,014,905	\$ 96,651,373
Intergovernmental	19,584,399	20,549,000	21,355,708	22,504,605	23,382,237	24,156,065	25,595,311	29,000,278	30,456,912	36,537,333
Grants and entitlements	15,313,742	13,483,604	11,023,491	10,850,138	11,536,639	11,492,794	19,395,450	15,172,507	24,480,250	12,561,366
Charges for services	2,894,898	2,986,151	4,747,237	3,454,567	4,470,735	5,074,859	4,168,019	4,248,292	6,077,766	6,058,460
Special assessments	2,734,095	1,857,884	2,916,164	202,243	2,031,111	-	-	-	-	-
Licenses and permits	1,952,731	1,866,792	3,153,135	3,013,367	3,794,725	3,338,493	5,135,611	5,336,572	5,760,170	4,044,768
Fines and forfeitures	1,428,401	1,389,663	1,524,856	1,430,686	1,350,689	1,416,062	1,217,311	932,592	789,819	747,455
Rents	1,651,032	1,660,635	1,696,070	1,805,457	1,493,712	1,491,859	1,474,631	1,442,760	1,576,849	1,685,310
Investment earnings	722,878	1,145,686	1,636,650	(476,690)	(506,658)	5,037,413	5,362,308	(597,587)	(5,363,261)	3,909,568
Contributions	541,340	368,057	1,962,364	869,484	634,077	457,752	1,207,925	1,536,546	996,751	5,109,349
Miscellaneous	1,813,164	645,571	1,404,390	1,123,129	2,015,501	712,452	496,703	866,789	1,433,062	692,125
Total revenues	<u>97,443,438</u>	<u>99,678,239</u>	<u>111,131,621</u>	<u>110,040,419</u>	<u>116,526,434</u>	<u>119,172,362</u>	<u>138,841,043</u>	<u>142,178,631</u>	<u>158,223,223</u>	<u>167,997,107</u>
Expenditures:										
General government	9,041,946	14,974,692	14,561,513	16,652,590	19,536,579	20,981,728	18,273,876	16,878,564	21,222,146	23,514,815
Public safety	26,567,511	27,583,880	30,074,183	30,849,989	32,472,034	35,849,066	38,925,229	149,188,134	33,004,281	35,160,474
Public works	1,031,983	1,216,083	1,207,776	1,472,485	1,254,865	1,471,557	1,472,864	1,213,180	939,484	1,730,148
Economic and physical development	8,212,772	8,506,794	9,530,781	8,989,673	10,136,274	10,244,779	10,568,736	10,519,174	10,195,237	11,234,315
Culture and recreation	11,446,096	11,029,832	11,441,848	11,854,511	12,629,499	12,169,197	13,360,279	11,057,344	13,181,208	14,311,299
Highways and streets	10,621,311	8,035,221	5,916,632	8,443,609	7,504,589	10,135,258	7,781,311	9,498,332	8,471,610	9,045,448
Debt service:										
Principal retirement	8,287,457	8,313,298	12,980,269	14,154,904	6,998,627	10,883,271	9,486,466	10,705,542	13,555,652	14,350,577
Interest and other charges	3,126,469	2,798,182	2,520,596	2,534,621	2,679,888	2,560,775	2,348,940	4,812,854	5,362,495	5,007,111
Capital outlay	24,062,755	16,944,654	16,090,690	14,002,895	40,661,963	13,351,467	35,522,798	21,468,334	19,117,039	31,109,024
Total expenditures	<u>102,398,300</u>	<u>99,402,636</u>	<u>104,324,288</u>	<u>108,955,277</u>	<u>133,874,318</u>	<u>117,647,098</u>	<u>137,740,499</u>	<u>235,341,458</u>	<u>125,049,152</u>	<u>145,463,211</u>
Excess of revenues over (under) expenditures	(4,954,862)	275,603	6,807,333	1,085,142	(17,347,884)	1,525,264	1,100,544	(93,162,827)	33,174,071	22,533,896
Other Financing Sources (Uses):										
Proceeds of refunding bonds	8,270,000	-	-	-	-	-	-	-	-	-
Loan issuance	-	-	-	-	-	-	-	3,094,937	84,282	4,097
Bond issuance	6,600,000	-	204,956	26,168,531	9,700,000	-	14,935,000	131,000,000	-	-
Payment to bond refunding escrow agent	(9,382,710)	-	-	-	-	-	-	-	-	-
Bond premium	1,317,667	-	-	3,500,813	449,519	-	1,628,687	-	-	-
Sale of capital assets	727,996	3,013,051	5,325	-	121,200	20,995	307,013	42,805	23,140	45,502
Subscription financing	-	-	-	-	-	-	-	-	-	170,805
Transfers in	12,102,855	17,376,813	15,891,921	22,308,323	27,563,166	15,966,592	21,404,875	17,810,600	38,437,815	29,977,954
Transfers out	(11,659,441)	(16,384,283)	(15,231,349)	(23,469,870)	(20,964,729)	(17,110,341)	(21,343,966)	(19,749,974)	(38,545,666)	(30,380,672)
Total other financing sources (uses)	<u>7,976,367</u>	<u>4,005,581</u>	<u>870,853</u>	<u>28,507,797</u>	<u>16,869,156</u>	<u>(1,122,754)</u>	<u>16,931,609</u>	<u>132,198,368</u>	<u>(429)</u>	<u>(182,314)</u>
Net change in fund balances	<u>\$ 3,021,505</u>	<u>\$ 4,281,184</u>	<u>\$ 7,678,186</u>	<u>\$ 29,592,939</u>	<u>\$ (478,728)</u>	<u>\$ 402,510</u>	<u>\$ 18,032,153</u>	<u>\$ 39,035,541</u>	<u>\$ 33,173,642</u>	<u>\$ 22,351,582</u>
Debt service as a percentage of non capital expenditures	14.57%	13.48%	17.57%	17.58%	10.38%	12.89%	11.58%	7.26%	17.86%	16.93%

Schedule 5
City of Flagstaff
Tax Revenue by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

<u>Fiscal Year</u>	<u>General Property Tax</u>	<u>Secondary Property Tax</u>	<u>Franchise and Other Taxes</u>	<u>City Sales Tax</u>	<u>Bed, Board and Booze Tax</u>	<u>Transportation Tax</u>	<u>Total</u>
2013-2014	\$ 5,571	\$ 5,560	\$ 2,487	\$ 17,042	\$ 6,310	\$ 11,837	\$ 48,807
2014-2015	5,597	5,586	2,467	17,845	7,022	15,208	53,725
2015-2016	5,650	5,719	2,567	19,090	7,539	19,147	59,712
2016-2017	5,764	5,916	2,439	21,174	8,642	21,328	65,263
2017-2018	6,206	6,284	2,504	21,128	8,602	21,600	66,324
2018-2019	6,732	6,748	2,231	20,508	8,893	20,883	65,995
2019-2020	6,886	7,236	2,367	22,588	7,991	27,720	74,788
2020-2021	6,961	7,386	2,156	26,535	9,655	31,547	84,240
2021-2022	7,112	7,804	2,387	28,833	11,465	34,414	92,015
2022-2023	7,110	8,236	2,594	29,951	12,237	36,523	96,651
Change 2014-2023	27.63%	48.13%	4.30%	75.75%	93.93%	208.55%	98.03%

Schedule 6
City of Flagstaff
Intergovernmental Revenue by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	State Sales Tax	State Income Tax	County Auto In-Lieu Tax	Highway User Tax	Federal Grants	State Grants & Other State	County LEAF IGA	County Library District Funding	Other	Total
2013-2014	\$ 5,733,507	\$ 7,342,048	\$ 2,591,413	\$ 6,168,102	\$ 2,281,211	\$ 6,864,429	\$ 793,898	\$ 3,063,343	\$ 60,190	\$ 34,898,141
2014-2015	6,019,776	7,973,971	2,689,916	6,884,173	4,993,449	1,605,982	800,478	2,969,669	95,190	34,032,604
2015-2016	6,238,827	7,930,739	2,910,589	7,292,355	2,867,675	863,461	902,472	3,088,137	284,944	32,379,199
2016-2017	6,445,302	8,603,145	3,091,134	7,982,504	2,129,657	737,977	943,955	3,210,071	210,998	33,354,743
2017-2018	6,868,398	8,850,877	3,305,297	8,206,025	2,269,467	1,173,691	855,094	3,307,497	82,530	34,918,876
2018-2019	7,256,536	8,716,163	3,427,640	8,463,878	2,093,085	935,832	942,929	3,536,147	276,649	35,648,859
2019-2020	7,649,078	9,564,616	3,450,585	8,504,478	9,724,980	1,003,118	974,153	3,721,854	397,899	44,990,761
2020-2021	9,037,429	10,723,977	4,197,164	9,191,151	4,583,681	1,178,620	1,003,560	3,837,589	419,614	44,172,785
2021-2022	11,264,581	10,075,723	4,125,915	9,386,281	12,026,821	2,831,003	955,240	3,708,383	563,215	54,937,162
2022-2023	11,938,137	14,604,933	4,331,329	9,540,729	1,678,730	1,133,609	993,092	4,301,218	576,922	49,098,699

Schedule 7
City of Flagstaff
Full Cash Value of Taxable Property
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Centrally Valued Property	Commercial Property	Vacant, Agricultural, and Government Property	Residential Property	Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2013-2014	\$ 28,837,059	\$ 255,823,684	\$ 124,373,673	\$ 436,787,954	\$ 80,555,433	\$ 765,266,937	1.6795
2014-2015	28,918,422	215,081,441	123,988,197	389,760,175	87,055,619	670,692,616	1.6784
2015-2016	30,046,573	217,466,880	123,834,908	429,223,625	88,064,490	712,507,496	1.6600
2016-2017	29,641,213	225,831,427	124,316,511	467,023,686	88,231,085	758,581,752	1.6487
2017-2018	30,661,448	248,007,081	129,081,114	522,745,630	90,820,473	839,674,800	1.6599
2018-2019	33,818,400	261,374,313	118,307,041	540,204,785	84,897,892	868,806,647	1.6700
2019-2020	33,985,335	275,149,838	122,861,079	583,857,312	90,088,474	925,765,090	1.6300
2020-2021	35,070,782	287,022,502	127,406,770	625,128,467	95,131,815	979,496,706	1.5510
2021-2022	36,112,626	286,818,683	134,226,219	669,816,599	102,096,631	1,024,877,496	1.5186
2022-2023	36,214,516	298,703,756	141,151,498	708,963,134	105,807,708	1,079,225,196	1.4954

Source: State of Arizona Department of Revenue, State and County Abstract of the Assessment Roll

Note: A portion of city property is reassessed every year. Property is assessed at actual value, therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

Schedule 8
City of Flagstaff
City Taxable Revenue for Major Categories
Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Construction	\$ 169,933	\$ 191,297	\$ 176,741	\$ 184,381	\$ 266,900	\$ 188,160	\$ 199,152	\$ 235,259	\$ 241,236	\$ 265,898
Restaurants and bars	218,790	243,560	251,654	260,364	281,133	289,846	282,089	293,283	364,907	390,363
Hotel/motel	95,263	108,913	120,995	131,310	146,306	152,568	135,330	159,293	207,396	216,741
Retail and auto sales	801,799	852,696	946,522	955,737	1,037,300	1,001,331	1,134,082	1,393,663	1,535,849	1,564,107
Other	200,109	213,248	246,500	269,232	274,981	286,815	361,541	406,871	423,798	449,181
Utilities	103,895	109,578	108,474	104,115	107,164	107,320	103,512	104,871	114,060	125,228
Total	<u>\$ 1,589,789</u>	<u>\$ 1,719,292</u>	<u>\$ 1,850,886</u>	<u>\$ 1,905,139</u>	<u>\$ 2,113,784</u>	<u>\$ 2,026,040</u>	<u>\$ 2,215,706</u>	<u>\$ 2,593,240</u>	<u>\$ 2,887,246</u>	<u>\$ 3,011,518</u>

Notes:

(1) Data is based on collections versus the accrual basis.

Schedule 9
City of Flagstaff
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years
(rate per \$100 of assessed value)

	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Total City	1.6795	1.6784	1.6600	1.6487	1.6599	1.6700	1.6299	1.5510	1.5186	1.4954
Primary	0.8429	0.8418	0.8234	0.8121	0.8233	0.8334	0.7933	0.7510	0.7186	0.6954
Secondary	0.8366	0.8366	0.8366	0.8366	0.8366	0.8366	0.8366	0.8000	0.8000	0.8000
School District	5.1939	5.1867	5.4555	5.5681	5.1816	5.1475	5.1174	4.9676	4.8236	4.7759
Maintenance	3.9803	3.7886	4.0824	4.2405	4.0143	3.8173	3.7092	3.5832	3.4548	3.5812
Adjacent Ways	0.0096	0.0259	0.0216	0.0284	0.0392	0.0000	0.0000	0.0361	0.0366	0.0326
15% M&O Override	0.7061	0.7138	0.7265	0.737	0.7120	0.7070	0.6672	0.6387	0.5793	0.5397
Capital Override	0.0000	0.0357	0.1735	0.1219	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Class B Bond	0.4979	0.6227	0.4515	0.4403	0.4161	0.4389	0.5691	0.5478	0.5994	0.4763
Desegregation	0.0000	0.0000	0.0000	0.0000	0.0000	0.1843	0.1719	0.1618	0.1535	0.1461
Community College	0.5879	0.6056	0.6105	0.6214	0.6142	0.5959	0.4592	0.4490	0.4394	0.5209
Maintenance	0.4636	0.4788	0.4864	0.4909	0.4816	0.4741	0.4592	0.4490	0.4394	0.5209
Bond	0.1243	0.1268	0.1241	0.1305	0.1326	0.1218	0.0000	0.0000	0.0000	0.0000
County	0.9022	0.9202	0.9291	0.9344	0.9234	0.9145	0.8969	0.8849	0.8736	0.8750
General Fund	0.5466	0.5646	0.5735	0.5788	0.5678	0.5589	0.5413	0.5293	0.5180	0.5094
Library District	0.2556	0.2556	0.2556	0.2556	0.2556	0.2556	0.2556	0.2556	0.2556	0.2656
Fire District Assistance	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Total	8.3635	8.3909	8.6551	8.7726	8.3791	8.3279	8.1034	7.8525	7.6552	7.6672

Note: Tax rates are per \$100 assessed valuation.

Schedule 10
City of Flagstaff
Principal Property Tax Payers
Current Year and Ten Years Ago

Taxpayer *	2022-2023			2012-2013		
	Total Assessed Value	Rank	As a Percentage of the City Total Secondary Assessed Valuation	Total Assessed Value	Rank	As a Percentage of the City Total Secondary Assessed Valuation
Arizona Public Service Company	\$ 23,183,581	1	2.15%	\$ 17,147,023	1	2.24%
W L Gore & Associates	19,398,631	2	1.80%	12,851,171	2	1.68%
Nestle Purina PetCare Co.	9,994,728	3	0.93%	4,603,873	3	0.60%
Standard at Flagstaff LLC	9,189,812	4	0.85%	-		0.00%
CCC-Flagstaff LLC	8,032,889	5	0.74%	-		0.00%
CA Student Living Flagstaff Holdings, LLC	6,449,075	6	0.60%	-		0.00%
Unisource Energy Corporation	6,001,272	7	0.56%	2,422,510	7	0.32%
Little America Hotels & Resorts Inc.	5,315,286	8	0.49%	-		0.00%
NNC VAP DE LLC	5,161,572	9	0.48%	-		0.00%
Core Campus Flagstaff LLC	5,059,221	10	0.47%	-		0.00%
Wal-Mart Stores	4,131,472	11	0.38%	3,546,846	5	0.46%
Ridge at Clear Creek Apts. LLC	3,437,051	12	0.32%	2,247,343	10	0.29%
WCW Mountain Trail LP	3,425,936	13	0.32%	-		0.00%
Buffalo Park Housing Partners LLC	3,139,104	14	0.29%	-		0.00%
Elevation Flagstaff AZ LLC	3,298,232	15	0.31%	-		0.00%
Cypress Flagstaff Mall LP	2,939,569	16	0.27%	-		0.00%
Total Principal Taxpayers	<u>\$ 118,157,431</u>		<u>10.96%</u>	<u>\$ 42,818,766</u>		<u>5.59%</u>

Source: Coconino County Assessor Office

Schedule 11
City of Flagstaff
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013-2014	11,039,655	10,778,695	97.6%	234,634	11,013,329	99.8%
2014-2015	11,199,924	11,002,896	98.2%	162,354	11,165,250	99.7%
2015-2016	11,344,815	11,156,213	98.3%	158,069	11,305,158	99.7%
2016-2017	11,708,122	11,500,020	98.2%	165,236	11,665,256	99.6%
2017-2018	12,459,025	12,297,839	98.7%	148,398	12,446,237	99.9%
2018-2019	13,527,514	13,311,900	98.4%	152,925	13,464,825	99.5%
2019-2020	14,158,001	13,834,856	97.7%	258,558	14,093,414	99.5%
2020-2021	14,367,679	14,129,497	98.3%	197,175	14,326,672	99.7%
2021-2022	14,845,646	14,639,562	98.6%	190,002	14,829,564	99.9%
2022-2023	15,393,949	15,199,190	98.7%	-	15,199,190	98.7%

Schedule 12
City of Flagstaff
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Fiscal Year	City			State of Arizona	Coconino County	Total
	General Sales Tax	Bed, Board & Beverage	Transportation			
2013-2014	1.0000%	2.0000%	0.7210%	5.6000%	1.1250%	10.4460%
2014-2015	1.0000%	2.0000%	1.0510%	5.6000%	1.3000%	10.9510%
2015-2016	1.0000%	2.0000%	1.0510%	5.6000%	1.3000%	10.9510%
2016-2017	1.0000%	2.0000%	1.0510%	5.6000%	1.3000%	10.9510%
2017-2018	1.0000%	2.0000%	1.0510%	5.6000%	1.3000%	10.9510%
2018-2019	1.0000%	2.0000%	1.0510%	5.6000%	1.3000%	10.9510%
2019-2020	1.0000%	2.0000%	1.2810%	5.6000%	1.3000%	11.1810%
2020-2021	1.0000%	2.0000%	1.2810%	5.6000%	1.3000%	11.1810%
2021-2022	1.0000%	2.0000%	1.2810%	5.6000%	1.3000%	11.1810%
2022-2023	1.0000%	2.0000%	1.2810%	5.6000%	1.3000%	11.1810%

Source: City of Flagstaff - Sales Tax / Business Licenses
<http://www.flagstaff.az.gov/index.aspx?nid=53>

Schedule 13
City of Flagstaff
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities						Business-Type Activities						Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Revenue Bonds	Loan Payable	Municipal Facility Corporation Bonds	COP Leases Other	General Obligation Debt	Revenue Bonds	Term Loan Payable	COP Leases Other					
2013-2014	\$ 55,571	* \$ 8,639	\$ 16,603	\$ -	\$ 1,260	\$ 4,400	\$ 1,752	\$ 3,635	\$ 33,873	\$ 4,431	\$ 130,164	2.8%	\$ 1,976		
2014-2015	50,857	6,737	15,781	-	860	3,625	1,441	3,285	31,909	3,972	118,467	2.4%	1,755		
2015-2016	45,820	2,245	13,495	-	-	3,226	1,375	-	32,800	3,489	102,450	1.9%	1,476		
2016-2017	52,695	2,148	21,468	-	-	3,689	1,308	-	30,346	2,984	114,638	1.9%	1,600		
2017-2018	48,934	2,046	28,895	-	-	2,944	1,238	17,129	11,787	6,551	119,524	2.0%	1,638		
2018-2019	43,122	-	26,081	-	-	2,170	1,166	25,707	10,017	6,823	115,086	1.8%	1,540		
2019-2020	49,479	-	22,779	-	-	5,485	1,092	24,750	6,884	6,303	116,772	1.6%	1,530		
2020-2021	43,232	-	19,525	3,095	-	134,549	1,016	23,202	6,245	5,463	236,327	3.0%	3,046		
2021-2022	36,972	-	18,423	2,958	-	128,380	936	29,242	764	5,036	222,711	2.7%	2,870		
2022-2023	30,742	-	17,223	2,736	-	120,607	-	25,479	676	3,469	200,932	2.2%	2,522		

* As restated due to refunding loss

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Note: These amounts are presented on the accrual basis of accounting.

Schedule 14
City of Flagstaff
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	<u>General Bonded Debt Outstanding</u>			Restricted for General Obligation Bonds	Total	Percentage of Actual Taxable Value of Property	Per Capita
	Governmental Activities General Obligation Bonds	Business-Type Activities General Obligation Bonds					
2013-2014	\$ 53,340	\$ 1,752	\$ (13,822)	\$ 41,270	6.2%	\$ 627	
2014-2015	48,920	1,441	(14,091)	36,270	5.1%	537	
2015-2016	43,817	1,375	(13,204)	31,988	4.2%	461	
2016-2017	48,520	1,308	(6,164)	43,664	5.2%	609	
2017-2018	44,900	1,238	(7,149)	38,989	4.6%	534	
2018-2019	39,414	1,166	(6,880)	33,700	3.9%	451	
2019-2020	44,893	1,092	(7,143)	38,842	4.2%	509	
2020-2021	39,287	1,015	(7,250)	33,052	3.4%	426	
2021-2022	33,725	936	(7,722)	26,939	2.6%	342	
2022-2023	27,850	-	(7,774)	20,076	1.9%	252	

Note: These amounts are presented on the accrual basis of accounting.

Schedule 15
City of Flagstaff
Direct and Overlapping Governmental Activities Debt
(dollars in thousands, except per capita)

<u>Governmental Unit</u>	Debt Outstanding ⁽¹⁾	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Flagstaff Unified School District	\$ 76,240	72.44%	\$ 55,226
City direct debt			<u>171,308</u>
Total direct and overlapping debt			<u><u>\$ 226,534</u></u>

Source: Assessed value data used to estimate applicable percentages provided by the Coconino Finance Department. Debt outstanding data provided by each governmental unit.

(1) Prior year number reported above, information not available as of 11/28/2023

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Flagstaff. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

* For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

Schedule 16
City of Flagstaff
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
20% Debt Limit:										
Debt limit equal to 20% of assessed valuation	\$ 153,053	\$ 134,139	\$ 142,501	\$ 151,716	\$ 167,935	\$ 173,761	\$ 185,153	\$ 195,899	\$ 204,975	\$ 215,845
Total net debt applicable to 20% limit	<u>55,388</u>	<u>50,361</u>	<u>45,193</u>	<u>49,828</u>	<u>46,137</u>	<u>40,579</u>	<u>45,985</u>	<u>40,302</u>	<u>34,661</u>	<u>27,850</u>
Legal debt margin (Available borrowing capacity)	<u>\$ 97,665</u>	<u>\$ 83,778</u>	<u>\$ 97,308</u>	<u>\$ 101,888</u>	<u>\$ 121,798</u>	<u>\$ 133,182</u>	<u>\$ 139,168</u>	<u>\$ 155,597</u>	<u>\$ 170,314</u>	<u>\$ 187,995</u>
Total net debt applicable to the 20% limit as a percentage of legal debt margin	56.71%	60.11%	46.44%	48.90%	37.87%	30.47%	33.04%	25.90%	20.35%	14.81%
6% Debt Limit:										
Debt limit equal to 6% of assessed valuation	\$ 45,916	\$ 40,242	\$ 42,750	\$ 45,515	\$ 50,380	\$ 52,128	\$ 55,546	\$ 58,770	\$ 61,493	\$ 64,754
Total net debt applicable to 6% limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin (Available borrowing capacity)	<u>\$ 45,916</u>	<u>\$ 40,242</u>	<u>\$ 42,750</u>	<u>\$ 45,515</u>	<u>\$ 50,380</u>	<u>\$ 52,128</u>	<u>\$ 55,546</u>	<u>\$ 58,770</u>	<u>\$ 61,493</u>	<u>\$ 64,754</u>
Total net debt applicable to the 6% limit as a percentage of legal debt margin	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Schedule 16 (continued)
City of Flagstaff
Legal Debt Margin Information

Legal Debt Margin Calculation for Fiscal Year 2022-2023

Net Secondary Assessed Value as of June 30, 2023	<u>\$ 1,079,225,196</u>
<u>20% Limitation</u>	
Debt Limit of 20% of Assessed Value	\$ 215,845,039
Debt applicable to limit:	
General Obligation Bonds	<u>27,850,000</u>
Legal 20% debt margin (Available borrowing capacity)	<u>\$ 187,995,039</u>
<u>6% Limitation</u>	
Debt Limit of 6% of Assessed Value	\$ 64,753,512
Debt applicable to limit:	
General Obligation Bonds	<u>-</u>
Legal 6% debt margin (Available borrowing capacity)	<u>\$ 64,753,512</u>

Schedule 17
City of Flagstaff
Pledged Revenue Coverage
Last Ten Fiscal Years

Water, Wastewater and Stormwater Revenue Bonds

Fiscal Year	Gross Revenues (1)	Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal (3)	Interest (4)	Total	
2013-2014	\$ 23,642,792	\$ 14,739,788	\$ 8,903,004	\$ 2,252,132	\$ 785,567	\$ 3,037,699	2.93
2014-2015	23,453,378	15,345,504	8,107,874	2,328,839	741,086	3,069,925	2.64
2015-2016	24,234,384	15,140,298	9,094,086	2,342,259	672,497	3,014,756	3.02
2016-2017	26,250,953	16,802,115	9,448,838	2,426,708	625,900	3,052,608	3.10
2017-2018	27,335,107	16,297,564	11,037,543	2,578,384	612,561	3,190,945	3.46
2018-2019	28,073,873	17,396,844	10,677,029	2,869,777	592,563	3,462,340	3.08
2019-2020	29,800,806	18,506,397	11,294,409	4,164,505	542,221	4,706,726	2.40
2020-2021	31,402,249	18,649,020	12,753,229	2,186,964	646,475	2,833,439	4.50
2021-2022	34,681,062	22,693,243	11,987,819	8,463,222	623,352	9,086,574	1.32
2022-2023	35,892,689	23,441,346	12,451,343	3,850,598	551,555	4,402,153	2.83

(1) Includes total operating revenues and investment income of the water, wastewater and stormwater funds.

(2) Includes total operating expenses of the water, wastewater and stormwater funds less depreciation.

(3) Includes principal for water, wastewater and stormwater revenue bonds, water infrastructure finance authority (WIFA).

(4) Bond interest payments only. Does not include amortization of loss on refunding, agent fees or amortization of bond issuance costs that are included in interest expense on the statement of revenues, expenses, and changes in net position.

Schedule 17 (continued)
 City of Flagstaff
 Pledged Revenue Coverage
 Last Ten Fiscal Years

**Municipal Facility Corporation Bonds
 MFC Debt other than Transportation**

Fiscal Year (4)	Revenue (1)	Debt Service Requirements			Coverage
		Principal (2)	Interest (3)	Total	
2013-2014	\$ 12,621,802	\$ 385,000	\$ 68,753	\$ 453,753	27.82
2014-2015	13,543,397	400,000	50,350	450,350	30.07
2015-2016	13,286,939	860,000	22,627	882,627	15.05

- (1) State sales tax, state income tax less debt service requirements for MFC debt other than transportation.
- (2) MFC 1992 Refunding series 12 2001 - USGS projects.
- (3) Bond interest payments only. Does not include agent fees that are included in interest expense on the statement of revenues, expenses, and changes in fund balances.
- (4) All bonds were paid off in FY 2015-2016, therefore future years are not presented above.

Schedule 17 (continued)
City of Flagstaff
Pledged Revenue Coverage
Last Ten Fiscal Years

**Municipal Facility Corporation Bonds As Partial Refunded with Pledged Revenue Bonds
Transportation MFC Debt**

Fiscal Year	Revenue (1)	Debt Service Requirements			Coverage
		Principal (2)	Interest	Total	
2013-2014	\$ 29,928,813	\$ 1,560,000	\$ 511,375	\$ 2,071,375	14.45
2014-2015	31,266,313	695,000	469,750	1,164,750	26.84
2015-2016	33,176,241	1,795,000	432,400	2,227,400	14.89
2016-2017	33,419,449	1,855,000	370,875	2,225,875	15.01
2017-2018	33,215,273	1,920,000	293,775	2,213,775	15.00
2018-2019	36,683,941	2,010,000	208,525	2,218,525	16.54
2019-2020	39,661,897	2,090,000	126,725	2,216,725	17.89

- (1) Pledged revenues on the Municipal Facility Corporation Bonds include the city base rate sales tax, transportation sales tax, franchise, sales tax, licenses and permits, charges for services, fine and forfeits, other revenue, state sales tax, and state revenue sharing. Less the debt service requirements for transportation MFC bonds. Refunding Series 2012 excludes state revenue sharing income and sales tax.
- (2) MFC revenue bond series 2004 Fourth Street, partial advance refunding pledged revenue series 2012.
- (3) All bonds were paid off in FY 2019-2020, therefore future years are not presented above.

Schedule 17 (continued)
City of Flagstaff
Pledged Revenue Coverage
Last Nine Fiscal Years

Greater Arizona Development Authority Revenue Bonds

Fiscal Year	Revenue (1)	Debt Service Requirements			Coverage
		Principal (2)	Interest	Total	
2013-2014	\$ 10,302,188	\$ 120,000	\$ 128,237	\$ 248,237	41.50
2014-2015	12,129,085	125,000	124,562	249,562	48.60
2015-2016	10,809,451	130,000	120,088	250,088	43.22
2016-2017	12,572,785	135,000	114,788	249,788	50.33
2017-2018	13,256,213	140,000	109,288	249,288	53.18
2018-2019	13,505,586	145,000	103,588	248,588	54.33
2019-2020	14,749,282	150,000	97,688	247,688	59.55
2020-2021	19,379,382	155,000	91,588	246,588	78.59
2021-2022	20,644,070	165,000	84,981	249,981	82.58
2022-2023	25,737,656	170,000	77,863	247,863	103.84

(1) Pledged revenues on the Greater Arizona Development Authority Bonds include the state revenue sharing less the debt service .

(2) GADA infrastructure revenue bond series 2010A.

Schedule 17 (continued)
City of Flagstaff
Pledged Revenue Coverage
Last Three Fiscal Years

Road Street Repair and Safety Revenue Bonds

Fiscal Year (1)	Revenue (2)	Debt Service Requirements			Coverage
		Principal (3)	Interest	Total	
2016-2017	\$ 6,665,630	\$ -	\$ 133,125	\$ 133,125	50.07
2017-2018	6,445,644	475,000	332,750	807,750	7.98
2018-2019	5,598,205	450,000	508,822	958,822	5.84
2019-2020	5,520,998	830,000	656,663	1,486,663	3.71
2020-2021	6,589,410	855,000	628,388	1,483,388	4.44
2021-2022	7,437,340	885,000	600,513	1,485,513	5.01
2022-2023	7,402,548	915,000	569,613	1,484,613	4.99

(1) New issue no trend information available prior to fiscal year 2016-2017.

(2) Pledged revenues on the Road Repair/Street Safety obligations include excise tax revenues less the debt service. Excise tax revenues are revenues from the restricted transaction privilege tax of 0.33% approved at an election held in and for the City on November 4, 2014, which will expire on December 31, 2034.

Schedule 18
City of Flagstaff
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population	Personal Income (thousands of dollars) (1)	Per Capita Personal Income	Median Age	Education Level - Percent High School Grad or Higher	Education Level - Percent Bachelor's Degree or Higher	School Enrollment	Unemployment Rate
2014	67,502	\$ 4,906,294	\$ 51,809	25.9	90.6% *	41.8% *	10,623	6.90%
2015	69,391	5,399,899	52,509	25.6	90.6% *	41.8% *	11,766	6.48%
2016	70,643	5,489,486	38,958	25.2	90.6% *	41.8% *	12,505	6.18%
2017	71,656	6,360,600	45,076	25.1	90.6% *	41.8% *	11,910	4.70%
2018	72,961	6,506,300	45,545	25.2	90.6% *	41.8% *	11,991	4.40%
2019	74,736	7,057,376	49,454	25.2	90.6% *	41.8% *	11,873	4.20%
2020	76,338	7,837,473	54,008	24.9	90.6% *	41.8% *	11,825	4.60%
2021	77,590	8,255,426	56,914	25.8	94.1% *	47.1% *	12,515	6.20%
2022	78,743	8,668,197 *	57,711 *	25.8 *	94.1% *	47.1% *	12,152	4.40%
2023	79,665	9,101,607 *	58,519 *	25.8 *	94.1% *	47.1% *	12,184	4.80%

(*) Estimated

(1) Reflects Coconino County Personal Income

Sources:

- Population - Arizona Department of Administration - Employment and Population Statistics
- Personal Income - Economic Research Federal Reserve Bank of St. Louis for Coconino County
- Per Capita Income - Economic Research Federal Reserve Bank of St. Louis for Coconino County
- Median Age - 2010 US Census/2020 US Census
- Education Level - 2010 US Census/2020 US Census
- School Enrollment - National Center for Education Statistics
- Unemployment - Arizona Department of Administration - Office of Employment and Population Statistics

Schedule 19
City of Flagstaff
Principle Employers
Current Year and Nine Years Prior

<u>Employer</u>	<u>2023</u>			<u>2014</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Northern Arizona University	4,394	1	5.69%	2,815	1	5.10%
W.L. Gore & Associates	2,500	2	3.24%	2,200	3	3.99%
Flagstaff Medical Center	2,487 *	3	3.22%	2,300	2	4.17%
Flagstaff Unified School District	1,283	4	1.66%	1,436	4	2.60%
Coconino County	1,185	5	1.53%	1,294	5	2.35%
City of Flagstaff	996	6	1.29%	872	6	1.58%
Arizona Snowbowl	700	7	0.91%			
Little America Hotel	245	8	0.32%			
Coconino Community College	335	9	0.43%			
Nestle Purina	323	10	0.42%			
Walmart				630	7	1.14%
Grand Canyon Railway				421	8	0.76%
SCA Tissue				279	9	0.51%
Dell Systems				250	10	0.45%
Total	14,448		18.72%	12,497		22.65%
2020 & 2010 U.S. Census Labor Force	77,200	Estimated		55,170		

Source:

- (1) Community Investment Section - Economic Vitality
- (2) City of Flagstaff Human Resources
- (3) Includes all positions reflected by full-time equivalent hours in Schedule 20

* Flagstaff location(s) only

Note: Non-municipal figures were derived from company websites and/or from Datanyze

Schedule 20
City of Flagstaff
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
General government										
Administrative services	86.00	87.25	91.00	97.25	99.57	99.25	103.50	105.50	110.50	114.50
Capital management	7.00	8.00	8.00	8.00	9.00	9.00	9.00	9.00	9.00	9.00
City court	24.35	25.35	26.35	29.35	29.35	29.55	29.55	29.55	29.55	29.55
Public safety										
Police	169.00	169.00	167.00	167.00	173.00	176.00	176.00	177.00	177.00	178.00
Fire	85.00	87.00	88.00	89.00	95.00	94.00	94.00	94.00	108.00	107.00
Public works	25.00	25.00	25.50	25.50	27.50	27.50	29.50	30.50	30.50	32.50
Economic and physical development										
Building	41.50	43.98	44.98	45.50	48.98	50.50	54.00	55.00	55.48	55.48
Planning	20.88	13.88	14.88	19.88	21.88	24.88	25.80	19.75	20.00	21.00
Tourism	12.93	13.93	13.93	14.15	15.15	15.15	16.15	17.15	17.15	17.15
Culture and recreation										
Library	51.40	52.30	53.43	54.49	55.38	55.08	55.32	55.32	55.76	55.76
Parks, recreation, and open space	86.03	85.50	90.13	91.69	93.54	94.50	93.85	93.85	94.85	96.84
Highways and streets	35.52	35.52	33.02	32.02	33.02	33.02	31.52	32.27	35.27	37.27
Water and wastewater	62.00	64.00	66.00	67.00	71.00	73.46	74.42	76.16	78.20	80.20
Environmental services	55.43	55.00	56.25	57.00	57.00	56.00	54.49	55.49	55.50	57.00
Airport	9.50	9.50	9.50	9.50	9.50	11.50	14.50	12.75	14.50	14.50
Stormwater	5.50	4.50	4.50	5.50	5.50	5.50	5.00	7.00	5.00	5.00
Flagstaff housing authority	22.00	22.00	21.60	21.28	21.28	21.28	21.80	21.80	24.00	24.00
Total	799.04	801.71	814.07	834.10	865.65	876.17	888.40	892.09	920.26	934.75

Schedule 21
City of Flagstaff
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Court										
Criminal filings	8,375	7,273	6,924	7,208	6,364	5,819	7,105	6,752	5,582	4,711
Traffic filings	7,726	8,428	8,190	6,437	6,068	5,315	5,933	4,817	4,843	3,314
Non-criminal/other	468	554	1,357	4,668	2,250	1,579	1,750	1,486	-	396
Protective orders *	-	-	-	-	-	-	-	-	73	121
Purchasing										
Credit card rebates received	\$ 48,128	\$ 72,037	\$ 94,873	\$ 104,522	\$ 111,281	\$ 114,462	\$ 110,582	\$ 92,204	\$ 114,620	\$ 126,318
Fire										
Incidents	8,730	9,432	12,775	12,700	14,415	14,626	14,958	15,951	14,459	15,348
Fire	177	184	168	190	218	314	153	163	161	146
Other	2,532	2,654	742	3,017	3,296	3,036	3,676	3,695	3,730	5,810
Emergency medical services	-	-	-	-	-	-	-	-	-	9,392
Inspections assigned	1,340	2,341	2,217	1,775	1,775	1,730	1,730	502	672	639
Plan reviews	512	659	639	743	945	965	960	537	824	767
Fuel Management										
Plan assessment (acres)	N/A	2,300	1,500	1,723	667	345	723	1,013	N/A	N/A
Site marking (acres)	511	70	555	921	586	79	73	50	65	60
Site thinning (acres)	541	820	700	1,381	1,135	1,877	642	140	1,805	2,606
Prescription burn (acres)	778	333	650	948	860	759	288	745	2,767	6,206
Police										
Felony reports	2,564	2,511	2,769	2,945	2,908	2,881	2,863	2,858	2,589	2,293
Misdemeanor reports	10,383	8,980	9,553	9,531	9,045	8,776	9,222	7,907	7,850	7,131
Domestic violence incidents	1,688	1,550	1,541	1,513	1,478	1,661	1,857	1,908	1,905	1,632
Non-crime reports	7,174	6,036	6,660	6,604	6,070	6,756	7,258	6,637	7,310	6,586
Accident reports	2,180	2,590	2,985	2,926	2,803	2,828	2,519	2,418	2,706	2,514
Calls dispatched to police/sheriff	56,373	58,590	62,228	65,566	62,597	61,230	60,479	73,852	55,563	52,003
Calls dispatched to fire	11,464	11,777	13,565	14,497	14,550	14,749	15,529	23,568	18,257	18,491

Schedule 21 (continued)
City of Flagstaff
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Streets										
Potholes repaired	3,605	1,174	1,437	2,367	2,127	886	296	153	2,200	1,200
Airport										
Fuel flowage (gallons sold)	544,028	566,387	603,382	588,506	645,367	855,383	1,267,517	1,295,326	1,495,211	1,151,856
Enplanements	61,691	62,578	69,485	65,887	74,707	87,993	111,035	86,544	114,508	86,803
Refuse collection										
Refuse collected (landfill tonnage)	144,411	143,528	143,639	145,960	109,776	91,105	91,941	104,971	105,586	105,280
Recyclables collected (total tons)	8,343	8,340	12,191	9,452	9,198	9,140	8,285	7,454	7,571	6,773
Community Development										
Permit valuation	\$ 95,467,771	\$ 93,918,660	\$ 177,068,294	\$ 217,767,173	\$ 149,723,688	\$ 167,323,988	\$ 235,395,255	\$ 201,190,867	\$ 240,674,099	(1)
Library										
Visits	687,735	673,246	660,974	662,838	660,030	617,813	444,396	9,268	223,630	380,615
Circulation	1,117,652	1,002,125	1,055,176	1,001,074	929,333	954,071	555,361	293,503	703,032	817,581
Tourism										
Revenue per available room	\$ 59.99	\$ 69.19	\$ 74.14	\$ 76.06	\$ 75.49	\$ 75.64	\$ 59.72	\$ 75.39	\$ 93.25	\$ 90.12

Sources: Various City divisions

(1) This information is tracked on a calendar year basis.

Schedule 22
City of Flagstaff
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>
Public Safety										
Police patrol units (includes motorcycle units)	37	37	39	39	39	40	43	43	43	43
Number of fire hydrants	3,242	3,254	3,254	3,257	3,263	3,350	3,397	3,397	3,401	3,401
Number of fire stations	6	6	6	6	6	6	6	7	7	7
Culture and recreation										
Number of developed parks	23	23	23	23	23	23	23	24	24	24
Number of undeveloped parks	4	4	5	5	5	5	5	5	5	5
Park acreage	710	736	741	741	741	741	741	741	741	741
Flagstaff urban trail system - miles	55	55	56	56	56	59	59	59	59	59
Recreational buildings	4	4	4	4	4	4	5	5	5	5
Highways and streets										
Miles of streets, alleys, and sidewalks	844	844	844	844	844	844	1,018	1,018	1,037	1,037
Number of street lights	3,466	3,466	3,466	3,502	3,502	3,502	3,929	3,951	3,937	3,937
Water and wastewater										
Miles of sewer	274	276	276	294	294	294	374	350	286	286
Number of manholes	7,403	7,493	7,493	7,514	7,514	7,662	7,734	7,734	7,737	7,738
Total active water accounts	19,961	19,934	20,717	20,327	21,483	21,023	21,154	21,156	23,362	23,362
Average gallon water usage per household per month	5,022	4,562	3,901	4,867	4,153	4,170	4,297	4,745	4,680	4,680
Airport										
Fixed base operators	1	1	1	1	1	1	1	1	1	1
Locally based aircraft	134	134	132	132	117	117	112	112	112	112
Tiedowns	11	11	12	12	12	12	18	18	18	18
Enclosed hangars	61	61	61	61	61	61	61	62	62	62
Open hangars	48	48	36	44	44	44	48	48	48	48

Schedule 23
City of Flagstaff
Insurance Summary
Effective July 1, 2022 to June 30, 2023

Coverage	Limit of Liability
Liability Insurance:	
General Liability*	\$ 2,000,000 / per occurrence
(Includes two skateboard parks, bike freestyle park, emergency medical technicians)	\$ 6,000,000 / aggregate
Products - Completed Operations	\$ 2,000,000
Each Claim - Occurrence/Offense	\$ 250,000 / per occurrence
	\$ 500,000 / aggregate
Each Claim - Wrongful Act	\$ 250,000 / per occurrence
	\$ 500,000 / aggregate
Medical Payments	\$ 25,000 / \$5,000 each person
Back Wages	\$ 50,000 / \$25,000 each claim
Fire Damage	\$ 300,000 any one premises
Land Use Liability	\$ 1,000,000 aggregate
Organic Pathogens	\$ 100,000 / \$25,000 each claim
Pollution Liability	\$ 100,000 / \$25,000 each claimant
Aggregate Deductible	\$ 250,000 / per occurrence
	\$ 500,000 / aggregate
No-Fault Sewer Backup	\$ 5,000 / \$2,500 each claim
Sewer Backup	\$ 1,000,000
Property Insurance:	
Property Deductible	\$100,000 deductible
Municipal Mobile Equipment	\$ 10,532,131 / \$10,000 deductible
Rented or Leased Mobile or Misc	\$ 500,000 \$500 deductible
Miscellaneous Equipment	\$ 284,882 \$10,000 deductible
Electronic Data Processing	\$ 1,988,500 / \$10,000 deductible
Fine Arts	\$ 50,000 / \$250 deductible
Signs	\$ 50,000 \$0 deductible
Accounts Receivable	\$ 50,000 / \$0 deductible

Coverage	Limit of Liability
Auto Insurance:	
Liability	\$ 2,000,000 / \$100,000 deductible
Physical Damage Comprehensive	\$5,000 deductible
Physical Damage Collision	\$5,000 deductible
Hired and Non-Owned	\$ 2,000,000
Auto Extension	
Rental Reimbursement	\$ 3,000
Roadside Assistance	\$ 200
Towing	\$ 250
Trip Interruption	\$ 600
Crime:	
Blanket Public Employees and Treasurer	\$ 1,000,000
Dishonesty Bond Including Faithful Performance of Duty	
Employee Theft - Per Loss	\$ 1,000,000 / \$0 deductible
Forgery	\$ 1,000,000 \$0 deductible
Theft - Inside, Money and Securities	\$ 100,000 / \$250 deductible
Theft - Inside, Robbery	\$ 100,000 / \$250 deductible
Theft - Outside, Money and Securities	\$ 100,000 / \$250 deductible
Computer Fraud	\$ 1,000,000 / \$250 deductible
Funds Transfer Fraud	\$ 1,000,000 / \$250 deductible
Money Orders/Counterfeit	\$ 100,000 / \$250 deductible
Faithful Performance Bond	\$ 1,000,000 \$0 deductible
Cyber Coverage Aggregate	\$ 2,000,000 / \$50,000 deductible
Municipal Property Extension	\$ 250,000





CITY OF FLAGSTAFF
211 W. Aspen Ave.
Flagstaff, Arizona 86001
flagstaff.az.gov



City of Flagstaff, Arizona
Single Audit Report
Year Ended June 30, 2023

**City of Flagstaff, Arizona
Single Audit Report
For the Year Ended June 30, 2023**

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**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards**

Honorable Mayor and Members of the City Council
City of Flagstaff, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Flagstaff, Arizona, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Flagstaff, Arizona’s basic financial statements, and have issued our report thereon dated December 20, 2023. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Flagstaff, Arizona’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Flagstaff, Arizona’s internal control. Accordingly, we do not express an opinion on the effectiveness of City of Flagstaff, Arizona’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Flagstaff, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Flagstaff, Arizona
December 20, 2023

**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Honorable Mayor and Members of the City Council
City of Flagstaff, Arizona

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Flagstaff, Arizona's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Flagstaff, Arizona's major federal programs for the year ended June 30, 2023. City of Flagstaff, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Flagstaff, Arizona complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Flagstaff, Arizona and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Flagstaff, Arizona's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Flagstaff, Arizona's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Flagstaff, Arizona's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about City of Flagstaff, Arizona's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Flagstaff, Arizona's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Flagstaff, Arizona's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Flagstaff, Arizona's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Flagstaff, Arizona as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Flagstaff, Arizona's basic financial statements. We issued our report thereon dated December 20, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Flagstaff, Arizona
December 20, 2023

City of Flagstaff, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Contract/Grant Number	Expenditures	Subrecipients/ Pass-through
Department of Agriculture				
<i>Direct Programs:</i>				
Emergency Watershed Protection Program	10.923	N0422EWP0010118	1,718,026	
Subtotal			<u>1,718,026</u>	
<i>Passed through Arizona Department of Forestry and Fire Management:</i>				
State & Private Forestry Hazardous Fuel Reduction Program	10.697	WFHF 19-205	28,229	
State & Private Forestry Hazardous Fuel Reduction Program	10.697	WFHF 20-202	77,053	
State & Private Forestry Hazardous Fuel Reduction Program	10.697	NFHF 21-202	13,027	
Subtotal			<u>118,309</u>	
<i>Passed through Watershed Training and Research Center:</i>				
State & Private Forestry Cooperative Fire Assistance	10.698	428-21-114	8,006	
Subtotal			<u>8,006</u>	
Total Department of Agriculture			<u>1,844,341</u>	
Department of Housing and Urban Development				
<i>Direct Programs:</i>				
CDBG-Entitlement Grants Cluster:				
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	B-20-MW-04-0510	61,041	31,000
Total CDBG-Entitlement Grants Cluster			<u>61,041</u>	<u>31,000</u>
Public Housing Operating Fund	14.850	AZ006-00000123D	159,053	
Public Housing Operating Fund	14.850	AZ006-00000122D	112,515	
Public Housing Operating Fund	14.850	AZ006-00000121D	152,828	
Public Housing Operating Fund	14.850	AZ006-00000223D	192,915	
Public Housing Operating Fund	14.850	AZ006-00000222D	176,240	
Subtotal			<u>793,551</u>	
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856	AZ006MRO001 / AZ006SRO001	77,216	
Section 8 Housing Choice Vouchers	14.871	AZ006	5,339,024	
COVID-19 Section 8 Housing Choice Vouchers	14.871	AZ006	416,655	
Subtotal			<u>5,755,679</u>	
Public Housing Capital Fund	14.872	AZ20P006501-20	43,889	
Public Housing Capital Fund	14.872	AZ20P006501-21	346,696	
Public Housing Capital Fund	14.872	AZ20P006501-22	9,091	
Subtotal			<u>399,676</u>	
COVID-19 Mainstream Vouchers	14.879	AZ006	160,143	
Total Department of Housing and Urban Development			<u>7,247,306</u>	<u>31,000</u>
Department of Interior				
<i>Direct Programs:</i>				
National Park Service Conservation, Protection, Outreach, and Education	15.954	FY18-22-NPS	5,000	
Total Department of Interior			<u>5,000</u>	
Department of Justice				
<i>Direct Programs:</i>				
Bulletproof Vest Partnership Program	16.607	DOJ-2021-BVP	9,860	
Bulletproof Vest Partnership Program	16.607	DOJ-2022-BVP	14,485	
Subtotal			<u>24,345</u>	
Public Safety Partnership and Community Policing Grants	16.710	2020CKWX0018	33,504	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-21-GG-01158-JAGX	10,431	8,202
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-22-GG-02570-JAGX	37,197	11,061
Subtotal			<u>47,628</u>	<u>19,263</u>
<i>Passed through Arizona Criminal Justice Commission:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-23-002	86,448	
Total Department of Justice			<u>191,925</u>	<u>19,263</u>

City of Flagstaff, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Contract/Grant Number	Expenditures	Subrecipients/ Pass-through
Department of Transportation				
<i>Direct Programs:</i>				
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	3-04-0015-044-2020	86,480	
COVID-19 Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	3-04-0015-045-2020	3,436,535	
COVID-19 Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	3-04-0015-046-2021	320,726	
COVID-19 Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	3-04-0015-048-2021	533,277	
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	U.S. DOT-OST-2011-0119-0025	8,402	
Subtotal			<u>4,385,420</u>	
Highway Planning and Construction	20.205	STBGP/PFM2203P/FMPT022	153,408	
<i>Passed through Arizona's Governor's Office of Highway Safety:</i>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	2022-AI-004	2,685	
State and Community Highway Safety	20.600	2023-AI-004	35,780	
State and Community Highway Safety	20.600	2023-AL-015	9,908	
Subtotal			<u>48,373</u>	
National Priority Safety Programs	20.616	2022-405d-017	3,865	
National Priority Safety Programs	20.616	2022-405d-016	8,902	
National Priority Safety Programs	20.616	2023-405d-014	12,606	
National Priority Safety Programs	20.616	2023-II-002	20,934	
Subtotal			<u>46,307</u>	
Total Highway Safety Cluster			94,680	
<i>Passed through Arizona State Parks and Trails:</i>				
Recreational Trails Program	20.219	ASPT 472303/ADOT M472303P/RTP-F-101	7,638	
Total Department of Transportation			<u>4,641,146</u>	
Department of Treasury				
<i>Direct Programs:</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		338,108	239,559
<i>Passed through Arizona Office of Tourism:</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	GR-ARPA-11112021-02-03	28,152	
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	GR-ARPA-11112021-02-04	166,869	
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	GR-ARPA-09162022-02-037	29,046	
Subtotal			<u>224,067</u>	
Total Department of Treasury			<u>562,175</u>	239,559
Institute Of Museum And Library Services				
<i>Passed through Arizona State Library, Archives and Public Records:</i>				
COVID-19 Grants to States	45.310	2021-ARPA-21	3,101	
Grants to States	45.310	2022-0260-04	15,000	
Grants to States	45.310	2022-0340-S2	4,000	
Grants to States	45.310	2022-0170-T4	2,281	
Grants to States	45.310	2022-0230-01	11,288	
Total Institute of Museum and Library Services			<u>35,670</u>	
Environmental Protection Agency				
<i>Passed through Water Infrastructure Finance Authority of Arizona:</i>				
Clean Water State Revolving Fund (CWSRF) Cluster:				
Clean Water State Revolving Fund	66.458	CW-005-2020	4,097	
Total Clean Water State Revolving Fund (CWSRF) Cluster			<u>4,097</u>	
Total Environmental Protection Agency			<u>4,097</u>	
Department of Homeland Security				
<i>Direct Programs:</i>				
Assistance to Firefighters Grant	97.044	EMW-2021-FG-04025	42,120	
Subtotal			<u>42,120</u>	
Cooperating Technical Partners	97.045	EMF-2018-CA-00010	72,998	
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2020-FF-01522	454,632	
<i>Passed through Arizona Department of Emergency and Military Affairs:</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	SD2202	5,000	
BRIC: Building Resilient Infrastructure and Communities	97.047	PDMC-PJ-09-AZ-2019-016	19,671	
Total Department of Homeland Security			<u>594,421</u>	
Total Expenditures of Federal Awards			<u>15,126,081</u>	<u>289,822</u>

City of Flagstaff, Arizona
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Significant Accounting Policies Used in Preparing the SEFA

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of City of Flagstaff, Arizona under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

10% De Minimis Indirect Cost Rate

The auditee did not use the de minimis indirect cost rate.

Assistance Listing Numbers

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantor or through sam.gov. If the three-digit Assistance Listing extension is unknown, there is a U followed by a two-digit number in the Assistance Listing extension to identify one or more Federal award lines from that program. The first Federal program with an unknown three-digit extension is indicated with U01 for all award lines associated with that program, the second is U02, etc.

**City of Flagstaff, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: No

Identification of major programs:

Assistance Listing Numbers

10.923

20.106

Name of Federal Programs or Clusters

Emergency Watershed Protection Program

Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee: Yes

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: No

Findings and Questioned Costs Related to Federal Awards: No

Summary Schedule of Prior Audit Findings required to be reported: No

December 21, 2023

To the Mayor and City Council
City of Flagstaff, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Flagstaff, Arizona (City) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Flagstaff, Arizona are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 1 of the financial statements, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, for the year ended June 30, 2023. GASB Statement No. 96 increases the usefulness of the financial statements by requiring the recognition of certain assets and liabilities for SBITAs. The City's analysis of contracts and agreements in effect at the beginning of the year increased subscription based assets and liabilities by \$498,651 which resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time management estimates those assets will provide some economic benefit in the future.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- The assumptions used in the actuarial valuations of the pension and other postemployment benefits plans are based on historical trends and industry standards.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit and communicate them to the appropriate level of management. A misstatement is defined as a difference between the reported amount, classification, presentation, or disclosure of a financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be presented fairly in accordance with the applicable financial reporting framework. During the course of the audit we did not identify any uncorrected misstatements which require communication.

In addition, as part of the professional services we provided to the City we assisted with the preparation of the SEFA and related notes as well as the Data Collection Form submission to the Federal Audit Clearinghouse.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the City's auditors.

Compliance with Ethics Requirements Regarding Independence

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

Responsibility for Fraud

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper "tone at the top", increases the likelihood that fraud will be prevented, deterred and detected.

Additional Reports Issued

In addition to the auditor's report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 60 days of the date of this letter.

- Single Audit Report
- Examination report on the Annual Expenditure Limitation Report

Other Important Communications Related to the Audit

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

Restriction on Use

This information is intended solely for the use of the members of the City Council and management of City of Flagstaff, Arizona and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Flagstaff, Arizona

Fraud Prevention Checklist

The most cost-effective way to limit fraud losses is to prevent fraud from occurring. This checklist is designed to help organizations test the effectiveness of their fraud prevention measures.

1. Is ongoing anti-fraud training provided to all employees of the organization?

- Do employees understand what constitutes fraud?
- Have the costs of fraud to the company and everyone in it — including lost profits, adverse publicity, job loss and decreased morale and productivity — been made clear to employees?
- Do employees know where to seek advice when faced with uncertain ethical decisions, and do they believe that they can speak freely?
- Has a policy of zero-tolerance for fraud been communicated to employees through words and actions?

2. Is an effective fraud reporting mechanism in place?

- Have employees been taught how to communicate concerns about known or potential wrongdoing?
- Is there an anonymous reporting channel available to employees, such as a third-party hotline?
- Do employees trust that they can report suspicious activity anonymously and/or confidentially and without fear of reprisal?
- Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?
- Do reporting policies and mechanisms extend to vendors, customers and other outside parties?

3. To increase employees' perception of detection, are the following proactive measures taken and publicized to employees?

- Is possible fraudulent conduct aggressively sought out, rather than dealt with passively?
- Does the organization send the message that it actively seeks out fraudulent conduct through fraud assessment questioning by auditors?
- Are surprise fraud audits performed in addition to regularly scheduled audits?
- Is continuous auditing software used to detect fraud and, if so, has the use of such software been made known throughout the organization?

- 4. Is the management climate/tone at the top one of honesty and integrity?**
 - Are employees surveyed to determine the extent to which they believe management acts with honesty and integrity?
 - Are performance goals realistic?
 - Have fraud prevention goals been incorporated into the performance measures against which managers are evaluated and which are used to determine performance-related compensation?
 - Has the organization established, implemented and tested a process for oversight of fraud risks by the board of directors or others charged with governance (e.g., the audit committee)?

- 5. Are fraud risk assessments performed to proactively identify and mitigate the company's vulnerabilities to internal and external fraud?**

- 6. Are strong anti-fraud controls in place and operating effectively, including the following?**
 - Proper separation of duties
 - Use of authorizations
 - Physical safeguards
 - Job rotations
 - Mandatory vacations

- 7. Does the internal audit department, if one exists, have adequate resources and authority to operate effectively and without undue influence from senior management?**

- 8. Does the hiring policy include the following (where permitted by law)?**
 - Past employment verification
 - Criminal and civil background checks
 - Credit checks
 - Drug screening
 - Education verification
 - References check

- 9. Are employee support programs in place to assist employees struggling with addictions, mental/ emotional health, family or financial problems?**

- 10. Is an open-door policy in place that allows employees to speak freely about pressures, providing management the opportunity to alleviate such pressures before they become acute?**

- 11. Are anonymous surveys conducted to assess employee morale?**

July 11, 2023

Honorable Mayor, Members of the City Council, and Management
City of Flagstaff
211 W. Aspen Ave.
Flagstaff, AZ 86001

We are pleased to confirm our understanding of the services we are to provide for City of Flagstaff, Arizona (City) for the year ended June 30, 2023. We encourage you to read this letter carefully as it includes important information regarding the services we will be providing to the City. If there are any questions on the content of the letter, or the services we will be providing, we would welcome the opportunity to meet with you to discuss this information further.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the general fund, highway user revenue fund and the transportation fund, including the disclosures, which collectively comprise the basic financial statements of City of Flagstaff, Arizona as of and for the year ended June 30, 2023.

We have also been engaged to report on supplementary information that accompanies the City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of expenditures of federal awards
2. Combining and individual fund financial statements and schedules

Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI) to supplement the City's basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America.

These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis
2. Budgetary comparison schedules
3. GASB-required pension and other post-employment benefits schedules

In connection with our audit of the basic financial statements, we will read the following other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

1. Other information included with the audited financial statements such as the transmittal letter statistical data and financial date submission schedules

In addition, we will perform the necessary procedures to issue the applicable report for the following.

1. Examination report on the Annual Expenditure Limitation Report
2. Examination report on compliance for highway user revenue fund monies in accordance with ARS §9-481(B)(2)
3. Agreed-upon procedures report on compliance with the local government financial test ("LOGO") requirements under Municipal Solid Waste Landfill Criteria
4. Agreed-upon procedures related to the electronic submission and related hard copy documents required by the U.S. Department of Housing and Urban Development
5. Independent auditors' report on compliance with requirements applicable to the Passenger Facility Charge Program and on internal control over compliance and report on the Schedule of Expenditures of Passenger Facility Charges

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

An important aspect to our expression of opinions on the financial statements is understanding the concept of materiality. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. For purposes of determining materiality we may assume that reasonable users –

1. have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;
2. understand that financial statements are prepared, presented, and audited to levels of materiality;
3. recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and
4. make reasonable judgements based on the information in the financial statements.

Auditor’s Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in the financial statements nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts. Our procedures will also include, as deemed necessary, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request, if deemed necessary, written representations from the City's attorneys as part of the engagement, and they may bill you for responding to this inquiry.

Audit Procedures – Internal Control

We will obtain an understanding of the City and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City’s compliance with applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the City has complied with federal statutes, regulations and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City’s major programs. For federal programs that are included in the *OMB Compliance Supplement*, our compliance and internal control procedures will relate to the compliance requirements that the *OMB Compliance Supplement* identifies being subject to audit. The purpose of these procedures will be to express an opinion on the City’s compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Reporting

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Governing Board of the City. Circumstances may arise in which our reports may differ from expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor’s report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Responsibilities of Management for the Financial Statements and Single Audit

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under Uniform Guidance; (3) additional information we may request for the purpose of the audit; and (4) unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; the schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Management's responsibilities also include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

Management is responsible for the design and implementation of programs to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the City complies with applicable laws, regulations, contracts, agreements, and grants.

You are also responsible taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review prior to issuance of our reports.

Management is responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19 related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in a written representation letter that (1) you are responsible for presentation of supplementary information in accordance with accounting principles generally accepted in the United States of America; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or studies related to the objectives discussed in the *Audit Scope and Objectives* section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our tests will not include a detailed check of all transactions for the period.

We have identified the following significant risks of material misstatement as part of our audit planning:

1. Management override of controls
2. Improper revenue recognition

Our audit will include obtaining an understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit in July 2023 and conclude audit procedures and date our report in December 2023.

Our audit of the financial statements does not relieve you of your responsibilities outlined in the *Responsibilities of Management for the Financial Statements* section of this letter.

Use of Third-Party Service Providers

We maintain internal policies, procedures, and safeguards to protect the confidentiality of your information. We may, depending on the circumstances, use third-party service providers in providing our professional services. The following service providers may be utilized in the completion of our engagement:

- Capital Confirmation, Inc. – electronic bank and account balance confirmation service
- Citrix ShareFile – web-based application service to transfer files
- CCH Engagement Organizer – web-based application service to transfer files
- Harvest Investments, Ltd. – investment portfolio valuation service

You hereby consent and authorize us to use the above service providers, if deemed necessary, to complete the professional services outlined in this letter.

Engagement Administration, Fees, and Other

Michael Lauzon is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the Federal Audit Clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

The audit documentation for this engagement is the property of Heinfeld, Meech & Co., P.C., and constitutes confidential information. However, we may be requested to make certain audit documentation available to a cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, the U.S. Government Accountability Office, or other authorized governmental agency for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Heinfeld, Meech & Co., P.C., personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven (7) years after the report release date, or for any additional period requested by a regulator, cognizant agency, oversight agency for audit, or pass-through entity. Upon expiration of the seven year period, or any additional period, we will commence the process of destroying the contents of our engagement files. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

In the event we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our hourly rates, for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

Any disagreement, controversy, or claim (“dispute”) that may arise from any aspect of our services, including this engagement or any prior engagement, will be submitted to mediation. The parties will engage in the mediation process in good faith once a written request to mediate has been given by any party. Any mediation initiated as a result of this engagement shall be administered by The American Arbitration Association, according to its mediation rules before resorting to litigation. The results of any such mediation shall be binding only upon agreement of each party to be bound. Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally.

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any dispute that may arise between us. The parties agree that, notwithstanding any statute or law of limitations that might otherwise apply to a dispute, including one arising out of this agreement or the services performed under this agreement, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any action or legal proceeding by you against us must be commenced within twenty-four (24) months (“limitation period”) after the date when we deliver our final audit report under this agreement to you, regardless of whether we do other services for you relating to the audit report, or you shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery. The limitation period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a dispute.

Professional standards prohibit auditors from agreeing to indemnify attest clients for damages, losses or costs arising from lawsuits, claims or settlements that relate, directly or indirectly, to the client’s acts. As such, professional standards will prevail for indemnification clauses included in audit contracts. In addition, we are unable to obtain waivers on our professional liability insurance policy for certain provisions, including indemnification provisions, provisions requiring the firm to name the City as an additional insured party, and a waiver of subrogation rights.

Professional standards require us to be independent with respect to you in the performance of these services. Any discussion that you have with our personnel regarding potential employment with you could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity. Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our fee for these services will be at the amount outlined in our proposal. We exercised care in estimating the fee and believe it accurately indicates the scope of the work. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Our fees are based on anticipated cooperation from your personnel, timely receipt of information, and the assumption that unexpected circumstances will not be encountered during the audit, including factors beyond our control, such as new accounting pronouncements or legal requirements, additional consultation, and assistance in correcting errors in your financial records. We will plan the engagement based on the assumption that your personnel will prepare and provide us with the items listed in our request for audit information, including preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Additional fees incurred will be billed at the following hourly rates: Partner - \$280; Manager - \$230; Senior - \$160; Staff - \$120.

If any term or provision of this agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2021 peer review report accompanies this letter.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. Please feel free to contact us at any time if you have any questions or concerns. If you have any questions regarding this letter, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Flagstaff, Arizona

cc: Rick Tadder, Management Services Director
Brandi Suda, Finance Director

RESPONSE

This letter correctly sets forth the understanding of City of Flagstaff, Arizona.

Printed Name: Rick Tadder
Rick Tadder

Title: Management Services Director
Management Services Director

Signature: *Rick Tadder*

Date: 07/11/2023

Printed Name: Brandi Suda
Brandi Suda

Title: Finance Director
Finance Director

Signature: *Brandi Suda*

Date: 07/18/2023

Report on the Firm's System of Quality Control

August 31, 2021

To Heinfeld, Meech & Co., P.C. and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. (the firm) in effect for the year ended May 31, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

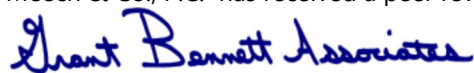
Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. in effect for the year ended May 31, 2021, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Heinfeld, Meech & Co., P.C. has received a peer review rating of *pass*.



GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants



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Together as One. Grant Bennett Associates is a Member of the Alliott Global Alliance of independent professional firms.

SIGNATURE CERTIFICATE



REFERENCE NUMBER

7EF65BD0-363F-4CAE-BA6E-9A92E7A2FB1A

TRANSACTION DETAILS

Reference Number

7EF65BD0-363F-4CAE-BA6E-9A92E7A2FB1A

Transaction Type

Signature Request

Sent At

07/11/2023 10:07 MST

Executed At

07/18/2023 18:01 MST

Identity Method

email

Distribution Method

email

Signed Checksum

df38e07207afb3133a2d172a444e225b6d70a6385e9bf82969e7fd58cd65c

Signer Sequencing

Disabled

Document Passcode

Disabled

DOCUMENT DETAILS

Document Name

Engagement Ltr Fy23 Flagstaff City

Filename

engagement_ltr_fy23_flagstaff_city.pdf

Pages

13 pages

Content Type

application/pdf

File Size

380 KB

Original Checksum

1ff916a83bbbed2cc080414b4f370fb12addb585e156b67eb4a6b2cd6113dab6

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
<p>Name Brandi Suda</p> <p>Email bsuda@flagstaffaz.gov</p> <p>Components 4</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum 360a61f826703dd85f0322ceb9f3cac93f1b09aa367ef7cd37b3c2b30d2dcab2</p> <p>IP Address 24.156.41.179</p> <p>Device Microsoft Edge via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID E0944BA4</p>	<p>Viewed At 07/18/2023 17:46 MST</p> <p>Identity Authenticated At 07/18/2023 18:01 MST</p> <p>Signed At 07/18/2023 18:01 MST</p>
<p>Name Rick Tadder</p> <p>Email rtadder@flagstaffaz.gov</p> <p>Components 4</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum 57ee6e06c18fc2820e4d05d9c2bc4a12ad74c0616c2c1ad33c74c0e9e1e1e59f</p> <p>IP Address 207.246.9.250</p> <p>Device Chrome via Windows</p> <p>Typed Signature </p> <p>Signature Reference ID 8031EE63</p>	<p>Viewed At 07/11/2023 15:32 MST</p> <p>Identity Authenticated At 07/11/2023 15:51 MST</p> <p>Signed At 07/11/2023 15:51 MST</p>

AUDITS

TIMESTAMP	AUDIT
07/11/2023 10:07 MST	Carri Corbett (carri.corbett@hm.cpa) created document 'engagement_ltr_fy23_flagstaff_city.pdf' on Chrome via Windows from 69.242.238.232.
07/11/2023 10:07 MST	Rick Tadder (rtadder@flagstaffaz.gov) was emailed a link to sign.
07/11/2023 10:07 MST	Brandi Suda (bsuda@flagstaffaz.gov) was emailed a link to sign.
07/11/2023 15:32 MST	Rick Tadder (rtadder@flagstaffaz.gov) viewed the document on Chrome via Windows from 207.246.9.250.
07/11/2023 15:51 MST	Rick Tadder (rtadder@flagstaffaz.gov) authenticated via email on Chrome via Windows from 207.246.9.250.
07/11/2023 15:51 MST	Rick Tadder (rtadder@flagstaffaz.gov) signed the document on Chrome via Windows from 207.246.9.250.

TIMESTAMP**AUDIT**

07/15/2023 16:01 MST

Brandi Suda (bsuda@flagstaffaz.gov) was emailed a reminder.

07/18/2023 17:46 MST

Brandi Suda (bsuda@flagstaffaz.gov) viewed the document on Microsoft Edge via Windows from 24.156.41.179.

07/18/2023 18:01 MST

Brandi Suda (bsuda@flagstaffaz.gov) authenticated via email on Microsoft Edge via Windows from 24.156.41.179.

07/18/2023 18:01 MST

Brandi Suda (bsuda@flagstaffaz.gov) signed the document on Microsoft Edge via Windows from 24.156.41.179.

Heinfeld, Meech & Co., P.C.
751 E. Pine Knoll Suite 1201
Flagstaff, AZ 86001

This representation letter is provided in connection with your audit of the financial statements of City of Flagstaff, Arizona, which comprise the respective financial position of the governmental activities the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the disclosures (collectively the “financial statements”), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of our signature, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
8. The effects of all known actual or possible litigation, claims, and assessments have been evaluated, and if necessary, have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the insert type of City Council here or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13. We have no knowledge of any fraud or suspected fraud that affects the **City** and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, grantors, regulators, or others.
15. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. If applicable, we have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified and communicated to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
23. If applicable, we have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
24. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred outflows/inflows of resources, and fund balance or net position.
25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

26. With respect to your compliance examination of highway user revenue fund monies and other dedicated state transportation revenues, we represent the following:
 - we are responsible for compliance with A.R.S. Title 28, Chapter 18, Article 2; and for establishing and maintaining effective internal controls to ensure compliance.
 - we have disclosed to you all known noncompliance with the aforementioned statutes and related requirements.
 - we have disclosed to you all communications from regulatory agencies, internal auditors, other independent accountants or consultants, and others regarding possible noncompliance with the aforementioned statutes and related requirements.
27. We have identified and disclosed to you all instances of identified fraud and suspected fraud that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
28. We have identified and disclosed to you all instances of identified noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
29. We have identified and disclosed to you all instances of identified abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
30. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
31. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
32. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
33. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
34. If applicable, the financial statements include all component units, appropriately present majority equity interest in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
35. The financial statements include all fiduciary activities required by U.S. GAAP.

36. The financial statements properly classify all funds and activities in accordance with U.S. GAAP.
37. All funds that meet the quantitative criteria for presentation as a major fund are identified and presented as such and all other funds that are presented as a major fund are particularly important to financial statement users.
38. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
39. Investments are properly valued.
40. With regard to investments and other instruments reported at fair value:
 - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
41. If applicable, provisions for uncollectible receivables have been properly identified and recorded.
42. All payroll information and the individual employment data have been properly submitted to the state retirement systems, and the employer contributions have been properly submitted to the retirement systems.
43. There were no omissions from the participants' data provided to the City's actuary for the purpose of determining the net pension and OPEB liabilities and other actuarially determined amounts in the financial statements.
44. The City agrees with the actuarial methods and assumptions used by the actuary for funding and financial reporting purposes, and for determining the City's actuarial the net pension and OPEB liabilities and has no knowledge or belief that such methods or assumptions are inappropriate in the circumstances.
45. The City agrees with the results of actuarial reports issued and have adequately considered the qualifications of the actuary in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the actuary with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the actuaries.

46. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
47. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, or contributions to permanent fund principal.
48. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
49. Special and extraordinary items, if any, are appropriately classified and reported.
50. Deposits and investment securities are properly classified as to risk and are properly disclosed.
51. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
52. We have identified and disclosed to you all contracts, agreements, and transactions that result in subscription-based information technology arrangements (SBITAs) for financial reporting purposes. SBITAs have been properly recorded and disclosed in the notes to the financial statements.
53. We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
54. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
55. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
56. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
57. With respect to the supplementary information presented, such as [the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards.
 - a. We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America,

and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- b. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
58. We acknowledge our responsibility for the other information included in the financial statements, such as the transmittal letter and statistical data. We believe the other information, including its form and content, is fairly presented and is materially consistent with the basic financial statements.
59. With respect to federal award programs:
- a. We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards (SEFA).
 - b. We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards and related disclosures in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
 - c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
 - d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
 - e. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.

- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards, if any.
- j. We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR Part 200, Subpart E).
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding

significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.

- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. If applicable, we have monitored subrecipients to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
- u. If applicable, we have issued management decisions for audit findings that relate to federal awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient.
- v. If applicable, we have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- w. We have charged costs to federal awards in accordance with applicable cost principles.
- x. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- y. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- z. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- aa. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- bb. If applicable, we have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

We understand that at the conclusion of the audit Heinfeld, Meech & Co, P.C. will submit to the City Council a communication to those charged with governance that will include a copy of this representation letter and a copy of the engagement letter.

Rick Tadder

Rick Tadder, Management Services Director/Treasurer
City of Flagstaff, Arizona

12/20/2023

Date

Brandi Suda

Brandi Suda, Finance Director
City of Flagstaff, Arizona

12/20/2023

Date

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Tiffany Antol, Zoning Code Manager
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE:

Consideration and Adoption of Resolution No. 2024-05 and Ordinance No. 2024-03: A resolution of the City Council of the City of Flagstaff, Coconino County, Arizona, declaring as a public record that certain document filed with the City Clerk entitled "PZ-23-00136 - Residential Uses in the Public Facility (PF) Zone" and an ordinance of the City Council of the City of Flagstaff, Coconino County, Arizona, amending the Flagstaff City Code, Title 10, Flagstaff Zoning Code, to allow residential uses (single-family, duplex, and multi-family dwellings) as a permitted **or conditional** use in the Public Facility (PF) zone.

STAFF RECOMMENDED ACTION:

1. Adopt Resolution No. 2024-05
2. Read Ordinance No. 2024-03 by title only for the final time
3. City Clerk reads Ordinance No. 2024-03 by title only (if approved above)
4. Adopt Ordinance No. 2024-03

Executive Summary:

The proposed amendment includes additions to Table 10-40.30.060.B: Public and Open Space Zone -- Allowed Uses to permit Duplex Dwellings, Multi-Family Dwellings, Attached Single-family Dwellings, and Detached Single-family Dwellings within the PF zone utilizing the HR zone development standards including density, lot coverage, building height, and setbacks. **There are two alternatives provided based on comment and feedback. The original version allows residential uses as a permitted use. The alternative version allows residential uses as a conditional use.**

On January 10, 2023, the Planning and Zoning Commission recommended by a vote of 3-1 approval of the proposed amendment.

Financial Impact:

There are no anticipated financial impact affiliated with the proposed Zoning Code Text Amendment.

Policy Impact:

The code amendment will implement an adopted Policy and Initiative from the 10-Year Housing Plan. Specifically, Policy Create 4: Amend the Flagstaff Zoning Code to facilitate the development of all housing types, and Create 4.3 Explore adding affordable housing as an allowed use in the Public Facilities (PF) zone.

**Connection to PBB, Carbon Neutrality Plan, 10-Year Housing Plan & Regional Plan:
Priority Based Budget Key Community Priorities and Objectives**

Achieve a well-maintained community through comprehensive & equitable code compliance, & development that is compatible with community values.

Carbon Neutrality Plan

Encourage vibrancy, appropriate density, and attainability in existing neighborhoods, so that residents can live within walking distance to their daily needs.

Regional Plan

Staff's analysis of the Regional Plan's goals and policies is included below under Key Considerations under the Zoning Code Text Amendment Criteria heading, Finding #1 of this report.

Has There Been Previous Council Decision on This:

There has not been a previous City Council decision on this ordinance.

Options and Alternatives:

The City Council may adopt, modify, or deny the proposed amendment.

Background and History:

The Flagstaff City Council adopted Resolution No. 2022-52 on November 1, 2022. This resolution states that the Mayor and City Council require if a City-owned building or property is being vacated by the City, that the Housing Section first have the opportunity to evaluate the property. This evaluation would be to determine the feasibility of repurposing or developing the property in a manner that supports increasing the number of available and affordable housing units, including but not limited to: converting to municipally operated Affordable Housing; seeking a public-private partnership; or exploring shared equity models of development. Many City-owned properties are located within the PF zone, which does not currently permit the residential uses that are encouraged by this resolution. This amendment proposes to make these uses permitted within the PF Zone to support this resolution.

There are currently 181 parcels located within the PF zone. The City owns 40% of all the parcels within the PF zone. Northern Arizona University owns 29% of the properties within the PF zone and is not required to comply with the City's Zoning Ordinance. Flagstaff Unified School District owns 9% of the parcels within the PF zone and other governments or quasi-public agencies (APS, museums, County, Unisource, and Lowell) own 12% of all the parcels. The remaining 10% of all the PF zoned parcels fall under private ownership.

Key Considerations:

The Planning Director shall provide a recommendation to the Planning and Zoning Commission for its review. The Director's recommendation shall be transmitted to the Planning and Zoning Commission in the form of a staff report prior to a scheduled public hearing. The recommendation shall include the following: an evaluation of the consistency and conformance of the proposed amendment with the goals and policies of the General Plan and any applicable specific plans; the grounds for the recommendation based on the standards and purposes of the zones set forth in Section 10-40.20 (Establishment of Zones) of the Zoning Code; and a recommendation on whether the amendment should be granted or denied.

A Zoning Code Text Amendment shall be evaluated based on the following findings:

A. Finding #1:

The proposed amendment is consistent with and conforms to the objectives and policies of the General Plan and any applicable specific plan;

Zoning has a profound impact on housing location and type, but it can also impact cost and affordability.^[1] This amendment is meant to reduce the regulatory burden of rezoning public or quasi-publicly owned lands for the use of housing. The Flagstaff 10-Year Housing Plan supports the proposed amendment through the following policy:

Create 4: Amend the Flagstaff Zoning Code to facilitate the development of all housing types.

Create 4.3 Explore adding affordable housing as an allowed use in the Public Facilities (PF) Zone.

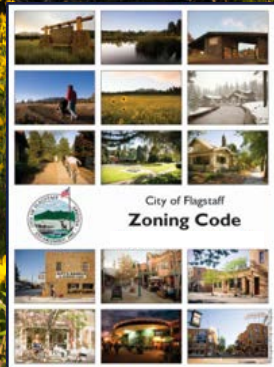
This amendment is not intended for housing to compete with existing land resources for recreation and open space. Most properties designated for specific use are protected by additional factors such as existing ordinances or deed restrictions. Open space and recreational uses are generally compatible with residential uses and there may be opportunities to create public-private partnerships that help deliver both needed resources in the Flagstaff community.

The Flagstaff 10-Year Housing Plan was adopted after the most recent Regional Plan and also includes

**Zoning Code Amendment
Table 10-40.30.060.B
Residential Uses in the Public
Facility (PF) Zone**

PZ-23-00136

**Tiffany Antol, AICP
Zoning Code Manager**





Residential Uses in the Public Facility (PF) Zone

City's Proposed Zoning Code Text Amendment

Overview of Proposed Amendment:

Modify Table 10-40.30.060.B: Public and Open Space Zones – Allowed Uses to permit Duplex Dwellings, Multi-Family Dwellings, Attached Single-family Dwellings, and Detached Single-family Dwellings within the PF zone utilizing the HR zone development standards including density, lot coverage, building height, and setbacks.

Section 10-20.30.060 Neighborhood Meeting currently requires that any change of use within the Public Facility (PF) zone requires a neighborhood meeting. Since none of the existing PF zoned parcels are currently developed with any proposal for housing would be considered a change of use triggering this requirement.



Residential Uses in the Public Facility (PF) Zone

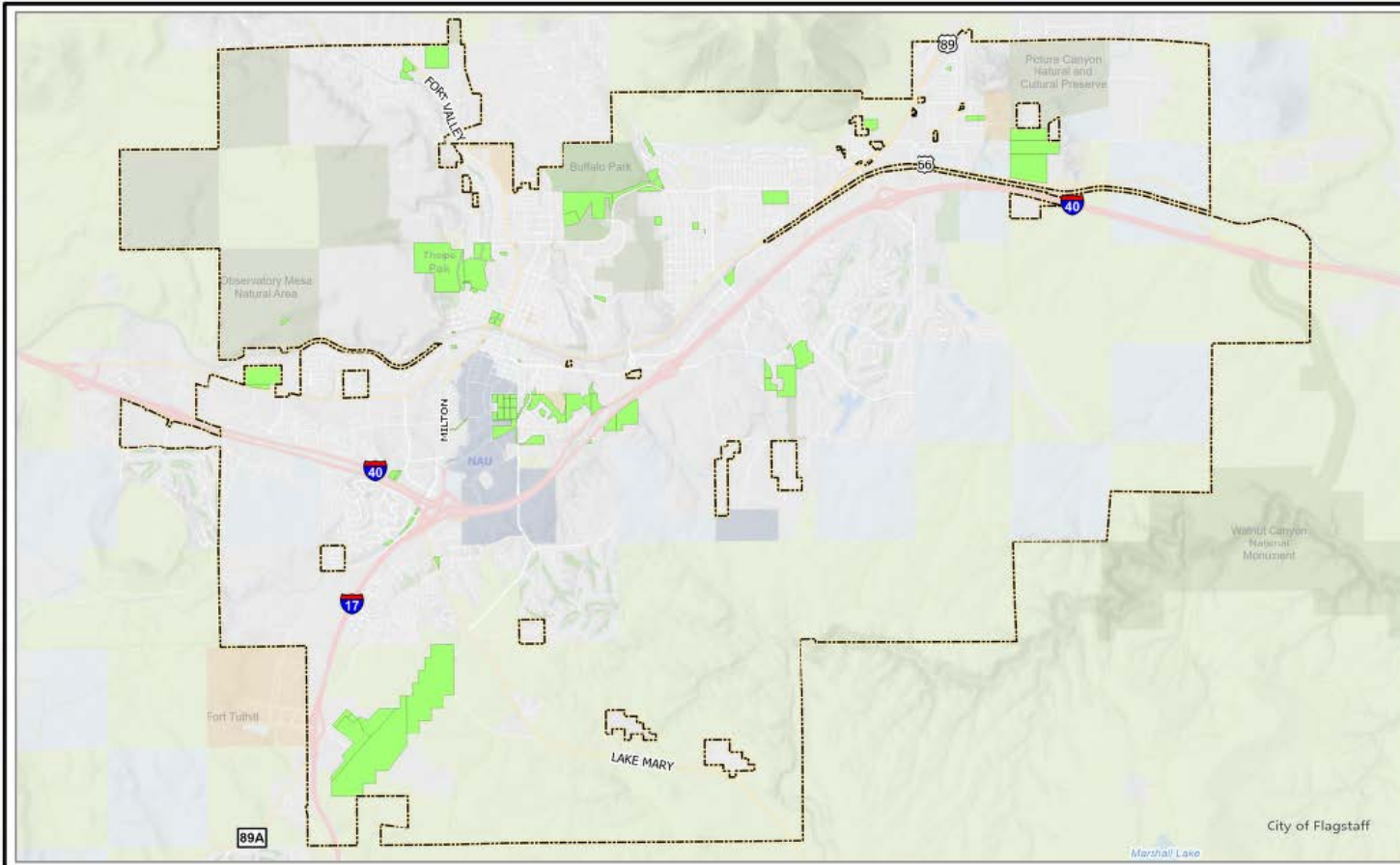
City's Proposed Zoning Code Text Amendment

Overview of Proposed Amendment:

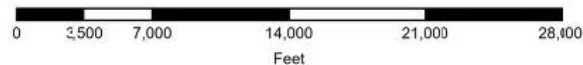
The Flagstaff City Council adopted Resolution No. 2022-52 on November 1, 2022. This resolution states that the Mayor and City Council require if a City-owned building or property is being vacated by the City, that the Housing Section first have the opportunity to evaluate the property.



Residential Uses in the Public Facility (PF) Zone



City Owned Public Facility Zoned Parcels



City of Flagstaff maps and data are updated on a regular basis from data obtained from various sources. The City of Flagstaff endeavors to provide accurate information, but accuracy is not guaranteed. You are strongly encouraged to obtain any information you need for a business or legal transaction from a surveyor, engineer, title company, or other licensed professional as appropriate. Information is provided subject to the express condition that you knowingly waive any and all claims for damages against the City of Flagstaff relating to use of this information.



9/15/2023 8:26 AM

There are currently 181 parcels located within the PF zone.

- The City owns 40% of all the parcels within the PF zone
- Northern Arizona University owns 29% of the properties within the PF zone and is not required to comply with the City's Zoning Ordinance
- Flagstaff Unified School District owns 9% of the parcels within the PF zone
- Other governments or quasi-public agencies (APS, museums, County, Unisource, and Lowell) own 12% of all the parcels.
- Remaining 10% of all the PF zoned parcels fall under private ownership.



Residential Uses in the Public Facility (PF) Zone

Staff Recommendation

Findings for Zoning Code Text Amendments:

- (1) The proposed amendment is consistent with and conforms to the objectives and policies of the General Plan and any applicable specific plan;**
- (2) The proposed amendment will not be detrimental to the public interest, health, safety, convenience or welfare of the City; and**
- (3) The proposed amendment is internally consistent with other applicable provisions of this Zoning Code.**



Residential Uses in the Public Facility (PF) Zone

The proposed amendment is consistent with and conforms to the objectives and policies of the General Plan and any applicable specific plan.

Zoning has a profound impact on housing location and type, but it can also impact cost and affordability. This amendment is meant to reduce the regulatory burden of rezoning public or quasi-publicly owned lands for the use of housing. The Flagstaff 10-Year Housing Plan supports the proposed amendment through the following policy:

- Create 4: Amend the Flagstaff Zoning Code to facilitate the development of all housing types.
 - Create 4.3 Explore adding affordable housing as an allowed use in the Public Facilities (PF) Zone.

The existing Regional Plan supports this proposed amendment with the following policies:

- NH.3.1. Provide a variety of housing types throughout the City and region, including purchase and rental options, to expand the choices available to meet the financial and lifestyle needs of our diverse population.
- NH.3.3. Increase the availability of affordable housing for very-low income persons, through innovative and effective funding mechanisms.



Residential Uses in the Public Facility (PF) Zone

The proposed amendment will not be detrimental to the public interest, health, safety, convenience or welfare of the City.

The amendment provisions are not anticipated to be detrimental to the public interest, health, safety, convenience, or welfare of the City. The proposed provisions are intended to reduce the cost of housing within areas currently zoned Public Facility. Properties owned by the City of Flagstaff will fall under the discretion and review of the Flagstaff City Council.



Residential Uses in the Public Facility (PF) Zone

The proposed amendment is internally consistent with other applicable provisions of this Zoning Code.

- The amendment is internally consistent, utilizes the existing format, and does not conflict with other Zoning Code provisions. It maintains the Zoning Code's purpose as a comprehensive contemporary set of land uses and requirements that are straightforward, usable, and easily understood.



Residential Uses in the Public Facility (PF) Zone

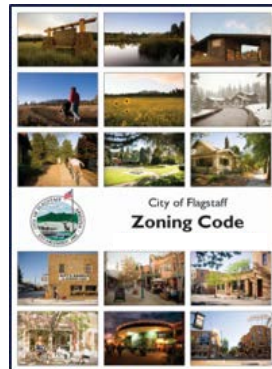
Recommendation

Staff recommends the Planning and Zoning Commission, in accordance with the findings presented in this report, make a recommendation to the City Council for approval of Zoning Code Text Amendment PZ-23-00136 – Residential Uses in the Public Facility (PF) Zone.



Meeting Facilities

Questions, Comments, and Suggestions





Residential Uses in the Public Facility (PF) Zone

Conditional Use Permits

- The purpose of conditional use permits is to provide a process for reviewing uses and activities that are permitted in an applicable zone, but that require more discretionary review and the possible imposition of conditions to mitigate the effects of the proposed use.

RESOLUTION NO. 2024-05

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL DECLARING AS A PUBLIC RECORD THAT CERTAIN DOCUMENT FILED WITH THE CITY CLERK AND ENTITLED “PZ-23-00136 – RESIDENTIAL USES IN THE PUBLIC FACILITY (PF) ZONE”

RECITALS:

WHEREAS, pursuant to A.R.S. § 9-802 a municipality may enact or amend provisions of the City Code by reference to a public record, provided that the adopting ordinance is published in full;

WHEREAS, the City of Flagstaff wishes to incorporate by reference amendments to the Flagstaff Zoning Code, Ordinance No. 2024-03, by first declaring said amendments to be a public record.

ENACTMENTS:

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. In General.

That certain document known as “*PZ-23-00136 – Residential Uses in the Public Facility (PF) zone*” attached hereto as Exhibit A is hereby declared to be a public record, and one (1) paper copy and one (1) electronic copy shall remain on file with the City Clerk in compliance with A.R.S. § 44-7041, and said copies shall remain on file with the City Clerk.

SECTION 2. Effective Date.

This resolution shall be effective thirty (30) days following adoption by the City Council.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 19th day of March, 2024.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

Exhibits:

A. PZ-23-00136 – Residential Uses in the Public Facility (PF) zone

Case No. PZ-23-00136 – Residential Uses in the Public Facility (PF) Zone

Provisions that are being deleted are shown in bold strikethrough
 Provisions that are being added are shown in bold black text.

Section 1. Amend Title 10 Flagstaff Zoning Code, Chapter 10-40: Specific to Zones, Division 10-40.30: Non-Transect Zones, Section 10-40.30.060: Public and Open Space Zones, Table 10-40.30.060.B: Public and Open Space Zones – Allowed Uses as follows:

B. Public and Open Space Zones – Allowed Uses. The allowed land uses of each of the Public and Open Space zones are shown in Table 10-40.30.060.B.

Table 10-40.30.060.B. Public and Open Space Zones – Allowed Uses				
Land Use	Specific Use Regulations	Public and Open Space Zones		
		PF	PLF	POS
Industrial, Manufacturing, Processing and Wholesaling				
Quarrying Operations	10-40.60.280	UP	--	--
Ranching, Forestry and Animal Keeping				
Forestry		--	P	--
Ranching		--	P	--
Recreation, Education and Assembly				
Commercial Campgrounds	10-40.60.130	UP	--	--
Commercial Recreation Facilities, Indoor		UP	--	--
Commercial Recreation Facilities, Outdoor	10-40.60.270	UP	--	--
Libraries, Museums		P	--	--
Outdoor Public Uses, General		P	--	--
Open Spaces		P	P	P
Parks or Recreation Facilities				
Active Recreation		P	--	--

**PZ-23-00136 Zoning Code Text Amendment
Residential Uses in the Public Facility (PF) Zone**

Table 10-40.30.060.B. Public and Open Space Zones – Allowed Uses				
Land Use	Specific Use Regulations	Public and Open Space Zones		
		PF	PLF	POS
Passive Recreation		P	P	P
Schools – Public and Charter		P	--	--
Schools – Private		UP	--	--
Universities and Colleges		P	--	--
Residential				
Employee Housing		P ¹	--	--
Dwelling, Duplex		P¹	--	--
Dwelling, Multiple-Family		P¹	--	--
Dwelling, Attached Single-Family		P¹	--	--
Dwelling, Detached Single-Family		P¹	--	--
Institutional Residential				
Congregate Care Facilities		P	--	--
Convents or Monasteries		UP	--	--
Custodial Care Facilities		UP	--	--
Homeless Shelters 10.40.60.190				
Emergency Shelters		UP		
Short Term Housing		UP		
Nursing Homes		UP		
Sheltered Care Homes		UP		
Retail Trade				
Farmers Markets and Flea Markets		P	--	--
Services				

**PZ-23-00136 Zoning Code Text Amendment
Residential Uses in the Public Facility (PF) Zone**

Table 10-40.30.060.B. Public and Open Space Zones – Allowed Uses				
Land Use	Specific Use Regulations	Public and Open Space Zones		
		PF	PLF	POS
Cemeteries		UP	--	--
Governmental Offices		P	--	--
Public Services				
Public Services Major		UP	--	--
Public Services Minor		UP	UP	--
Emergency Services		UP	--	--
Telecommunication Facilities				
AM Broadcasting Facilities	10-40.60.310	UP	UP	--
Antenna-Supporting Structure	10-40.60.310	UP	UP	--
Attached Telecommunication Facilities	10-40.60.310	P	P	--
Collocation Facility	10-40.60.310	P	P	--
FM/DTV/Low Wattage AM Broadcasting Facilities	10-40.60.310	P	UP	--
Stealth Telecommunication Facilities	10-40.60.310	P	P	--
Transportation and Infrastructure				
Accessory Wind Energy Systems	10-40.60.040	P	P	--
Wind Energy Production Facility		UP	P	--
Airports/Landing Strips, Heliports, or Helistops	10-40.60.060	UP	--	--
Government Service/Maintenance Facilities		P	--	--
Municipal Airports		P	--	--
Urban Agriculture				
Community Gardens	10-40.60.140	P	--	--

**PZ-23-00136 Zoning Code Text Amendment
Residential Uses in the Public Facility (PF) Zone**

Table 10-40.30.060.B. Public and Open Space Zones – Allowed Uses				
Land Use	Specific Use Regulations	Public and Open Space Zones		
		PF	PLF	POS
End Notes				
1. Residential uses not including Institutional Residential uses in the PF zone shall be subject to the Building Form and Property Development Standards of the High Density Residential (HR) zone.				
Key				
P = Permitted Use				
UP = Conditional Use Permit Required				
-- = Use Not Allowed				

DRAFT

Case No. PZ-23-00136 – Residential Uses in the Public Facility (PF) Zone

Provisions that are being deleted are shown in bold ~~strikethrough~~.

Provisions that are being added are shown in bold red text.

Section 1. Amend Title 10 Flagstaff Zoning Code, Chapter 10-40: Specific to Zones, Division 10-40.30: Non-Transect Zones, Section 10-40.30.060.A: Public and Open Space Zones Intent as follows:

A. Intent.

1. PF. The Public Facility (PF) zone applies to areas of the City **primarily** owned by public or quasi-public agencies. The PF zone is intended to ~~preserve and encourage the establishment of public lands and to~~ provide ~~an~~ **areas** within the City for active and passive recreation uses, parks, public open space, governmental buildings and facilities, **residential dwellings**, schools and school grounds, quasi-public buildings and facilities, and related uses.

Section 2. Amend Title 10 Flagstaff Zoning Code, Chapter 10-40: Specific to Zones, Division 10-40.30: Non-Transect Zones, Section 10-40.30.060: Public and Open Space Zones, Table 10-40.30.060.B: Public and Open Space Zones – Allowed Uses as follows:

B. Public and Open Space Zones – Allowed Uses. The allowed land uses of each of the Public and Open Space zones are shown in Table 10-40.30.060.B.

Table 10-40.30.060.B. Public and Open Space Zones – Allowed Uses				
Land Use	Specific Use Regulations	Public and Open Space Zones		
		PF	PLF	POS
Industrial, Manufacturing, Processing and Wholesaling				
Quarrying Operations	10-40.60.280	UP	--	--
Ranching, Forestry and Animal Keeping				
Forestry		--	P	--
Ranching		--	P	--
Recreation, Education and Assembly				
Commercial Campgrounds	10-40.60.130	UP	--	--

**PZ-23-00136 Zoning Code Text Amendment
Residential Uses in the Public Facility (PF) Zone**

Table 10-40.30.060.B. Public and Open Space Zones – Allowed Uses				
Land Use	Specific Use Regulations	Public and Open Space Zones		
		PF	PLF	POS
Commercial Recreation Facilities, Indoor		UP	--	--
Commercial Recreation Facilities, Outdoor	10-40.60.270	UP	--	--
Libraries, Museums		P	--	--
Outdoor Public Uses, General		P	--	--
Open Spaces		P	P	P
Parks or Recreation Facilities				
Active Recreation		P	--	--
Passive Recreation		P	P	P
Schools – Public and Charter		P	--	--
Schools – Private		UP	--	--
Universities and Colleges		P	--	--
Residential				
Employee Housing		P ¹	--	--
Dwelling, Duplex		UP¹	--	--
Dwelling, Multiple-Family		UP¹	--	--
Dwelling, Attached Single-Family		UP¹	--	--
Dwelling, Detached Single-Family		UP¹	--	--
Institutional Residential				
Congregate Care Facilities		P	--	--
Convents or Monasteries		UP	--	--
Custodial Care Facilities		UP	--	--

PZ-23-00136 Zoning Code Text Amendment
Residential Uses in the Public Facility (PF) Zone

Table 10-40.30.060.B. Public and Open Space Zones – Allowed Uses					
Land Use	Specific Use Regulations	Public and Open Space Zones			
		PF	PLF	POS	
Homeless Shelters		10.40.60.190			
	Emergency Shelters	UP			
	Short Term Housing	UP			
	Nursing Homes	UP			
	Sheltered Care Homes	UP			
Retail Trade					
	Farmers Markets and Flea Markets	P	--	--	
Services					
	Cemeteries	UP	--	--	
	Governmental Offices	P	--	--	
Public Services					
	Public Services Major	UP	--	--	
	Public Services Minor	UP	UP	--	
	Emergency Services	UP	--	--	
Telecommunication Facilities					
	AM Broadcasting Facilities	10-40.60.310	UP	UP	--
	Antenna-Supporting Structure	10-40.60.310	UP	UP	--
	Attached Telecommunication Facilities	10-40.60.310	P	P	--
	Collocation Facility	10-40.60.310	P	P	--
	FM/DTV/Low Wattage AM Broadcasting Facilities	10-40.60.310	P	UP	--
	Stealth Telecommunication Facilities	10-40.60.310	P	P	--

**PZ-23-00136 Zoning Code Text Amendment
Residential Uses in the Public Facility (PF) Zone**

Table 10-40.30.060.B. Public and Open Space Zones – Allowed Uses				
Land Use	Specific Use Regulations	Public and Open Space Zones		
		PF	PLF	POS
Transportation and Infrastructure				
Accessory Wind Energy Systems	10-40.60.040	P	P	--
Wind Energy Production Facility		UP	P	--
Airports/Landing Strips, Heliports, or Helistops	10-40.60.060	UP	--	--
Government Service/Maintenance Facilities		P	--	--
Municipal Airports		P	--	--
Urban Agriculture				
Community Gardens	10-40.60.140	P	--	--
End Notes				
1. Residential uses, not including Institutional Residential uses, shall be subject to the Building Form and Property Development Standards of the High Density Residential (HR) zone.				
Key				
P = Permitted Use				
UP = Conditional Use Permit Required				
-- = Use Not Allowed				

ORDINANCE NO. 2024-03

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, TITLE 10, FLAGSTAFF ZONING CODE, BY ADOPTING BY REFERENCE THAT CERTAIN DOCUMENT ENTITLED “PZ-23-00136 – RESIDENTIAL USES IN THE PUBLIC FACILITY (PF) ZONE”; PROVIDING FOR PENALTIES, REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, the City of Flagstaff wishes to amend Title 10 Flagstaff Zoning Code of the Flagstaff City Code, to modify the Public Facility (PF) zone to allow residential land uses; and

WHEREAS, a public open house was held on October 19, 2023, to discuss the proposed Zoning Code text amendment; and

WHEREAS, a citizen review session was held at the Planning Commission work session on October 25, 2023, to discuss the proposed Zoning Code text amendment in accordance with Section 10-20.50.040 of the Flagstaff Zoning Code; and

WHEREAS, the Planning and Zoning Commission held public hearing on January 10, 2024, and provided a recommendation to City Council on proposed Zoning Code text amendment; and

WHEREAS, the Council has read and considered the staff report prepared by the Planning and Development Services section of the Community Development division and all attachments to those reports, and the Council finds that the proposed Zoning Code text amendment is in conformance with the General Plan, and the findings of Section 10- 20.50.040 of the Flagstaff Zoning Code have been met; and

WHEREAS, that certain document known as “PZ-23-00136 – Residential Uses in the Public Facility (PF) Zone”, one (1) paper copy and one (1) electronic copy of which are on file with the City Clerk in compliance with A.R.S. § 44-7041, was declared to be a public record by Resolution No. 2024-05.

ENACTMENTS:

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. The foregoing recitals are incorporated as if fully set forth herein.

SECTION 2. That certain document known as “PZ-23-00136 – Residential Uses in the Public Facility (PF) Zone”, one (1) paper copy and (1) electronic copy are on file in the office of the City Clerk of the City of Flagstaff, Arizona, which document is declared a public record by Resolution No. 2024-05 of the City of Flagstaff, Arizona, is hereby referred to, adopted and made a part hereof as if fully set out in this ordinance and its provisions are hereby declared to amend the Flagstaff City Code, replacing and superseding the existing relevant provisions of the City Code, as set forth therein.

SECTION 3. The amendment is consistent with and conforms to the goals of the Regional Plan (General Plan).

SECTION 4. The amendment will not be detrimental to the public interest, health, safety, convenience, or welfare of the City, and will add to the public good as described in the General Plan.

SECTION 5. The amendment is internally consistent with other applicable provisions of this Zoning Code.

SECTION 6. Repeal of Conflicting Ordinances

All ordinances and parts of ordinances in conflict with the provisions of the code adopted herein are hereby repealed.

SECTION 7. Severability

If any section, subsection, sentence, clause, phrase or portion of this ordinance or any part of the code adopted herein by reference is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

SECTION 8. Clerical Corrections

The City Clerk is hereby authorized to correct clerical and grammatical errors, if any, related to this ordinance, and to make formatting changes appropriate for purposes of clarity, form, or consistency with the Flagstaff City Code.

SECTION 9. Effective Date

This Ordinance shall be effective thirty (30) days following adoption by the City Council.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 19th day of March, 2024.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

HOUSING IMPACT STATEMENT
PZ-23-00136 RESIDENTIAL USES IN THE PUBLIC FACILITY (PF) ZONE

Pursuant to ARS 9-462.01 (J) a Housing Impact Statement shall be considered by the City Council prior to adopting a Zoning Code Text Amendment regarding the impact of the amendment on the following:

1. A general estimate of the probable impact on the average cost to construct housing for sale or rent within the zoning districts to which the zoning text amendment applies.

The proposed amendment does not directly impact the average cost to construct housing for sale or rent within the PF zone as residential uses are not currently permitted. This amendment will allow the construction of housing with the intention of increasing affordable housing units within the community. This amendment has the potential to reduce development costs and fees affiliated with rezoning a property.

2. A description of any data or reference material on which the proposed zoning text amendment is based.

Flagstaff's 10-Year Housing Plan was used as reference material for the development of this proposed text amendment. This plan includes a specific strategy to allow the development of affordable housing in the Public Facility (PF) zone. Affordable housing is not a specific land use and is only possible with the inclusion of residential land uses within this zoning category.

3. A description of any less costly or less restrictive alternative methods of achieving the purpose of the proposed zoning text amendment.

Residential uses are not currently permitted in the Public Facility (PF) Zone. The principal behind this ordinance is to allow housing as a permitted use granting greater opportunity for additional housing resources with the Flagstaff community. The alternative includes requiring lands currently owned by government and quasi-governmental agencies to rezone property to allow for residential uses which can be time consuming and cost restrictive.

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Tiffany Antol, Zoning Code Manager
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE:

Consideration and Adoption of Resolution No. 2024-11: A resolution of the Flagstaff City Council prioritizing the development of affordable housing for Flagstaff residents at a range of income levels as determined by current needs on lands owned by the City of Flagstaff that are made available for development.

STAFF RECOMMENDED ACTION:

1. Read Resolution No. 2024-11 by title only
2. City Clerk reads Resolution No. 2024-11 by title only (if approved above)
3. Adopt Resolution No. 2024-11

Executive Summary:

In 2022, the Mayor and City Council adopted the Housing Emergency Declaration (Res. No. 2020-66) and the 10-Year Housing Plan (Resolution No. 2022-03) which commits the City to increasing the number of affordable and long-term housing options for Flagstaff residents at all income levels. This resolution is intended to clarify City Council priorities for City-owned lands available for development.

Financial Impact:

None

Policy Impact:

The adoption of this resolution would set policy for Council to prioritize affordable housing on city-owned properties made available for development.

Connection to PBB, Carbon Neutrality Plan, 10-Year Housing Plan & Regional Plan:

Priority Based Budget Key Community Priorities and Objectives

Support the development of attainable and accessible housing.

Carbon Neutrality Plan

Encourage vibrancy, appropriate density, and attainability in existing neighborhoods, so that residents can live within walking distance to their daily needs.

Regional Plan

NH.3.1. Provide a variety of housing types throughout the City and region, including purchase and rental options, to expand the choices available to meet the financial and lifestyle needs of our diverse population.

NH.3.3. Increase the availability of affordable housing for very-low income persons, through innovative and effective funding mechanisms.

10-Year Housing Plan

Reduce the current affordable housing need in our community by half over the next ten years.

Element one: Impact at least 6,000 low-to-moderate income Flagstaff residents through a combination of unit creation or subsidy provision.

Element two: Create or preserve 7,976 housing units by 2031 with a minimum of 10% of them being affordable.

Create 4: Amend the Flagstaff Zoning Code to facilitate the development of all housing types.

Create 4.3: Explore adding affordable housing as an allowed use in the Public Facilities (PF) Zone.

Create 5.9: Prioritize the development of City of Flagstaff owned land designated for affordable housing and evaluate other City-owned parcels for affordable and mixed-income housing.

Has There Been Previous Council Decision on This:

There have been no previous Council decisions on this resolution.

Options and Alternatives:

The City Council may adopt, modify, or reject the proposed resolution.

Background and History:

This resolution was the result of community conversations regarding a zoning code text amendment permitting residential units in the Public Facility zoning district.

Key Considerations:

The proposed resolution includes the following enactments:

SECTION 1. All land owned by the City and determined to be available for development will first be considered for housing prior to consideration of other uses. Affordable housing for a range of income levels shall be prioritized over market rate housing. Affordable housing units shall be maintained as affordable through such mechanisms as land trust, deed restrictions, development agreements, etc., and shall be monitored for ongoing compliance. Housing units developed on city-owned land shall provide long-term ownership or rental opportunities for permanent Flagstaff residents.

SECTION 2. City-owned land available for development does not include sites necessary for core city functions, including but not limited to existing parks, land identified for future parks, designated open spaces, public infrastructure, and sites utilized for city operations.

Section 3. The City Council shall notify property owners within 300 feet of any City-owned property that may be considered a site for development.

Attachments: [Res. 2024-11](#)

RESOLUTION NO. 2024-11

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL PRIORITIZING THE DEVELOPMENT OF AFFORDABLE HOUSING FOR FLAGSTAFF RESIDENTS AT A RANGE OF INCOME LEVELS AS DETERMINED BY CURRENT NEEDS ON LANDS OWNED BY THE CITY OF FLAGSTAFF THAT ARE MADE AVAILABLE FOR DEVELOPMENT, AND PROVIDING FOR EXCEPTIONS; PROVIDING FOR REPEAL OF CONFLICTING RESOLUTIONS, AND ESTABLISHING AN EFFECTIVE DATE.

RECITALS:

WHEREAS, the Mayor and City Council of the City of Flagstaff wish to establish affordable housing as a priority for residential development on lands available for development owned by the City; and

WHEREAS, in 2022 the Mayor and City Council of the City of Flagstaff have adopted the Housing Emergency Declaration (Res. No. 2020-66) and the 10-Year Housing Plan (Resolution No. 2022-03) which commit the City to increasing the number of affordable and long-term housing options for Flagstaff residents at all income levels; and

WHEREAS, in 2022 the Mayor and City Council of the City of Flagstaff have committed that in the event a City-owned building or property is being vacated by the City, that the Housing Section first have the opportunity to evaluate the property and determine the feasibility of repurposing or developing in a manner that supports increasing the number of available and affordable housing units (Resolution No. 2022-52); and

WHEREAS, the 10-year Housing Plan includes Policies: Create 4: Amend the Flagstaff Zoning Code to facilitate the development of all housing types and Create 4.3 Explore adding affordable housing as an allowed use in the Public Facilities (PF) zone." All housing types are needed in Flagstaff and "affordable housing" is not a land use type. However, this resolution is intended to clarify that for the purpose of city land zoned PF, any residential development should be affordable and made available to permanent Flagstaff residents; and

WHEREAS, the City of Flagstaff owns properties located in desirable locations for residential development with access to employment, community amenities, walkable neighborhoods and transit options; and

WHEREAS; the City of Flagstaff owns properties required for city operations, amenities for the public including parks and open space, and land necessary to complete essential city functions; and

WHEREAS, the provision of affordable and safe housing units supports sustainability, equity, and health systems in the City of Flagstaff.

ENACTMENTS:

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. All land owned by the City and determined to be available for development will first be considered for housing prior to consideration of other uses. Affordable housing for a range of income levels shall be prioritized over market rate housing. Affordable housing units shall be maintained as affordable through such mechanisms as land trust, deed restrictions, development agreements, or other similar agreement, and shall be monitored for on-going compliance. Housing units developed on city-owned land shall provide long-term ownership or rental opportunities for permanent Flagstaff residents.

SECTION 2. City-owned land available for development does not include sites necessary for core city functions, including but not limited to existing parks, land identified for future parks, designated open spaces, public infrastructure, and sites utilized for city operations.

SECTION 3. The City shall notify property owners within 300 feet of any City-owned property that the City proposes to use as a site for development.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 19th day of March 2024.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Wesley Welch, Planner
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE:

Consideration and Adoption of Ordinance No. 2024-10: An ordinance of the City Council of the City of Flagstaff, amending the Flagstaff Zoning Map to rezone approximately 18.24 acres of real property generally located at 6500 E Route 66, from the Rural Residential (RR) zone with a Resource Protection Overlay (RPO) to the Heavy Industrial (HI) zone with a Resource Protection Overlay (RPO), providing for severability, authority for clerical corrections, and establishing an effective date.

STAFF RECOMMENDED ACTION:

At the March 19, 2024 Council Meeting:

- 1) Hold the public hearing.
- 2) Read Ordinance No. 2024-10 by title only for the first time
- 3) City Clerk reads Ordinance No. 2024-10 by title only (if approved above)

At the April 2, 2024 Council Meeting:

- 4) Read Ordinance No. 2024-10 by title only for the final time
- 5) City Clerk reads Ordinance No. 2024-10 by title only (if approved above)
- 6) Adopt Ordinance No. 2024-10

Executive Summary:

Direct to Ordinance Zoning Map Amendment requested by Tony Cullum Law, on behalf of the property owner RE ASSET MANAGEMENT, LLC, of approximately 18.24 acres located at 6500 E Route 66 from the Rural Residential (RR) zone with the Resource Protection Overlay (RPO) to the Heavy Industrial (HI) zone with the Resource Protection Overlay (RPO).

Financial Impact:

No financial impacts are associated with this request.

Policy Impact:

There are no policy impacts associated with this request.

Previous Council Decision or Community Discussion:

There have been no previous Council decisions on this.

Public hearings before the Planning and Zoning Commission and City Council are conducted in conjunction with requests for Zoning Map Amendments. In accordance with Arizona State Statute, notice of the public hearing was provided by placing an ad in the Arizona Daily Sun, posting notices on the property, and mailing a notice to all property owners within 300 feet of the site excluding rights-of-ways. Additionally, the applicant held two on-site neighborhood meetings regarding the case. These meetings were held on August 31, 2020 and December 18, 2023. As of the date of this staff report, no comments have been received regarding this application.

Options and Alternatives to Recommended Action:

The City Council may approve the ordinance as proposed, approve the ordinance with modified conditions, or

deny the ordinance.

Background and History:

The applicant, Tony Cullum Law, is requesting a Direct to Ordinance Zoning Map Amendment on behalf of the property owner, RE ASSET MANAGEMENT, LLC, to rezone approximately 18.24 acres from the Rural Residential (RR) zone with a Resource Protection Overlay (RPO) to the Heavy Industrial (HI) zone with a Resource Protection Overlay (RPO) located at 6500 E Route 66. This amendment would allow the property owner to utilize a portion of the site that can no longer be mined.

The subject property is located near the eastern border of the City Limits, off Route 66. Primary access to the site is through an access easement through the Coconino National Forest off Route 66. The site currently has two buildings on site, one shop and one double-wide trailer that is being used as an office. These buildings will remain on site. The applicant proposes to establish 15 contractor yards, which will be leased out, on the portion of the site that is no longer viable for mining.

Connection to PBB Priorities and Objectives:

Support and strengthen a robust, diverse, and sustainable economy.

The requested direct to ordinance zoning map amendment will help to establish an area in town where contractors can store their vehicles and equipment. This will provide them with an area that they currently do not have in town further strengthening and supporting our heavy industry within the City.

Ensure the built environment is safe through the use of consistent standards as well as best practices for building and land use.

The site is located on an existing cinder mine on a portion that is no longer able to be mined. This will help to retain a similar land use on the site.

Connection to Regional Plan:

Please see attached Planning and Zoning Commission staff report for a detailed analysis of conformance with the Regional Plan and its goals and policies.

Connection to Carbon Neutrality Plan:

EP-2 Support the adaptation efforts of local businesses as the climate changes and the economic landscape shifts.

The referenced Carbon Neutrality Plan goal identifies that local business should adapt as the economic landscape shifts. The establishment of the Contractor Yards on a site that has historically been used for mining helps to create an area for Heavy Industry on a site that has been utilized as an industrial site.

Connection to 10-Year Housing Plan:

None.

Connection to Division Specific Plan:

Zoning Map Amendment Findings

An application for a Zoning Map Amendment shall be submitted to the Planning Director and shall be reviewed and a recommendation prepared. The Planning Director's recommendation shall be transmitted to the Planning and Zoning Commission in the form of a staff report prior to a scheduled public hearing. The recommendation shall include: an evaluation of the consistency and conformance of the proposed amendment with the goals and policies of the General Plan and any applicable specific plans; the grounds for the recommendation based on the standards and purposes of the zones set forth in Section 10-40.20 (Establishment of Zones) of the Zoning Code; and whether the amendment should be granted, granted with conditions to mitigate anticipated impacts caused by the proposed development, or denied.

The following findings will be analyzed specific to the approved site plan and consider if the site were to be redeveloped entirely under the HI zone standards.

Zoning Map Amendments shall be evaluated based on the following findings:

A. Finding #1:

The proposed amendment must be found to be consistent with and in conformance with the goals and policies of the General Plan and any applicable specific plans. If the application is not consistent with the General Plan, and any other applicable specific plan, the applicable plan must be amended in compliance with the procedures established in Chapter 11-10 of the City Code (Title 11: General Plans and Subdivisions) prior to considering the proposed amendment.

See Planning & Zoning Staff Summary.

B. Finding #2

To meet the finding, the proposed amendment must be determined not to be detrimental to the public interest, health, safety, convenience, or welfare of the City of Flagstaff (the "City") and will add to the public good as described in the General Plan.

Staff believes that the proposed project will not be detrimental to the public health, safety, or welfare so long as it is developed in accordance with all codes and requirements.

C. Finding #3

To meet the finding, the affected site must be determined to be physically suitable in terms of design, location, shape, size, and operating characteristics; and the provision of public and emergency vehicle access, public services, and utilities must ensure that the requested zone designation and the proposed or anticipated uses and/or development will not endanger, jeopardize, or otherwise constitute a hazard to the property or improvements in the vicinity in which the property is located.

The proposed application meets this finding. IDS reviewed the application and concluded that the site was suitable for the proposed development. The IDS team based its conclusion on the review of all applicable codes and requirements. The applicant was required to bring a water line and hydrants to the site to mitigate any possible fire hazards that could occur on the site.

Attachments: [Presentation](#)
 [Application](#)
 [Planning and Zoning Commission Staff Report](#)
 [Ord. 2024-15](#)
 [Legal Description](#)
 [Narrative and Regional Plan Analysis](#)
 [Site Plan](#)
 [Citizen Participation Plan \(1/2\)](#)
 [Citizen Participation Plan \(2/2\)](#)

Wildcat Industrial Park Direct to Ordinance Zoning Map Amendment

6500 E Route 66

Wesley Welch, Planner





Wildcat Industrial Park

Property

650 E Route 66

APN 113-07-004, 113-07-003L

Proposed Use

Applicant wishes to utilize a portion of the existing mine that is no longer viable to lease contractor yards.

Request

1. Direct to Ordinance Zoning Map Amendment to rezone approximately 18.24 acres located at 6500 E Route 66 from the Rural Residential (RR) zone with the Resource Protection Overlay (RPO) to the Heavy Industrial (HI) zone with the Resource Protection Overlay (RPO).





Site History



- The subject Property has been historically operated as a volcanic cinder mine.
- A portion of the site is no longer minable, the applicant is wishing to establish contactor yards that are leased out to local companies.
- The current zoning designation, Rural Residential, does not allow for this use.
- The applicant was required to bring a waterline to the property before the rezone was taken to public hearing.



Property Context Map

North

Mining land, zoned RR

West

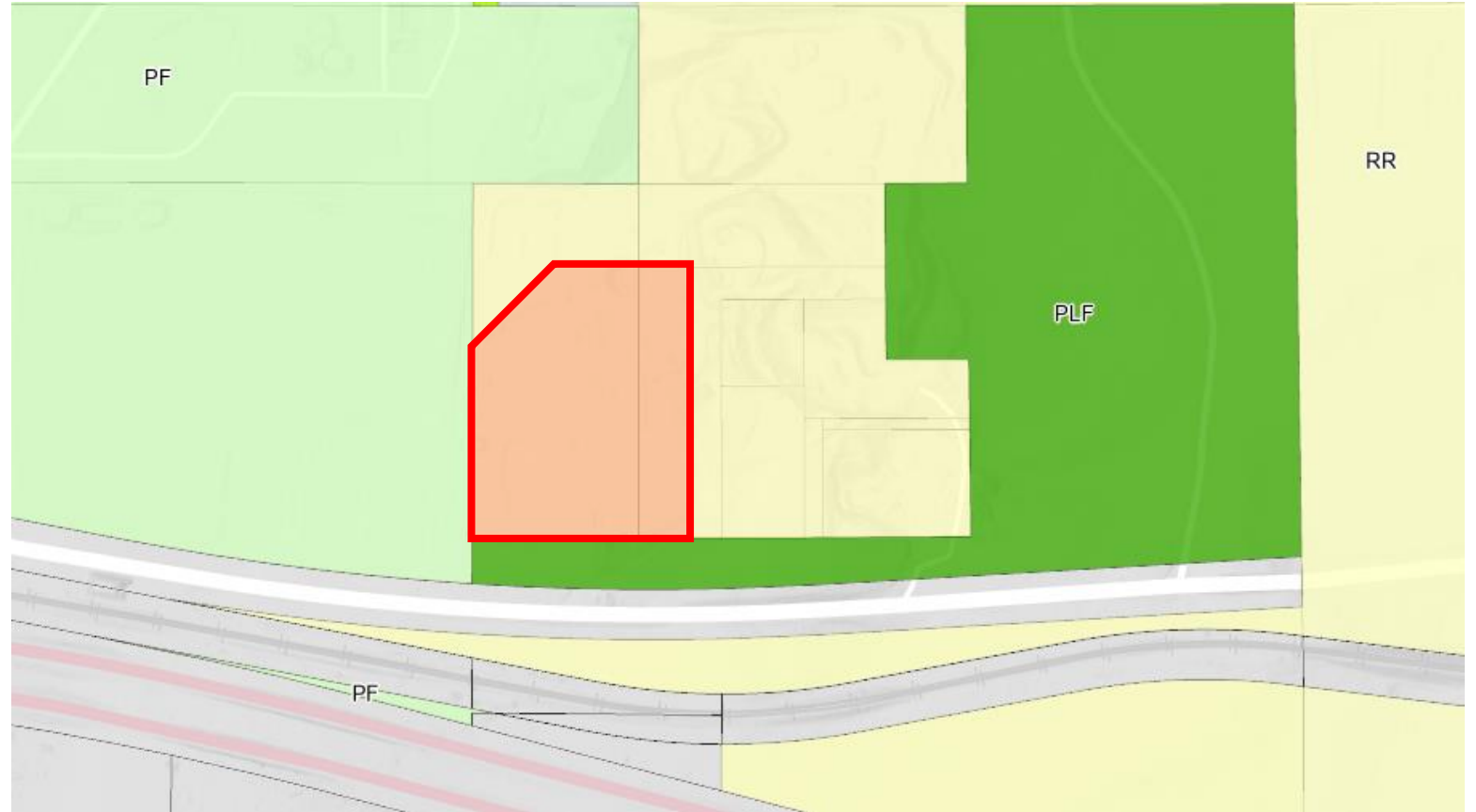
City of Flagstaff wastewater treatment plant, Zoned PF

East

Mining land, zoned RR

South

Coconino National Forest and right-of-way, zoned PLF





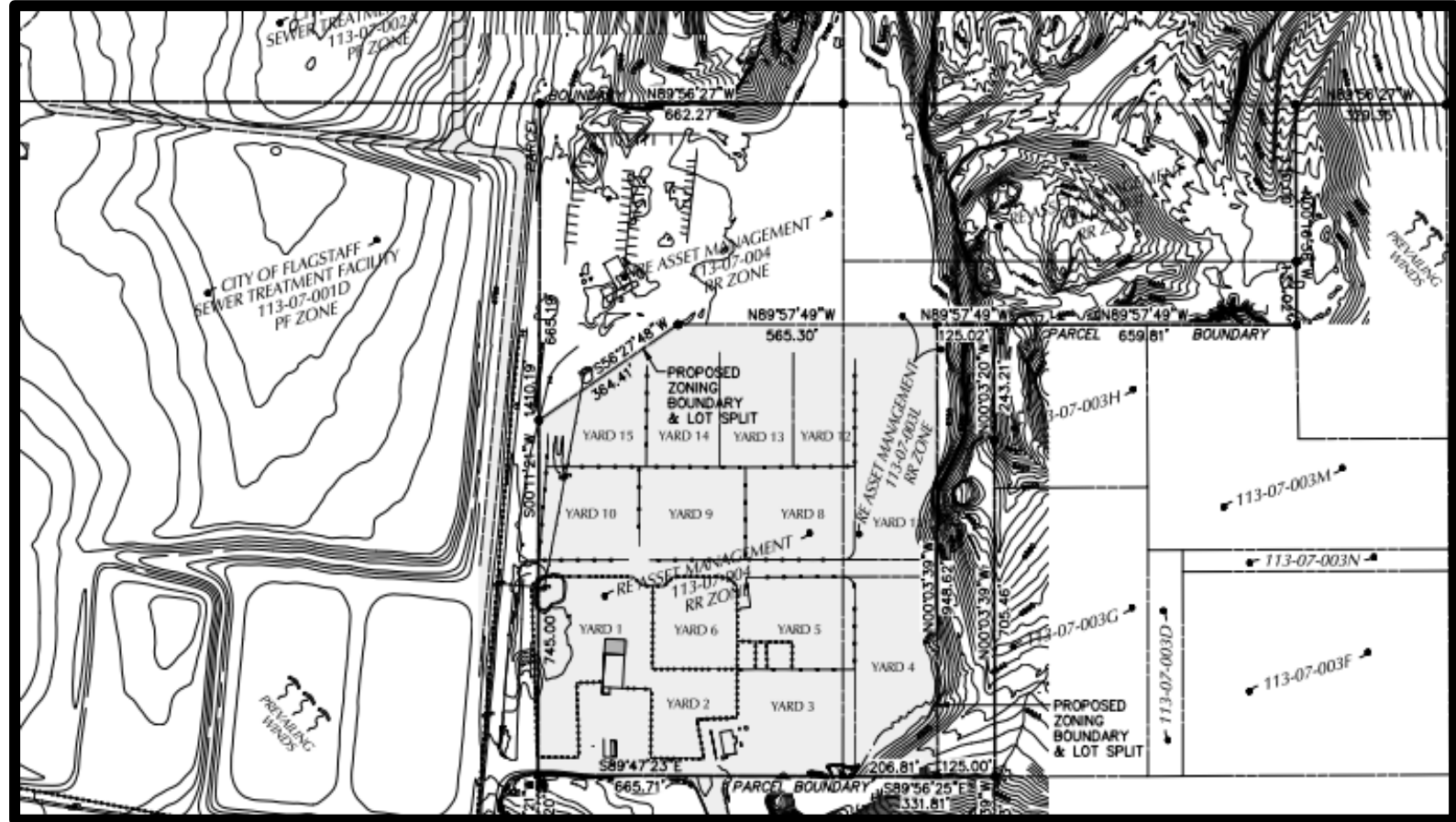
Types of Zoning Map Amendments

- Direct to Ordinance with a Site Plan
 - Requires applicant to submit fully developed site plans with all supporting information required for a site plan review.
 - Once a zoning map amendment is approved by Council, the project can proceed directly to construction plan review.
- Concept Zoning Plan
 - Process allows a concept plan and applicant to pursue site plan approval after the rezoning. This means staff has not reviewed building heights, landscape plans, outdoor lighting plans, signage or architectural design standards.

Wildcat Industrial Site Plan



- Establishment of 15 contractor yards
 - Two small existing buildings will remain on site.
- 18.24 acre site
- Existing parking for the office and shop, parking is not required for the contractor yards.



Impact Analyses



- There are three main impact analyses that can be triggered by code:
 - Traffic Impact Analysis
 - Water Sewer Impact Analysis (WSIA)
 - Stormwater Analysis
- A drainage statement was provided as part of the site plan drawings and was approved by stormwater.
- A WSIA was completed on December 2, 2019 and approved by city staff.
 - The City constructed a 12” water main along Rt 66 to the intersection of El Paso Road.
 - The developer constructed a looped waterline extension with an 8” waterline.



Zoning Map Amendment Findings

Finding #1

The proposed amendment must be found to be consistent with and in conformance with the goals and policies of the General Plan and any applicable specific plans. If the application is not consistent with the General Plan, and any other applicable specific plan, the applicable plan must be amended in compliance with the procedures established in Chapter 11-10 of the City Code prior to considering the proposed amendment



Zoning Map Amendment Findings



Finding #1

- The subject Property is designated as a Future Employment area type.
- An employment center may include mixed-use; research and development offices; medical offices; office space; business park; retail, restaurant, and tourism center; light-industrial; heavy-industrial; and live-work spaces.



Zoning Map Amendment Findings



Finding #2

The proposed amendment must be determined not to be detrimental to the public interest, health, safety, convenience, or welfare of the City of Flagstaff, and will add to the public good as described in the General Plan.

Staff believes that the proposed project will not be detrimental to the public health, safety, or welfare so long as it is developed in accordance with all codes and requirements.



Zoning Map Amendment Findings



Finding #3

The site must be determined to be physically suitable in terms of design, location, shape, size, and operating characteristics; and the provision of public and emergency vehicle access, public services, and utilities to ensure that the requested zone designation and the proposed or anticipated uses and/or development will not endanger, jeopardize, or otherwise constitute a hazard to the property or improvements in the vicinity in which the property is located.



Zoning Map Amendment Findings



Adequacy of Site

- Staff believes that the proposed application meets this finding. The Inter-Division Staff (IDS) reviewed the application and concluded that the site was suitable for the proposed development. The IDS team based its conclusion on the review of all applicable codes and requirements.
- It was also determined that the site could not proceed with the rezone until a water line was extended to the site to mitigate possible fire hazards. The applicant has completed this requirement and now has a hydrant onsite.

Citizen Participation Plan



- Applicant held two virtual public meetings.
 - August 31, 2020 + December 18, 2023
- The majority of attendees were in support of the proposed rezone.
 - One concern was related to traffic if the site was developed further.
- A Citizen Participation Report was prepared and attached to the staff summary.
- Staff has not received any comments on this application.



Planning and Zoning Commission Recommendation

The Planning and Zoning Commission by unanimous vote (5-0) recommend the City Council finds the proposed Zoning Map Amendment in substantial conformance with the required findings and approve an amendment to the Zoning Map for 18.24 acres in the RR zone with the RPO to the HI zone with the RPO, with the following conditions :

1. All other requirements of the Zoning Code and other City codes, ordinances, and regulations shall be met by the proposed development.
2. Within 90 days of the approved zoning, the applicant must reconfigure the parcels to eliminate any split zoning.

Thank you!

Questions or Comments





City of Flagstaff

Community Development Division

211 W. Aspen Ave P: (928) 213-2618
 Flagstaff, AZ 86001 F: (928) 213-2609
 www.flagstaff.az.gov

PREZ/PGM

Date Received	Application for Zoning Map Amendment and/or Minor Regional Plan Amendment			File Number
Property Owner(s)	Title	Phone	Email	
RE: Asset Management, LLC	owner	928-853-5577	robertdonaldmiller@gmail.com	
Mailing Address		City, State, Zip		
c/o Tony Cullum 14 E. Dale Ave		Flagstaff, Az, 86001		
Applicant(s)	Title	Phone	Email	
Re: Asset Management, LLC	owner	928-853-5577	robertdonaldmiller@gmail.com	
Mailing Address		City, State, Zip		
c/o Tony S. Cullum 14 E. Dale Ave		Flagstaff, Az 86001		
Project Representative)	Title	Phone	Email	
Tony Cullum, Guy Ecklund.	Atty/paralegal	(928) 774-2565	Ecklund@tonycullumlaw.com	
Mailing Address		City, State, Zip		
14 E. Dale Ave.		Flagstaff, Az 86001		
Requested Review	<input checked="" type="checkbox"/> Zoning Map Amendment <input type="checkbox"/> Minor Regional Plan Amendment <input type="checkbox"/> Continued			

Site Address	Parcel Number(s)	Subdivision, Tract & Lot Number
6500 E. Rt 66	113-07-004	
Existing Zoning District	Proposed Zoning District:	Existing Regional Plan Land Use Category
RR	HI	Employment Area
Existing Use	Proposed Use	
Mining Property	Storage yards for contractors, ect.	
Property Information:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Located in an existing Local/National Historic District? (Name: _____) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Existing structures are over 50 years old at the time of application? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Subject property is undeveloped land?	
Requested Urban Growth Boundary Change (If Applicable)	Proposed Regional Plan Land Use Category	
	Employment Area	
Property Owner Signature(required)	Date:	Applicant Signature
	8/4/2020	
		Date: 8/4/2020

For City Use			
Date Filed:	File Number(s):		Type of Zoning Map Amendment:
P & Z Hearing Date:	Publication and Posting Date:		
Council Hearing Date:	Publication and Posting Date:		
Fee Receipt Number:	Amount:	Date:	
Action by Planning and Zoning Commission:		Action by City Council:	
<input type="checkbox"/> Approved		<input type="checkbox"/> Approved	
<input type="checkbox"/> Denied		<input type="checkbox"/> Denied	
<input type="checkbox"/> Continued		<input type="checkbox"/> Continued	

ORDINANCE NO. 2024-10

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF ZONING MAP TO REZONE APPROXIMATELY 18.24 ACRES OF REAL PROPERTY GENERALLY LOCATED AT 6500 E ROUTE 66, FROM THE RURAL RESIDENTIAL (RR) ZONE WITH A RESOURCE PROTECTION OVERLAY (RPO) TO THE HEAVY INDUSTRIAL (HI) ZONE WITH A RESOURCE PROTECTION OVERLAY (RPO), PROVIDING FOR SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, Tony Cullum Law, (“the Applicant”), on behalf of the property owner RE ASSET MANAGEMENT, LLC, has applied for a Direct to Ordinance Zoning Map Amendment to rezone approximately 18.24 acres of real property located within the City of Flagstaff, a legal description of which is provided in “Exhibit A” attached hereto and incorporated by this reference (“the Property”), from the Rural Residential (RR) zone with a Resource Protection Overlay (RPO) to the Heavy Industrial (HI) zone with a Resource Protection Overlay (RPO) for the purpose of establishing the use of Contractor Yards as permitted in the Heavy Industrial zone; and

WHEREAS, the Applicant conducted a neighborhood meeting on August 21, 2020 and December 18, 2023 to discuss the proposed Zoning Map Amendment with the surrounding community, as required by Section 10-20.50.40 of the Flagstaff Zoning Code; and

WHEREAS, the Planning and Zoning Commission has formally considered the proposed Direct to Ordinance Zoning Map Amendment application, following proper notice and a hearing on February 28, 2024, and has recommended approval of the requested Zoning Map Amendment application, subject to the Applicant’s compliance with a certain condition set forth below; and

WHEREAS, the Council finds that the applicant has complied with all application requirements set forth in Chapter 10-20 of the Flagstaff Zoning Code; and

WHEREAS, the Council has considered the conditions recommended by the Planning and Zoning Commission and has found it to be appropriate for the Property; and

WHEREAS, the Council has read and considered the staff reports prepared by the Current Planning Division staff and all attachments to those reports, the Applicant’s application, the narrative provided by the Applicant, and all statements made by the Applicant and its representatives or agents during the presentation to Council, and the Council finds that the proposed Direct to Ordinance Zoning Map Amendment, subject to the conditions set forth below, meets the findings required by Section 10-20.50.040(F)(1)(a) of the Flagstaff Zoning Code.

ENACTMENTS:

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. The foregoing recitals are incorporated as if fully set forth herein.

SECTION 2. The amendment requested in the application is consistent with and conforms to the goals of the General Plan.

SECTION 3. The amendment requested in the application will not be detrimental to the public interest, health, safety, convenience, or welfare of the City, and will add to the public good as described in the General Plan.

SECTION 4. The affected site is physically suitable in terms of location, shape, size, operating characteristics, and the provision of public and emergency vehicle access and public services and utilities to ensure that the amendment requested in the application will not endanger, jeopardize, or otherwise constitute a hazard to the property or improvements in the vicinity in which the property is located.

SECTION 5. The Zoning Map designation for the Property is hereby amended from the Rural Residential (RR) zone with a Resource Protection Overlay (RPO) to Heavy Industrial (HI) zone with a Resource Protection Overlay (RPO) as set forth in Exhibit A, attached hereto and incorporated by reference.

SECTION 6. That the Zoning Map Amendment be further conditioned upon the Applicant's satisfaction of the following condition:

CONDITION:

1. All other requirements of the Zoning Code and other City codes, ordinances, and regulations shall be met by the proposed development.
2. Within 90 days of the approved zoning, the applicant must reconfigure the parcels to eliminate any split zoning.

SECTION 7. That City staff is hereby authorized to take such other and further measures and actions as are necessary and appropriate to carry out the terms, provisions, and intents of this Ordinance.

SECTION 8. If any section, subsection, sentence, clause, phrase, or portion of this ordinance or any part of the code adopted herein by reference is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

SECTION 9. Effective Date

This Ordinance shall be effective thirty (30) days following adoption by the City Council.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 2nd day of April, 2024.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

Exhibits:
Legal Description

****Exhibits on file with the Flagstaff City Clerk****

EXHIBIT "A"

The following is a description of a parcel of land, being a portion of Parcel No. 2 and a portion of Parcel No.3 of Instrument 3445758 as shown on the Record of Survey Instrument 3457506, Coconino County Records (CCR), situate in section 9, Township 21 North, Range 8 East, G.& S.R.M., Flagstaff, Coconino County, Arizona, being more particularly described as follows:

Beginning at the southwest corner of said Parcel No.2;

Thence South 89°47'23" East along the south line of said Parcel No. 2 a distance of 665.71 feet to the southeast corner of said Parcel No. 2 which is the southwest corner of said Parcel No. 3;

Thence South 89°56'25" East along the south line of said Parcel No. 3 a distance of 206.81 feet;

Thence North 00°03'39" West a distance of 948.62 feet;

Thence North 89°57'49" West a distance of 565.30 feet;

Thence South 56°27'48" West a distance of 364.41 feet to a point on the west line of said Parcel No. 2;

Thence South 00°11'21" West along the west line of said Parcel No. 2 a distance of 745.00 feet to the **True Point of Beginning**;

Said parcel contains 18.23808 acres of land more or less.



East 3.6662 acres of Ins. 3654327 not to be Rezoned, retains RR Zoning

Narrative for Wildcat Industrial Park

The Applicant, RE Asset Management, LLC (and its Principal Owner, Robert Miller) owns the following 3 contiguous parcels located at 6400 E. Route 66, Flagstaff, Arizona, 86004 totaling approximately 58 acres.

113-07-004 (40 acres)

113-07-003J (7.48 acres)

113-07-003L (10.22 acres)

The above referenced parcels have historically been used as a volcanic cinder mine since long before the City of Flagstaff was incorporated and long before the City of Flagstaff's adoption of a zoning ordinance. Despite the fact that the property contained a heavy industrial mining use prior to the City of Flagstaff's incorporation, the City zoned the property RR (rural residential) when the city incorporated and adopted its zoning ordinance. The property is located in one of the few areas located in the City of Flagstaff with an existing heavy industrial context.

Although the 3 parcels owned by RE Asset Management continue to be used for volcanic cinder mining purposes, there are portions of Parcel 113-07-004 and 113-07-003L that have been mined out such that there are no longer any materials left for mining. RE Asset Management, LLC has therefore re-habilitated portions of parcel 113-07-004 and 113-04-003L totaling 18.24 acres to allow for other types of heavy industrial uses to occur on that portion of the parcel.

In recent years, Principal Robert Miller of RE Asset Management, LLC has discovered there is a great need in the City of Flagstaff for Contractor Yard/storage yard space, especially for construction professional and other businesses that store items that are not appropriate to be stored in non-industrial areas of the city (i.e. repo vehicles and trailer storage, river-runner equipment, empty tank storage, etc.).

In fact, Mr. Miller has learned there is simply nowhere in the City of Flagstaff or Coconino County for many such small business professionals to store their construction materials, equipment, and vehicles, etc. This has forced many small business owners to

operate illegally out of their homes (or other non-industrial properties), leaving them vulnerable to complaints from residential neighbors as well as zoning enforcement proceedings by the City of Flagstaff and Coconino County.

Due to its location away from residential neighborhoods and near heavy industrial mining uses, the rehabilitated portions of 113-07-004/003L is an ideal location in the City of Flagstaff for the proposed usage. The following are some examples of small business owners who have approached RE Asset Management, LLC expressing interest in leasing space long term on the rehabilitated portion of Parcel 113-07-004/003L for yard space:

- | | |
|-------------------------------------|-----------------------------------|
| 1. Alpha Towing and Recovery | Repo Vehicles and Trailer Storage |
| 2. AZ Boxes, LLC | Refer Storage |
| 3. AZ Burrow Begone | Equipment Storage |
| 4. Bob Lee & Sons Tree Service Inc. | Lumber Storage and Processing |
| 5. Carter-Cardlock | Empty Fuel Tank Storage |
| 6. Carter Oil Company | Empty Fuel Tank Storage |
| 7. Envirotech Services, Inc. | Aggregate Storage |
| 8. High-Tech Transportation | Trucking Storage |
| 9. Maclin Truck & Trailer LLC | Trucking Storage |
| 10. Oothoudt Trucking | Trucking Storage |
| 11. Power Contracting | General Contracting Storage |
| 12. Recapturing America | Refer Storage |
| 13. Ricardo Landscaping | General Landscaper Storage |
| 14. Sweeter Excavating | General Contracting Storage |
| 15. Timber Peaks Construction, LLC | General Contracting Storage |
| 16. Tom Farrell Trucking | Trucking Storage |
| 17. Tonto Supply, LLC | General Equipment Storage |
| 18. X-Press Trux, Inc. | Trucking Storage |
| 19. Price Trucking | Trucking Storage |
| 20. Johnsons Towing | Repo Vehicles and Trailer Storage |
| 21. Brian Madeira | Repo Vehicles and Trailer Storage |
| 22. Economy Towing | Repo Vehicles and Trailer Storage |
| 23. Ryder Logistics | Trucking Storage |
| 24. MoenKopi River Works | General Equipment Storage |
| 25. 3 Peaks Mobile Home | Trailer Storage |

26. Robert Macklin

General Equipment Storage

27. Quality Towing & Services

Repo Vehicles and Trailer Storage

The property is located within an Employment Area pursuant to the Flagstaff Regional Plan 2030. From an employment perspective, the applicant estimates that each contractor or other business that will lease space long term at the proposed site employs approximately 10 people. With 15 approx. spaces for lease at the site, the proposed use could accommodate approximately 15 businesses that will likely employ approximately 150 or more employees. From an employment perspective, the proposed rezoning will support existing and future businesses that provide valuable employment opportunities to the citizens of the Flagstaff.

In consideration of the need for contractor yard space in the City of Flagstaff, as described above, RE Asset Management has been working with the City in an effort to rezone a portion of Parcel 113-07-004 from RR to Heavy Industrial to allow for contractor yards on the rehabilitated portion of the property. As part of the City's approval process, RE Asset Management, LLC has obtained City concept plan approval, city site plan approval, and is now proposing a zoning map amendment pursuant to the zoning map amendment application and City approved site plan.. Please note the following with regard to the approved site plan:

1. As shown on the plan, the proposed rehabilitated portions of 113-07-004/0031 to be used for contractor's/storage yards is 18.24 acres in size. This 18.24-acre portion of Applicant's parcel is the only portion of its property that is proposed to be rezoned to Heavy Industrial. To address Staff's concerns regarding the creation of a split zoned parcel, RE Asset Management, LLC will reconfigure 113-07-004 and 003L such that only one parcel will be zoned Heavy Industrial with the remaining parcels keeping its Rural Residential zoning. Mogollon Engineering has prepared a lot split/combination survey attached, which show specifically how RE Asset Management, LLC intends to reconfigure its parcels as mentioned. While RE Asset Management, LLC previously considered rezoning all of its property to heavy industrial, this will not be feasible due to the City of Flagstaff's development standards for mining (or quarrying uses), as well as possible concerns of the State Mining Inspector as to how those standards may conflict with those of the mining regulations of the State of Arizona. The historic mining operation will therefore

continue to be operated as a legal nonconforming use on the 2 remaining parcels that will not be rezoned by RE Asset Management, LLC.

2. The site plan depicts 15 contractor's/storage yards on the 18.24 acre site to be rezoned. Individual yards will be delineated with fencing and the size of each yard can be adjusted with fencing based upon an individual contractor's need for space. Based upon demand for space, the actual number of yards may increase or decrease from 15 as needed in the future after the project has been approved.
3. Access to the property is proposed via the public E. Route 66 to and via a road that the RE Asset Management licenses from the City of Flagstaff. A copy of this license is enclosed herewith (LIC 2018-078-AG1).
4. Although RE Asset Management, LLC does not intend to use it (except for emergencies), the Coconino National Forest Service has issued the enclosed Private Road Special Use permit providing secondary access to the site onto Rt. 66. This secondary access is shown on the concept plan.
5. Due to the extreme topography in the area which would require sewer to be installed approx. 35 feet deep at certain locations, as well as the distance required to connect to the nearest usable public sewer, RE Asset Management has met with City of Flagstaff Utilities, which has agreed to support a waiver for sewer improvements under the city's "boonies clause". City of Flagstaff Utilities has agreed that the proposed contractor's yards are low impact (sewer wise) and that the 3 existing septic systems on the site are adequate for the proposed use. Additionally, City of Flagstaff Utilities has concurred that vault and haul systems could be established in the future if desired by RE Asset Management, LLC to accommodate sewer needs. City utilities has issued the enclosed Water and Sewer Impact Analysis dated 12/2/2019 confirming that a sewer extension will not be required for this project.
6. The City of Flagstaff is in the process of planning the construction of a 12-inch water main in E. Route 66 from Test Dr. to N. El Paso Road. City of Flagstaff Utilities Engineering Manager Ryan Roberts has informed the Applicant that this extension will be completed by June of 2021. RE Asset Management and its General Contractor, Warren Smith Contracting, are working toto install an 8 inch water line from its property to connect into the city's new water main. Re Asset

Management, LLC has bonded for and obtained a permit from the City to ensure this work will be completed. Fire Hydrants are also proposed as shown on the approved plan, in addition to 3 water meter services being installed at RE Asset Management's property. City utilities has issued the enclosed Water and Sewer Impact Analysis dated 12/2/2019 confirming that a sewer extension will not be required for this project.

7. No permanent structures are proposed to be constructed as part of the rezoning.
8. A landscape buffer is not being proposed to buffer adjacent neighboring parcels that are zoned RR. The City's requirement for buffering will be accomplished with elevation changes, fencing, as well as distancing the proposed use from neighboring RR zoned properties in the manner shown on the attached concept plan.
9. There is an existing 3000 sf approx. shop building on the property being rezoned as depicted on the site plan. The shop building is a concrete block structure with concrete floors. It consists of two main truck bays. One bay is currently used for fixing heavy equipment and the other bay serves as a parts room with supplies for heavy equipment. Photos of the interior and exterior of this building is attached. This building will remain on the property and continue to be used by the owner in connection with the mining operation and for the proposed contractor yard use. It may be rented in the future to potential lessees of a particular contractor/storage yard.
10. There is an existing 1200 sf approx. Double Wide Mobile Office on the property being rezoned as depicted on the site plan. This structure shall be used as an office and sales room for the mining operation. There is a bathroom, four offices, a file closet, and sales area with customer transaction windows separating employees from customer. This building will remain on the property may be used in connection with the mining operation and/or may be leased to a potential lessee of a proposed contractor/storage yard use.

REGIONAL PLAN ANALYSIS

The Regional Land use and Transportation Plan has designated the site subject to rezoning as an "Employment Area". The proposed use of contractor's and storage yards conforms

to the policies of the “Employment Area” designation and an analysis of conformance to the Regional Plan is listed below:

Goal LU. 15. Plan for and encourage employee-intensive uses throughout the area as activity centers, corridors, research and development offices, business parks, and light industrial areas to encourage efficient infrastructure and multimodal commuting.

Applicant Comments:

The proposed contractor yards will allow the small business professionals described above and employees of same to operate businesses legally in the city on an intensive use basis, thereby allowing their businesses to succeed (further providing for significant employment opportunities for Flagstaff residents). The proposed site will serve as a small activity center where construction employees and business owners can store and access materials, equipment, and vehicles, etc. Transportation via construction vehicles to construction sites throughout Flagstaff is one form of multi-modal commuting. This form of commuting is required by a certain segment of society and the proposed contractor’s yards will provide a location for those types of vehicles to be legally parked and stored. Having a centralized legal location for this use will benefit businesses and employees.

The construction of the waterline including fire hydrants and other improvements associated with this project (fire hydrants) encourages efficient infrastructure and brings waterline infrastructure into an area of Flagstaff that needs it. Other properties and property owners in the area will benefit from the water line extension and will also help to make their properties developable in accordance with the regional plan.

The proposed use allows businesses to condense their equipment at one location reducing the number of business and vehicular trips across town thereby encouraging efficient infrastructure and multimodal commuting.

Policy LU.15.1 Encourage the grouping of medical and professional offices, light industrial, research, and skill training with other necessary workforce services and transportation services.

The proposal helps in line with grouping heavy industrial mining uses, with contractor and storage yard uses. The property is in the vicinity of the City of Flagstaff Wildcat Treatment plant, Flagstaff Mall, Flagstaff Auto Mall, Truck and auto Repair, Big Box Stores (ie. Home depot, Best Buy, etc.), Purina Dog Food, commercial and office activity on Route 66, Trucking and Auto Repair Shop. Public Transportation services are provided in this area. Skill training will be ongoing for employees at the proposed site.

Further Comments regarding LU 15 and 15.1

As stated above, the property is located within an Employment Area pursuant to the Flagstaff Regional Plan 2030. From an employment perspective, the applicant estimates that each contractor or other business that will lease space at the proposed site employs approximately 10 people. With 15 approx. spaces for lease at the site, the proposed use could accommodate approximately 15 businesses that will likely employ approximately 150 or more employees. From an employment perspective, the proposed rezoning will support existing and future businesses that provide valuable employment opportunities to the citizens of the Flagstaff. The business an employment activity created from the proposed use will support other businesses in the area. Contractors from the site will no doubt purchase equipment from Home Depot and will likely purchase vehicles and use auto repair services from the nearby auto mall, etc. Nearby restaurants, auto repair, retail, and commercial centers will also benefit from the proposed use economically thereby promoting the creation of future employment opportunities by other businesses in the area of the subject property. By grouping the proposed use in the vicinity of an area that includes such business diversity professional offices, light industrial, transportation services and other businesses will also be supported.

Policy LU.15.2. Consider the compatible integration of residential uses and proposed employment centers to reduce vehicle trips and commute times.

Locating construction vehicles, equipment, and materials, etc. at the proposed site away from residential neighborhoods, in a centralized location, will help to keep industrial uses and industrial traffic out of residential areas. The site is also conveniently located inside Flagstaff City limits providing for a fast commute for employees and business owners who are commuting to and from the proposed site to access materials, vehicles, etc. From a planning standpoint, 15.2 is a conflicting policy. Mixing residential and industrial uses in this area is discouraged to reduce nuisances (noise, traffic,

dust pollution from the mine, etc.) and preserve the heavy industrial context for necessary industries **This is a conflicting policy.**

Policy 15.3 Incorporate the neighborhood/support retail and other commercial uses, including childcare facilities with new and renovated employment centers.

These uses are not appropriate because of the heavy industrial nature of the area.

Policy 15.4. Accommodate safe and convenient walking, biking, and transit facilities in existing and proposed employment centers.

RE Asset Management will coordinate with the City of Flagstaff to accommodate pedestrian/biking paths (including FUTS) facilities and transit facilities on or near RE Asset Management, LLC's property.

Goal LU.16. Establish heavy industrial areas that provide for the manufacturing of goods, flexible space, and intermodal facilities that are well maintained, attractive and compatible with adjoining nonindustrial uses.

As stated above, the size and number of contractor yards on the site can be adjusted based upon market need, thereby providing flexible space for contractors and construction professionals in Flagstaff. The property is in the vicinity of a mine and the City of Flagstaff Wildcat Sewer Treatment Plant and far away from City of Flagstaff residential neighborhoods. The proposed site is an ideal location for the proposed use and is compatible with the surrounding area. The site will be constantly managed by RE Asset Management to ensure the property is well maintained in an attractive manner suitable for the area and for nearby nonindustrial uses.

Policy LU.16.1 Encourage the continued intensification, expansion, and protection of existing industrial, warehousing, and distribution uses from encroachment where appropriate.

The property is a historic mine. The proposed heavy industrial use at the mine location encourages existing industrial uses from encroachment.

Policy LU.16.2. Ensure new industrial areas are compatible with surrounding areas.

As stated, the property is in the vicinity of a mine and the City of Flagstaff Wildcat Sewer Treatment Plant and is located far away from city of Flagstaff residential neighborhoods. The proposed site is an ideal location for the proposed use.

Policy LU.16.3. Locate new industrial areas near the rail line, major highways or the interstate, and ensure they are designed to be compatible with surrounding uses and gateway features.

- The property is located near I-40 and the Santa Fe Railroad. As stated above, the proposed use is compatible with surrounding uses.

Policy LU 16.4. Limit the impacts of truck traffic on residential areas.

For the reasons stated above, there will not be any impacts from truck traffic on residential areas. The site is located far away from residential area in perhaps the most rural area of the City of Flagstaff.

Policy LU 16.5. Consider all health impacts on the community in the design of new industrial uses, such as wastewater treatment, traffic safety, noise, and other impacts.

Additional Goals and Policies addressed in the regional plan:

Air Quality Goals and Policies (Chapter IV Environmental Planning and Conservation)

E&C.1.2 Pursue reduction of total emissions of high priority pollutants from commercial and industrial sources and area-wide smoke emissions:

Comment: The proposed use of leasing storage space does not create pollution. The Storage facility will not be responsible for the type of vehicles stored.

E&C 1.3 Encourage strategies and partnerships to mitigate dust:

Comment: The roadways are constructed from recycled asphalt aggregate for the specific purpose of mitigating dust pollution. The contractor yard portion of the property shall be covered with a cinder base to prevent dust. The Cinder base also shall serve to keep the ground from becoming muddy.

E&C 2.1 Encourage the reduction of all energy consumption, especially fossil-fuel generated energy, in public, commercial, industrial, residential sectors.

Comment: The proposed use allows businesses to condense their equipment at one location reducing the number of business and vehicular trips across town thereby supporting a reduction in energy consumption and fossil fuels.

Water Demand Goals

WR 3.2 Favor low-water consuming businesses and industries over water intensive uses

Comment: The proposed use does not require any water with exception for water needed for fire protection. The proposed use is therefore a very low water consuming use.

Stormwater and Watershed Management Goals and Policies

WR 5.3 Identify downstream impacts as a result of development and provide for mitigation measures to address impacts. When possible, mitigations should be non-structural in nature.

Comment: City Storm water staff has approved the applicant's proposed storm water plans on 6/4/2020. Onsite drainage designed to be retained on site and will be collected in the norther east corner of the property being rezoned and will percolate and

evaporate onsite. The applicant will have leases with each contractor and lessee of contractor yards whereby each lessee will be restricted from storing hazardous liquids onsite. Further, Lessees will be required in the least to maintain their vehicles, etc. such that they do not leak or spill contaminants on the property. The applicant and the applicant's staff will also monitor the site regularly to ensure lessees are complying with these provisions.

Renewable Energy Goals and Resources:

E.2.4 Encourage small scale renewable energy production and use on the local level on appropriate residential, commercial and industrial parcels.

Comment: The proposed use is primarily for storage of equipment and items and therefore requires little energy. If a contractor needs energy, they can use a generator on an as needed basis. Further, as the applicant mines and rehabilitates his adjacent cinder mine, the applicant has future ambitions of developing a 4 acre approx. site on future rehabilitated property with a solar farm. Contractors/lessee's would then have the ability to use solar power on the property. In the meantime, Contractors will be allowed and encouraged to use their own solar equipment if they need energy. Also, as stated above, as the applicant mines and rehabilitates his adjacent cinder mine, the applicant has future ambitions of developing a 4 acre approx. site on future rehabilitated property for solar farm purposes. Contractors/lessee's would then have the ability to use solar power on the property. In the meantime, Contractors will be allowed and encouraged to use their own solar equipment.

Mobility and Access Goals

T1.3 Transportation Systems are consistent with the place, type, and needs of people:

Comment: The proposed use allows businesses to condense their equipment at one location reducing the number of business and vehicular trips across town. The industrial site is appropriately located away from residences and neighborhoods thereby not impacting residential areas. City staff is not requiring any off-site traffic improvements.

Environmental Considerations Goals and Policies

T.3.6 Seek to minimize noise, dust, vibration, and light impacts of transportation Projects on nearby land uses.

Comment: The project is located adjacent to a volcanic cinder mine and the city's Wildcat treatment plant. The site is also located across the street from the railroad. Noise and vibration occurring on the site will not be a nuisance. There is no lighting proposed so there will be no impacts from lighting.

Goal ED.3 Regional Economic development partners support the start-up, retention, and expansion of existing business enterprise (see response under 3.1 below):

ED 3.1 Encourage regional economic Development partners to continue proactive programs to foster the retention and expansion of existing enterprises and home-based businesses in the community.

Comment: By providing the much-needed storage space to business in need of it, will help to foster the retention and expansion of existing enterprise. It will also help to allow more business owners and their employees to work from home while storing commercial and heavy industrial equipment at an appropriate industrial location.

Comment: We have discussed this case with the City of Flagstaff's Business Retention and expansion manager. John Saltonstall, AZED Pro. In regard to this case, he stated verbatim in an email to the applicant's representative dated 7-21-2020, "As our industrial lands are converted to other uses, it is increasingly difficult for all types of industrial businesses to operate in Flagstaff." In reviewing the list of above list of businesses interested in leasing space at the processed site, he further stated "Seeing that you (the applicant) already have a list of businesses that have expressed interest to you (the applicant) for the storage yard is compelling and ELIMNATES doubt whether the yard makes sense or not, WHICH IT DOES."

ED 3.5 Advocate the economic sustainability and growth of businesses with opportunities for transitional commercial with opportunities for transitional space, leased space, and property ownership.

Comment: The proposed rezoning provides leased space for businesses in dire need of such space thereby promoting economic sustainability and business growth. It also helps to provide opportunities for transitional commercial by giving them transitional space should they be looking for a permanent location to own.

ED 3.8 Protect existing business and industrial land from encroachment and allow for their expansion.

Comment: The leased space provided helps to allow existing businesses to expand without individually having to purchase expensive property just for storage. Existing businesses need more space to expand, and the proposed use provides them with more space. The property subject to the rezoning has always been an industrial site, by keeping the property industrial and providing much needed leased space for businesses in an industrial location will help to protect other existing businesses and industrial land in Flagstaff from being encroached upon.

Business Attraction Goals and policies

Goal ED.4 Support efforts to recruit diverse new businesses and industries with the region:

Comment: The proposed use will help to recruit new businesses and industries by giving them a place to store their materials, vehicles, and goods. It will help new businesses to be recruited in the area and succeed.

ED4.4 Identify and support community resources that assist new businesses such as work force housing, marketing, building processes, venture capital, financing, and management:

Comment: The proposed use is a community resource benefitting the businesses in the community with space to store their items to assist new business such as those referenced in policy ED4.4.

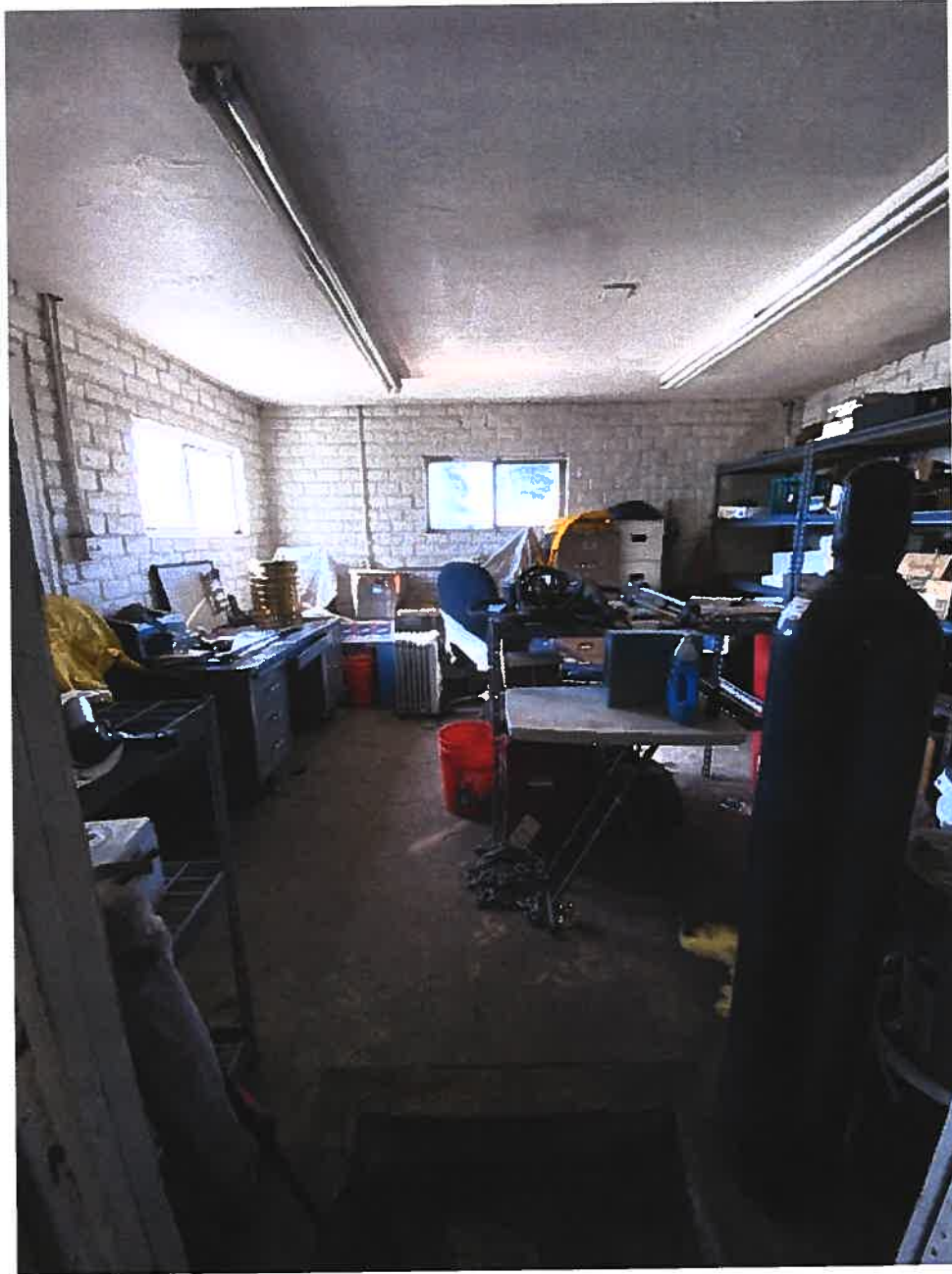
ED 4.5 In an effort to promote the sustainability of resources, the city will encourage all new and expanded commercial and industrial development to be energy and water efficient.

Comment: As stated above, the proposed use requires little energy (if any) and no water use.

The proposed use is a heavy industrial use to be located in a heavy industrial area. There will be no impact other than positive health impacts to the area by bringing waterline infrastructure and other infrastructure to the site.

In consideration of the foregoing, RE Asset Management, LLC hereby respectfully requests the enclosed Site plan application and future rezoning/zoning map amendment application be approved.

Shop Building



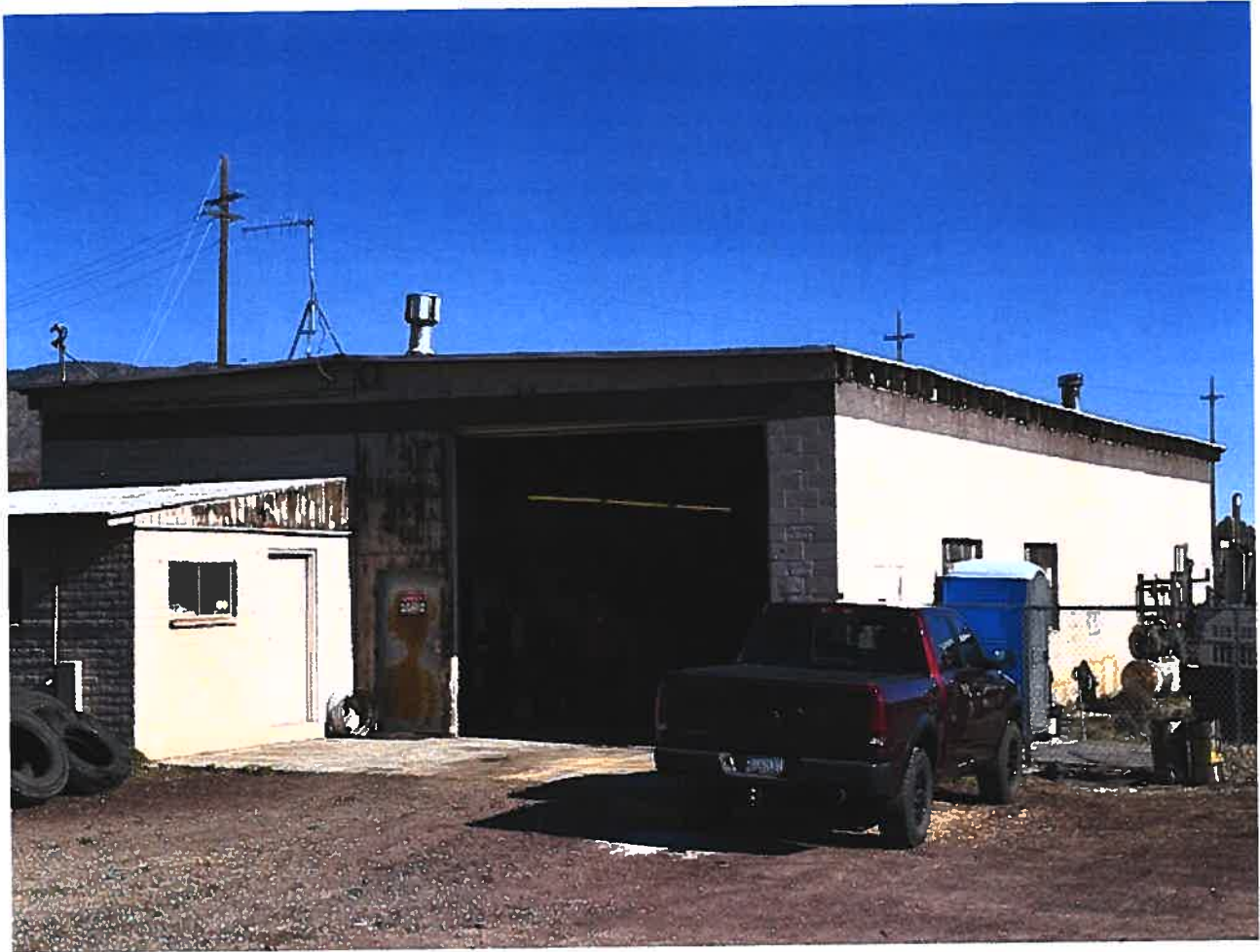
Shop Building



Shop Building



Shop Building



Double Wide Mobile Office



Double Wide Mobile office



Double Wide Mobile Office



Double Wide Mobile Office



Double Wide Mobile Office



INDEX #: LIC-2018-078-AG1

(Assigned by Clerk's Office)

DOCUMENT TRACKING FORM

Please submit to Deputy City Clerk

Document(s) will not be processed until form is complete

Submitted for: Signatures Completed Original for scanning/filing CHANGES (Include Index #)

REMINDERS

- ◆ Fill in all dates/blanks
- ◆ Outside parties should sign first (when possible)
- ◆ Tab signature/notarization lines
- ◆ Include one (1) original for City Clerk's Office
- ◆ Attach all exhibits
- ◆ Legal must review/approve prior to routing

DOCUMENT TYPE: Contract Development Agreement IGA Grant
 Lease/Property License Agreement MOU Reclaimed Water
 Other

Change Order/Amendment to: _____ Prior Index No. _____ C.O./Amend. No. _____

Document Title CROSS-ACCESS LICENSE AGREEMENT

Parties RE ASSET MANAGEMENT, LLC

Project/Subject SHARED ACCESS ROAD (WILDCAT HILL WASTEWATER TREATMENT PLANT SITE)

Amount: _____ Eff. Date: UPON SIGNATURES Expires: 10 YEARS

Approved by Council? Yes No If yes, date of meeting: _____ (Attach copy of approved staff summary)

LEASE/PROPERTY USE ONLY

Execution Date: _____ Term: Notice: _____ Adjustment Date: _____

Index Factor: _____ MR Billing/ Acc: # _____ Revenue Acc: _____

Maintenance: Lessee Lessor Other _____ Reports: Annual Semi-Annual Other _____

Automatic Renewals? Yes No If renewal(s) available, City Attorney's Office must complete following box

Conditions of renewal(s) including authority _____

INSURANCE? Yes No If yes, attach Certificate of Insurance approved by Risk Management

Warranty? Yes No N/A If yes, length of time? _____ Expiration Date: _____

Submitted By: CHARITY LEE Date Submitted: 10/3/2017 No. of Originals: 1

Key Contact: CHARITY LEE Department: REAL ESTATE Extension: X 2072

Comments: _____

Handwritten signature and date: 10/3/17

DELIVERABLES? No Yes (If yes, attach deliverables sheet)

CITY CLERK'S OFFICE USE ONLY

DATE RECEIVED: 10-03-2017

To City Attorney: _____ Date Signed: _____

To City Manager: _____ Date Signed: _____

To Mayor: _____ Date Signed: _____

To City Clerk: _____ Date Signed: _____

To Recorder: _____ Date Returned: _____

No. of Originals Returned: _____ Date Scanned: _____

Returned to: _____ Signature _____ Date _____

CROSS-ACCESS LICENSE AGREEMENT

**THE CITY OF FLAGSTAFF
and
RE ASSET MANAGEMENT, LLC**

This Cross-Access License Agreement (the "Agreement") is made this 4 day of October, 2017 by and between the CITY OF FLAGSTAFF, Arizona, an Arizona municipal corporation (the "City") and RE ASSET MANAGEMENT, LLC, an Arizona limited liability company ("Business Owner").

RECITALS

A. The CITY OF FLAGSTAFF is the owner of property identified as Coconino County Assessor parcel number(s) 113-07-001D and 113-07-002A, located at 2800 North El Paso Road, Flagstaff, Arizona ("City Property"). This City Property is the site of the City of Flagstaff Wildcat Hill Wastewater Treatment Plant.

B. RE ASSET MANAGEMENT LLC is the owner of property identified as Coconino County Assessor parcel number 113-07-004, located at 6500 East Route 66, Flagstaff, Arizona ("Business Owner Property"). The Business Owner owns and operates a mining business on the Business Owner Property.

C. A physical road is present and has been used by both parties for many years to access their respective properties ("the Shared Access Road.") A map showing the road in relation to the City Property and Business Owner Property is attached hereto as Exhibit A and incorporated by reference.

D. The parties currently do not have recorded legal rights to cross each other's properties, and in addition to this Agreement, are considering long term options for legal access rights.

NOW, THEREFORE, the parties agree as follows:

1. Grant of License; Description of Use

The City hereby grants non-exclusive license to Business Owner to use that portion of the Shared Access Road that lies within City Property for ingress and egress to the Business Owner's Property for business operations purposes.

The Business Owner hereby grants a non-exclusive license to City to use that portion of the Shared Access Road that lies within Business Owner Property for ingress and egress to the City for City operations purposes.

2. Term of Agreement

This Agreement will be effective from the date of the last signature for a period of ten (10) years, unless terminated earlier by one of the parties pursuant to Section 3, below. This Agreement may be extended for additional years as determined by both parties upon renewal.

3. Modification and Termination Clause

- 3.1 This Agreement may be modified only by a written instrument executed by duly authorized representatives of the parties.
- 3.2 Either party may terminate this Agreement by providing the other party with ninety (90) days' advance written notice. In the event that one party provides the other party with notice of its intention to terminate, the parties will meet promptly to discuss the reasons for the notice and try to resolve their differences.

4. Maintenance of Shared Access Road

During the term of this Agreement Business Owner will maintain the Shared Access Road in good condition, and provide for snow removal.

5. Indemnification

Each party (as "Indemnitor") agrees to indemnify, defend, and hold harmless the other party (as "Indemnitee") from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (collectively referred to as "Claims") arising out of bodily injury of any person (including death) or property damage, but only to the extent that such claims which result in vicarious/derivative liability to the Indemnitee, are caused by the act, omission, negligence, misconduct, or other fault of the Indemnitor, its officers, officials, agents, employees, or volunteers.

6. Assignment Prohibited This license is a personal right to the City and Business Owner and is not subject to assignment without the written consent of both parties, which consent shall not be unreasonably withheld.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives.

CITY OF FLAGTAFF

RE ASSET MANAGEMENT LLC

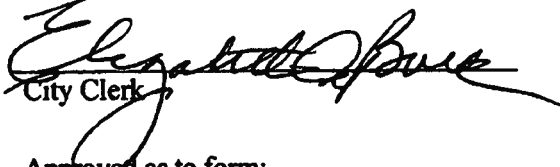


Josh Copley, City Manager

Name: Clarence E Morgan
Title: Vice-President
Dated: Oct 3, 2017

Dated: 10/4/17

Attest:


City Clerk

Approved as to form:


City Attorney

Attachment: Exhibit A

S:\Legal\Civil Matters\2017\2017-201 Cross-Access License for N El Paso Road\Cross Access License with RE Asset Mgmt 5-15-17.docx

Exhibit A



Auth ID: PEA0605
Contact ID: REASSETS
Expiration Date: 12/31/2019
Use Code: 753

FS-2700-4c (03/06)
OMB No. 0596-0082

**U.S. DEPARTMENT OF AGRICULTURE
FOREST SERVICE**

**PRIVATE ROAD SPECIAL USE PERMIT
AUTHORITY:**

FEDERAL LAND POLICY AND MGMT ACT, AS AMENDED October 21, 1976

RE ASSETS LLC, C/O ED MORGAN PO BOX 30326, FLAGSTAFF, AZ 86003 (hereafter called the Holder) is hereby authorized to use National Forest lands for the construction, reconstruction, maintenance, and use of a road within the Coconino National Forest for the following purposes:

ACCESS TO PRIVATE PROPERTY

The lands covered by this permit are located in the County of Coconino, State of Arizona and are described as follows:
Sec. 9, T. 21 N., R. 8 E., GILA AND SALT RIVER MERIDIAN

This permit covers a right-of-way 200 feet in length, 40 feet in width, containing approximately .18 acres, and is located upon the ground according to the survey line, figures, measurements, widths, and other references shown on the map or plat attached hereto as exhibits A & B and made a part hereof.

This permit is made subject to the following terms, provisions, and conditions:

1. This permit is subject to all existing easements and valid rights existing on this date.
2. The Holder in exercising the privileges granted by this permit shall comply with all applicable State and Federal laws, Executive Orders, and Federal rules and regulations, and shall comply with all State standards for public health and safety, environmental protection, and siting construction, operation, maintenance of or for rights-of-way for similar purposes if those standards are more stringent than applicable Federal standards.
3. The Holder shall cut no timber except as authorized by construction stipulations or maintenance agreements.
4. The Holder shall provide maintenance so that no damage occurs on adjacent National Forest land. The Holder shall construct and maintain lead-off drainage and water barriers as necessary to prevent erosion.
5. Holder shall pay the United States for all injury, loss, or damage, including fire suppression costs, in accordance with Federal and State laws.
6. Holder shall indemnify the United States for any and all injury, loss, or damage, including fire suppression costs the United States may suffer as a result of claims, demands, losses, or judgments caused by the Holder's use or occupancy under this permit.
7. Holder shall pay annually in advance a sum determined by the Forest Service to be the fair market value of the use authorized by this permit. The initial payment is set at \$70.50 or the remainder of the calendar year. Payments for each subsequent calendar year shall be the amount of \$70.50 adjusted using the Implicit Price Deflator-Gross National Product index (IPD-GNP), or other factor selected by the Forest Service, to reflect more nearly the current fair market value of the use. At intervals to be determined by certain changes in the indexes used to establish the linear rights-of-way fee schedule, the fee shall be reviewed and adjusted as necessary to assure that it is commensurate with the value of the rights and privileges authorized. Failure of the Holder to pay the annual payment, late charges, or other fees or charges shall cause the permit to terminate.
8. Pursuant to 31 U.S.C. 3717, et seq., interest shall be charged on any fee amount not paid within 30 days from the date the fee or fee calculation financial statement specified in this authorization becomes due. The rate of interest assessed shall be the higher of the rate of the current value of funds to the U.S. Treasury (i.e., Treasury tax and loan account rate), as prescribed and published by the Secretary of the Treasury in the Federal Register and the Treasury Fiscal Requirements Manual Bulletins annually or quarterly or at the Prompt Payment Act rate. Interest on the principal shall accrue from the date the fee or fee calculation financial statement is due.

In the event the account becomes delinquent, administrative costs to cover processing and handling of the delinquency will be assessed.

A penalty of 6 percent per annum shall be assessed on the total amount delinquent in excess of 90 days and shall accrue from the same date on which interest charges begin to accrue.

Payments will be credited on the date received by the designated collection officer or deposit location. If the due date for the fee or fee calculation statement falls on a non-workday, the charges shall not apply until the close of business on the next workday.

Disputed fees are due and payable by the due date. No appeal of fees will be considered by the Forest Service without full payment of the disputed amount. Adjustments, if necessary, will be made in accordance with settlement terms or the appeal decision.

If the fees become delinquent, the Forest Service will:

Liquidate any security or collateral provided by the authorization.

If no security or collateral is provided, the authorization will terminate and the holder will be responsible for delinquent fees as well as any other costs of restoring the site to its original condition including hazardous waste cleanup.

Upon termination or revocation of the authorization, delinquent fees and other charges associated with the authorization will be subject to all rights and remedies afforded the United States pursuant to 31 U.S.C. 3711 et seq. Delinquencies may be subject to any or all of the following conditions:

Administrative offset of payments due the holder from the Forest Service.

Delinquencies in excess of 60 days shall be referred to United States Department of Treasury for appropriate collection action as provided by 31 U.S.C. 3711 (g), (1).

The Secretary of the Treasury may offset an amount due the debtor for any delinquency as provided by 31 U.S.C. 3720, et seq.)

9. All construction or reconstruction of the road shall be in accordance with plans, specifications, and written stipulations approved by the Forest Service prior to beginning such construction or reconstruction.

10. The Holder shall repair fully all damage to National Forest roads and trails caused by the exercise of the privileges granted by this permit.

11. The United States may use the roads without cost for all purposes deemed necessary or desirable in connection with the protection and administration of the lands or resources of the United States, provided that it will use the road for commercial hauling purposes, other than the removal of timber cut in construction or maintenance of the road or other occasional incidental use, only after arranging to pay or perform its pro rata share of road maintenance.

12. The Forest Service alone may extend rights and privileges for use of the road constructed on the premises to other non-Federal users provided that such users shall pay a fair share of the current replacement cost less depreciation of the road to the holder, and reconstruct the road as necessary to accommodate their use.

13. The Forest Service retains the right to occupy and use the right-of-way and to issue or grant rights-of-way for land uses, for other than road purposes, upon, over, under, and through the permit area provided that the occupancy and use do not interfere unreasonably with the rights granted herein.

14. The Forest Service shall have the right to cross and re-cross the premises and road at any place by any reasonable means and for any purpose in such manner as does not interfere unreasonably with use of the road.

15. The Holder shall maintain the right-of-way clearing by means of chemicals only after the Forest Supervisor has given specific written approval. Application for such approval must be in writing and must specify the time, method, chemicals, and the exact portion of the right-of-way to be chemically treated.

16. Unless sooner terminated, or revoked by the Regional Forester, this permit shall expire and terminate on 12/31/2019. At that time, if the holder still needs the road for the purposes for which this permit is granted, the permit will be reissued for a period of 10 years (or the estimated remaining life of the project, whichever is less). At the time of reissuance, the terms and conditions may be modified and new conditions or stipulations added at the discretion of the Forest Service.

17. This permit may be terminated or suspended upon breach of any of the conditions herein, or revoked at the discretion of the Issuing Officer.

18. Upon termination or revocation of this special-use authorization, the Holder shall remove within a reasonable time the structures and improvements and shall restore the site to a condition satisfactory to the authorized officer, unless otherwise waived in writing or in the authorization. If the Holder fails to remove the structures or improvements within a reasonable period, as determined by the authorized officer, they shall become the property of the United States, but this does not relieve the Holder from liability for the removal and site restoration costs.

19. Nonexclusive Use and Public Access. Unless expressly provided for in additional terms, use of the permit area is not exclusive. The Forest Service reserves the right to use or allow others to use any part of the permit area, including roads, for any purpose, provided, such use does not materially interfere with the holder's authorized use. A final determination of conflicting uses is reserved to the Forest Service.

20. Forest Service Right of Entry and Inspection. The Forest Service has the right of unrestricted access of the permitted area or facility to ensure compliance with laws, regulations, and ordinances and the terms and conditions of this permit.

21. Liability. For purposes of this section, "holder" includes the holder's heirs, assigns, agents, employees, and contractors.

A. The holder assumes all risk of loss to the authorized improvements.

B. The holder shall indemnify, defend, and hold the United States harmless for any violations incurred under any such laws and regulations or for judgments, claims, or demands assessed against the United States in connection with the holder's use or occupancy of the property. The holder's indemnification of the United States shall include any loss by personal injury, loss of life or damage to property in connection with the occupancy or use of the property during the term of this permit. Indemnification shall include, but is not limited to, the value of resources damaged or destroyed; the costs of restoration, cleanup, or other mitigation; fire suppression or other types of abatement costs; third party claims and judgments; and all administrative, interest, and other legal costs. This paragraph shall survive the termination or revocation of this authorization, regardless of cause.

C. The holder has an affirmative duty to protect from damage the land, property, and interests of the United States.

D. In the event of any breach of the conditions of this authorization by the holder, the Authorized Officer may, on reasonable notice, cure the breach for the account at the expense of the holder. If the Forest Service at any time pays any sum of money or does any act which will require payment of money, or incurs any expense, including reasonable attorney's fees, in instituting, prosecuting, and/or defending any action or proceeding to enforce the United States rights hereunder, the sum or sums so paid by the United States, with all interests, costs and damages shall, at the election of the Forest Service, be deemed to be additional fees hereunder and shall be due from the holder to the Forest Service on the first day of the month following such election.

E. With respect to roads, the holder shall be proportionally liable for damages to all roads and trails of the United States open to public use caused by the holder's use to the same extent as provided above, except that liability shall not include reasonable and ordinary wear and tear.

F. The Forest Service has no duty to inspect the permit area or to warn of hazards and, if the Forest Service does inspect the permit area, it shall incur no additional duty nor liability for identified or non-identified hazards. This covenant may be enforced by the United States in a court of competent jurisdiction.

22. Members of Congress. No Member of or Delegate to Congress or Resident Commissioner shall benefit from this permit either directly or indirectly, except when the authorized use provides a general benefit to a corporation.

23. Appeals and Remedies. Any discretionary decisions or determinations by the authorized officer are subject to the appeal regulations at 36 CFR 251, Subpart C, or revisions thereto.


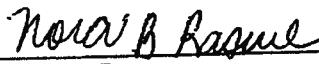
24. Assignability. This authorization is not assignable or transferable. If Holder, through death, voluntary transfer, enforcement of contract, foreclosure, or other valid legal proceeding shall cease to be owner of the above-described real property accessed by the authorized road, this authorization will terminate.

25. Superior Clauses. In the event of any conflict between any of the preceding printed clauses or any provision thereof and any of the following clauses or any provision thereof, the preceding printed clauses shall control.

26. Cultural Resources Protection (D001RO). The holder, contractor, or lessee shall be responsible for the protection from damage of all identified cultural resources within the area which may be affected by their actions. In addition, the holder, contractor, or lessee shall be liable for all damage or injury to the identified cultural resources caused by their actions. The holder, contractor, or lessee shall immediately notify the agency Project Administrator if any damage occurs to any cultural resource and immediately halt work in the area in which damage has occurred until approval to proceed has been granted by the Project Administrator after consultation with the Forest Archeologist. All provisions of the Region 3 Cultural Resources Damage Assessment Handbook are incorporated by reference herein.

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In Witness Whereof, the parties hereto have caused this authorization to be duly executed on this day of Month/Year.

Holder By:  for RE ASSETS LLC	USDA - Forest Service 5 1 2009 By:  Name Nora B. Rasure Forest Supervisor Coconino National Forest
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Private access road
T21N, R8E, Section 9
EXHIBIT B

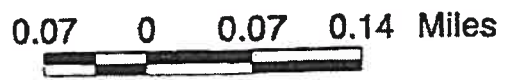
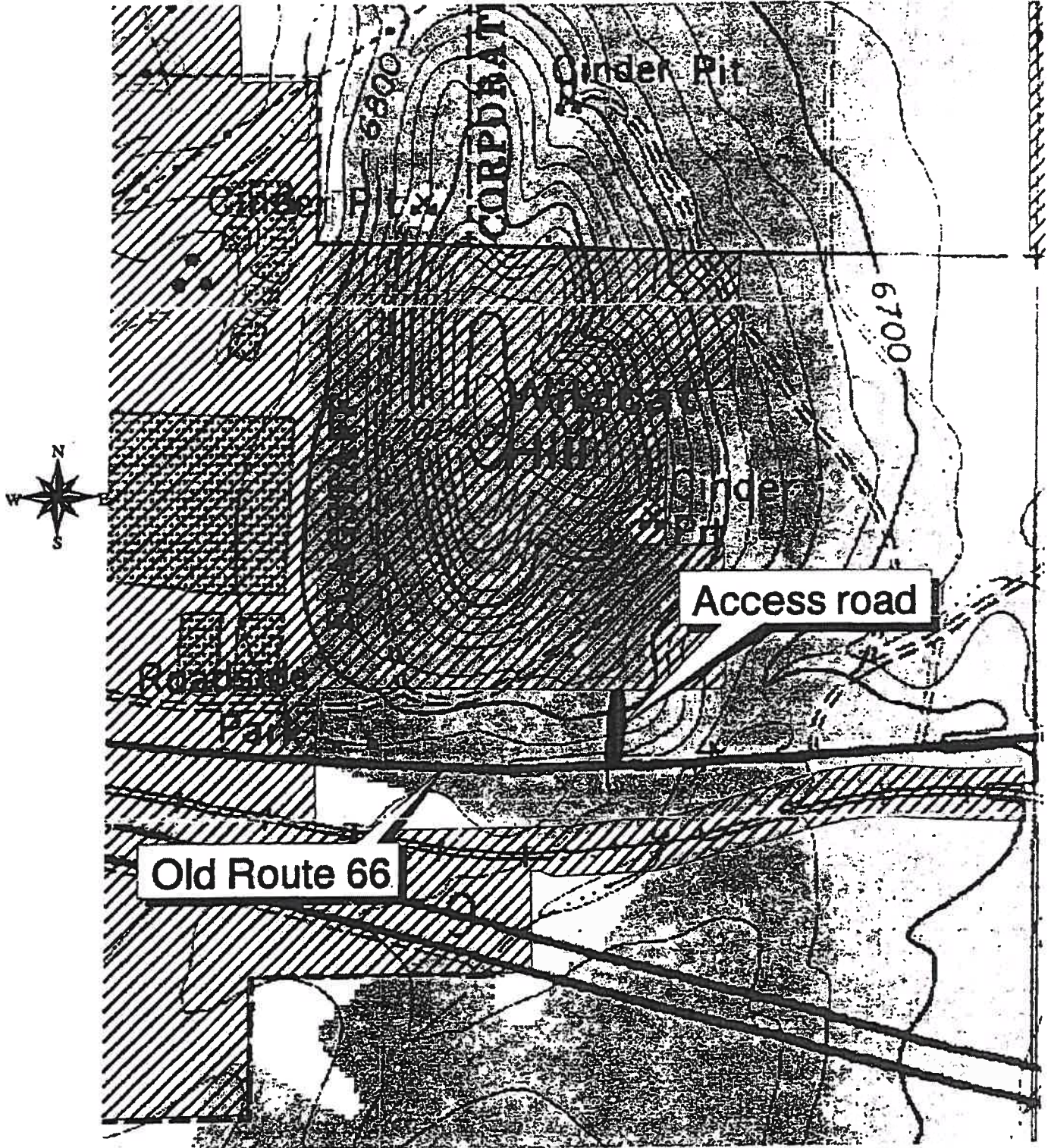


EXHIBIT A ROAD MAINTENANCE OPERATIONS

General Specifications

All work shall be performed in a professional manner. Personnel and equipment shall be capable of performing the work. Using a tow-able drag is not permitted under this special use permit.

The maintenance work to be performed shall include grading and shaping the roadway and shoulders; cleaning and shaping the drainage ditches, grade dips and water bars; cleaning out catch basins, inverts, interior and outlets of culverts; removal of limbs, brush and obstructions; and the cleaning and shaping of lead-off ditches.

In general, the roadway and shoulder shall be shaped so that the centerline is crowned and a transverse slope of approximately 2% is attained toward each shoulder. In some cases, out sloping may be permitted if authorized by the Forest Service. Maintain existing crown. All berms either new or existing shall be removed from the roadway shoulder to the maximum extent possible. Only short lengths of berms will be permitted to remain on roadways, not to exceed 12 feet where protruding stumps at shoulder level or outlets to culverts prohibit removal. The only exception to this will be on roads where berms have been incorporated into design to prevent erosion of fill slopes.

The blading shall proceed in an orderly fashion by successive passes with a grader parallel to the road centerline, progressing from the lower side to the upper side of the roadway and back across. In the process, all ruts shall be filled and a crown formed on the roadway. Portions of roadways, when excessive ruts or corrugation exist, when ruts or corrugation are 3" deep or more, shall be flat bladed before pulling ditches.

Fines dislodged in blading roadways shall not be wasted over shoulders of roads; these fines shall be incorporated in plating of existing roadbed. Rocks over 3 inches shall be wasted over shoulders away from outlets of culverts, travelway and ditchline.

Ditch blading shall consist of removing slough, road surfacing material, large rocks, and other obstructions. Care shall be taken to not widen or deepen the ditch. Widened roadway sections at curves, fill and turnouts shall also be included in the blading of the roadway. The shoulder line shall be definite, continuous and smooth, with no abrupt changes in alignment.

The blading shall maintain the roadway width as existing. Cutting backslope or increasing the slope of the shoulder shall not increase Road widths.

Cleaning Culverts and Ditches

The upper and lower ends, as well as the inside of existing culverts, for a minimum distance of 2 feet shall be thoroughly cleaned to provide unobstructed flow to and from the culverts. Limbs, brush and all other types of trash on backslope within 5 feet of inlet and outlet of culverts shall be removed.

Catch basins shall be cleaned of excess material above the flow line of culverts or above the floor of concrete or masonry catch basins, the discharge end of culverts shall be cleared of material to the elevation of culvert outlets for a distance of 5 feet.

Dikes (ditch blocks) for intercepting flow of water on a sidehill installation shall be no higher than the culverts diameter and in any case, lower than shoulder of road.

Ditches – All roadway ditches, lead off ditches from culverts or cut sections, and lead in ditches shall be cleaned of any material that would obstruct the flow. The work is to be accomplished so that reasonable conformance to previous line, grade, and cross section will be achieved.

Grade Dips – Grade dips shall be maintained so as to be of sufficient depth and width to adequately drain away from roadway. Grade dips shall be maintained in accordance with attached drawing.

Removal of Obstructions

Removal of trees, limbs, brush and obstructions shall be limited to those that are within 3 feet of the travelway, obstructing the driver's sight distance. Limbs will be pruned next to trunk of trees with exception of portions of overhanging limbs. Material removed shall be scattered outside the road prism.

Public Safety

The blade operator shall exercise due caution and care when operating to prevent undue conflict with public users of roads.

A reflectorized "Slow Moving" vehicle emblem shall be attached to all motor patrols and at least on amber flashing warning lamp visible from front and rear. Lamp shall flash in unison and be mounted as high as possible on cab of motor grader.

The blade operator shall post warning signs with flags on either end of the section being worked to warn the road users of the work in progress.

Snow Removal

Snow removal shall be done in a manner to preserve and protect the roads, to insure safe and efficient transportation, and prevent erosion damage to roads, streams and adjacent lands.

Description:

- a. Removal of snow from the entire road surface width including turnouts.
- b. Removal of snow slides, earth slides, fallen timber and boulders that obstruct normal road surface width.
- c. Removal of snow, ice and debris from ditches and culverts so that the drainage system will function efficiently at all times.

Performances:

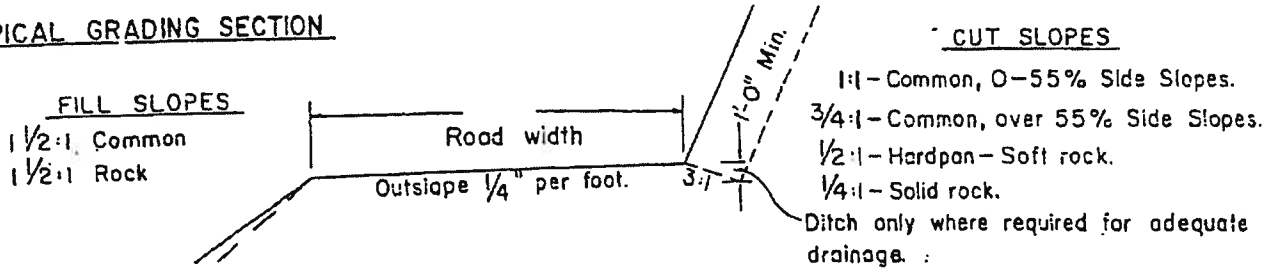
- a. During snow removal operations, banks shall not be undercut nor shall or other selected surface material be bladed off the roadway surface.
- b. Ditches and culverts shall be kept functional during and following roadway use.
- c. Snow berms shall not be left on the road surface without written approval of the Forest Service.
- d. Dozers shall not be used to plow snow on Forest Service roads without written approval.
- e. Damage from, or as a result of snow removal shall be restored in a timely manner by the permittee.

U.S. FOREST SERVICE — REG. NO. 3 EXHIBIT A
MINIMUM STANDARDS FOR SINGLE LANE FAIR WEATHER ROAD

DESIGN CRITERIA

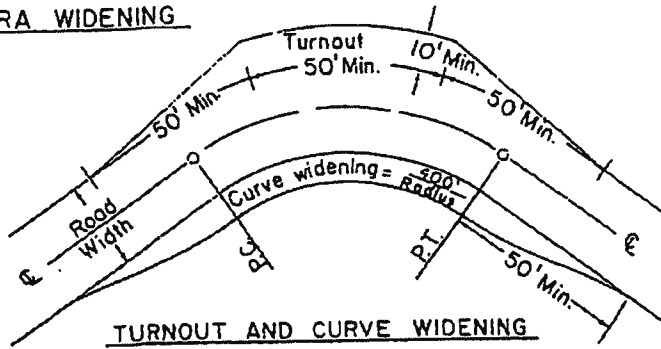
- Grade — Maximum of 8% unless approved in writing by the Forest Service.
- Alignment — Minimum radius 50 ft.

TYPICAL GRADING SECTION



Side cast on contour grade line permitted except where topography is so broken that designed end haul is necessary to obtain reasonable minimum alignment standard.

EXTRA WIDENING



WIDENING ON FILL

Height of fill at Shoulder	Widen each Shoulder
0' – 6' (1 1/2:1 Fill Slopes)	1' – 0"
Over 6' (1 1/2:1 Fill Slopes)	2' – 0"

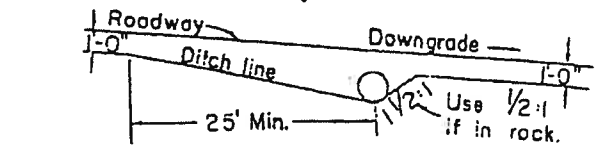
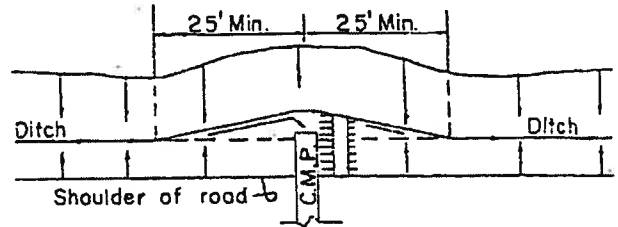
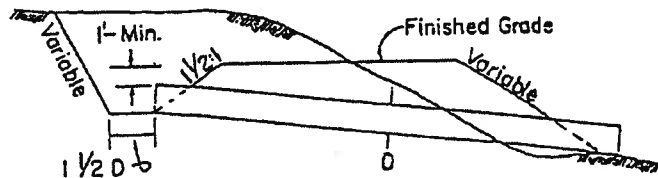
TURNOUT SPACING

Turnouts to be located on blind curves and supplemented between blind curves as necessary to keep spacing less than 1,000 ft.

SURFACING

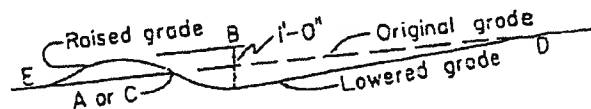
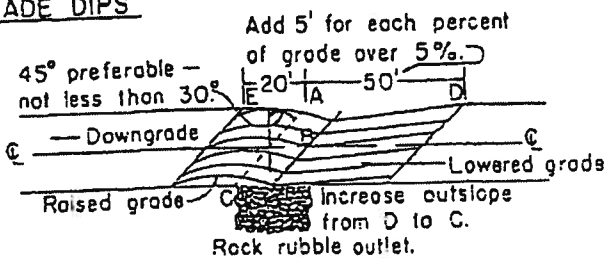
Spot surface with selected material where needed.

CULVERTS



All culverts must discharge at natural ground level unless slope under pipe is protected by rock fill. Gradient of culverts on Sidehill Installation not less than approaching ditch gradient.

GRADE DIPS



Grade Dips may be used in lieu of culverts ordinarily used for ditch relief.

For spacing of Grade Dips and Ditch Relief Culverts see F.S.M. 5613.54.

Auth ID: PEA0605
Contact ID: REASSETS
Expiration Date: 12/31/2019
Use Code: 753

FS-2700-4c (03/06)
OMB No. 0596-0082

**U.S. DEPARTMENT OF AGRICULTURE
FOREST SERVICE**

**PRIVATE ROAD SPECIAL USE PERMIT
AUTHORITY:**

FEDERAL LAND POLICY AND MGMT ACT, AS AMENDED October 21, 1976

RE ASSETS LLC, C/O ED MORGAN PO BOX 30326, FLAGSTAFF, AZ 86003 (hereafter called the Holder) is hereby authorized to use National Forest lands for the construction, reconstruction, maintenance, and use of a road within the Coconino National Forest for the following purposes:

ACCESS TO PRIVATE PROPERTY

The lands covered by this permit are located in the County of Coconino, State of Arizona and are described as follows:
Sec. 9, T. 21 N., R. 8 E., GILA AND SALT RIVER MERIDIAN
This permit covers a right-of-way 200 feet in length, 40 feet in width, containing approximately .18 acres, and is located upon the ground according to the survey line, figures, measurements, widths, and other references shown on the map or plat attached hereto as exhibits A & B and made a part hereof.

This permit is made subject to the following terms, provisions, and conditions:

1. This permit is subject to all existing easements and valid rights existing on this date.
2. The Holder in exercising the privileges granted by this permit shall comply with all applicable State and Federal laws, Executive Orders, and Federal rules and regulations, and shall comply with all State standards for public health and safety, environmental protection, and siting construction, operation, maintenance of or for rights-of-way for similar purposes if those standards are more stringent than applicable Federal standards.
3. The Holder shall cut no timber except as authorized by construction stipulations or maintenance agreements.
4. The Holder shall provide maintenance so that no damage occurs on adjacent National Forest land. The Holder shall construct and maintain lead-off drainage and water barriers as necessary to prevent erosion.
5. Holder shall pay the United States for all injury, loss, or damage, including fire suppression costs, in accordance with Federal and State laws.
6. Holder shall indemnify the United States for any and all injury, loss, or damage, including fire suppression costs the United States may suffer as a result of claims, demands, losses, or judgments caused by the Holder's use or occupancy under this permit.
7. Holder shall pay annually in advance a sum determined by the Forest Service to be the fair market value of the use authorized by this permit. The initial payment is set at \$70.50 or the remainder of the calendar year. Payments for each subsequent calendar year shall be the amount of \$70.50 adjusted using the Implicit Price Deflator-Gross National Product index (IPD-GNP), or other factor selected by the Forest Service, to reflect more nearly the current fair market value of the use. At intervals to be determined by certain changes in the indexes used to establish the linear rights-of-way fee schedule, the fee shall be reviewed and adjusted as necessary to assure that it is commensurate with the value of the rights and privileges authorized. Failure of the Holder to pay the annual payment, late charges, or other fees or charges shall cause the permit to terminate.
8. Pursuant to 31 U.S.C. 3717, et seq., interest shall be charged on any fee amount not paid within 30 days from the date the fee or fee calculation financial statement specified in this authorization becomes due. The rate of interest assessed shall be the higher of the rate of the current value of funds to the U.S. Treasury (i.e., Treasury tax and loan account rate), as prescribed and published by the Secretary of the Treasury in the Federal Register and the Treasury Fiscal Requirements Manual Bulletins annually or quarterly or at the Prompt Payment Act rate. Interest on the principal shall accrue from the date the fee or fee calculation financial statement is due.

In the event the account becomes delinquent, administrative costs to cover processing and handling of the delinquency will be assessed.

A penalty of 6 percent per annum shall be assessed on the total amount delinquent in excess of 90 days and shall accrue from the same date on which interest charges begin to accrue.

Payments will be credited on the date received by the designated collection officer or deposit location. If the due date for the fee or fee calculation statement falls on a non-workday, the charges shall not apply until the close of business on the next workday.

Disputed fees are due and payable by the due date. No appeal of fees will be considered by the Forest Service without full payment of the disputed amount. Adjustments, if necessary, will be made in accordance with settlement terms or the appeal decision.

If the fees become delinquent, the Forest Service will:

Liquidate any security or collateral provided by the authorization.

If no security or collateral is provided, the authorization will terminate and the holder will be responsible for delinquent fees as well as any other costs of restoring the site to its original condition including hazardous waste cleanup.

Upon termination or revocation of the authorization, delinquent fees and other charges associated with the authorization will be subject to all rights and remedies afforded the United States pursuant to 31 U.S.C. 3711 et seq. Delinquencies may be subject to any or all of the following conditions:

Administrative offset of payments due the holder from the Forest Service.

Delinquencies in excess of 60 days shall be referred to United States Department of Treasury for appropriate collection action as provided by 31 U.S.C. 3711 (g), (1).

The Secretary of the Treasury may offset an amount due the debtor for any delinquency as provided by 31 U.S.C. 3720, et seq.)

9. All construction or reconstruction of the road shall be in accordance with plans, specifications, and written stipulations approved by the Forest Service prior to beginning such construction or reconstruction.

10. The Holder shall repair fully all damage to National Forest roads and trails caused by the exercise of the privileges granted by this permit.

11. The United States may use the roads without cost for all purposes deemed necessary or desirable in connection with the protection and administration of the lands or resources of the United States, provided that it will use the road for commercial hauling purposes, other than the removal of timber cut in construction or maintenance of the road or other occasional incidental use, only after arranging to pay or perform its pro rata share of road maintenance.

12. The Forest Service alone may extend rights and privileges for use of the road constructed on the premises to other non-Federal users provided that such users shall pay a fair share of the current replacement cost less depreciation of the road to the holder, and reconstruct the road as necessary to accommodate their use.

13. The Forest Service retains the right to occupy and use the right-of-way and to issue or grant rights-of-way for land uses, for other than road purposes, upon, over, under, and through the permit area provided that the occupancy and use do not interfere unreasonably with the rights granted herein.

14. The Forest Service shall have the right to cross and re-cross the premises and road at any place by any reasonable means and for any purpose in such manner as does not interfere unreasonably with use of the road.

15. The Holder shall maintain the right-of-way clearing by means of chemicals only after the Forest Supervisor has given specific written approval. Application for such approval must be in writing and must specify the time, method, chemicals, and the exact portion of the right-of-way to be chemically treated.

16. Unless sooner terminated, or revoked by the Regional Forester, this permit shall expire and terminate on 12/31/2019. At that time, if the holder still needs the road for the purposes for which this permit is granted, the permit will be reissued for a period of 10 years (or the estimated remaining life of the project, whichever is less). At the time of reissuance, the terms and conditions may be modified and new conditions or stipulations added at the discretion of the Forest Service.

17. This permit may be terminated or suspended upon breach of any of the conditions herein, or revoked at the discretion of the Issuing Officer.

18. Upon termination or revocation of this special-use authorization, the Holder shall remove within a reasonable time the structures and improvements and shall restore the site to a condition satisfactory to the authorized officer, unless otherwise waived in writing or in the authorization. If the Holder fails to remove the structures or improvements within a reasonable period, as determined by the authorized officer, they shall become the property of the United States, but this does not relieve the Holder from liability for the removal and site restoration costs.

19. **Nonexclusive Use and Public Access.** Unless expressly provided for in additional terms, use of the permit area is not exclusive. The Forest Service reserves the right to use or allow others to use any part of the permit area, including roads, for any purpose, provided, such use does not materially interfere with the holder's authorized use. A final determination of conflicting uses is reserved to the Forest Service.

20. **Forest Service Right of Entry and Inspection.** The Forest Service has the right of unrestricted access of the permitted area or facility to ensure compliance with laws, regulations, and ordinances and the terms and conditions of this permit.

21. **Liability.** For purposes of this section, "holder" includes the holder's heirs, assigns, agents, employees, and contractors.

A. The holder assumes all risk of loss to the authorized improvements.

B. The holder shall indemnify, defend, and hold the United States harmless for any violations incurred under any such laws and regulations or for judgments, claims, or demands assessed against the United States in connection with the holder's use or occupancy of the property. The holder's indemnification of the United States shall include any loss by personal injury, loss of life or damage to property in connection with the occupancy or use of the property during the term of this permit. Indemnification shall include, but is not limited to, the value of resources damaged or destroyed; the costs of restoration, cleanup, or other mitigation; fire suppression or other types of abatement costs; third party claims and judgments; and all administrative, interest, and other legal costs. This paragraph shall survive the termination or revocation of this authorization, regardless of cause.

C. The holder has an affirmative duty to protect from damage the land, property, and interests of the United States.

D. In the event of any breach of the conditions of this authorization by the holder, the Authorized Officer may, on reasonable notice, cure the breach for the account at the expense of the holder. If the Forest Service at any time pays any sum of money or does any act which will require payment of money, or incurs any expense, including reasonable attorney's fees, in instituting, prosecuting, and/or defending any action or proceeding to enforce the United States rights hereunder, the sum or sums so paid by the United States, with all interests, costs and damages shall, at the election of the Forest Service, be deemed to be additional fees hereunder and shall be due from the holder to the Forest Service on the first day of the month following such election.

E. With respect to roads, the holder shall be proportionally liable for damages to all roads and trails of the United States open to public use caused by the holder's use to the same extent as provided above, except that liability shall not include reasonable and ordinary wear and tear.

F. The Forest Service has no duty to inspect the permit area or to warn of hazards and, if the Forest Service does inspect the permit area, it shall incur no additional duty nor liability for identified or non-identified hazards. This covenant may be enforced by the United States in a court of competent jurisdiction.

22. **Members of Congress.** No Member of or Delegate to Congress or Resident Commissioner shall benefit from this permit either directly or indirectly, except when the authorized use provides a general benefit to a corporation.

23. **Appeals and Remedies.** Any discretionary decisions or determinations by the authorized officer are subject to the appeal regulations at 36 CFR 251, Subpart C, or revisions thereto.



24. **Assignability.** This authorization is not assignable or transferable. If Holder, through death, voluntary transfer, enforcement of contract, foreclosure, or other valid legal proceeding shall cease to be owner of the above-described real property accessed by the authorized road, this authorization will terminate.

25. **Superior Clauses.** In the event of any conflict between any of the preceding printed clauses or any provision thereof and any of the following clauses or any provision thereof, the preceding printed clauses shall control.

26. Cultural Resources Protection (D001RO). The holder, contractor, or lessee shall be responsible for the protection from damage of all identified cultural resources within the area which may be affected by their actions. In addition, the holder, contractor, or lessee shall be liable for all damage or injury to the identified cultural resources caused by their actions. The holder, contractor, or lessee shall immediately notify the agency Project Administrator if any damage occurs to any cultural resource and immediately halt work in the area in which damage has occurred until approval to proceed has been granted by the Project Administrator after consultation with the Forest Archeologist. All provisions of the Region 3 Cultural Resources Damage Assessment Handbook are incorporated by reference herein.

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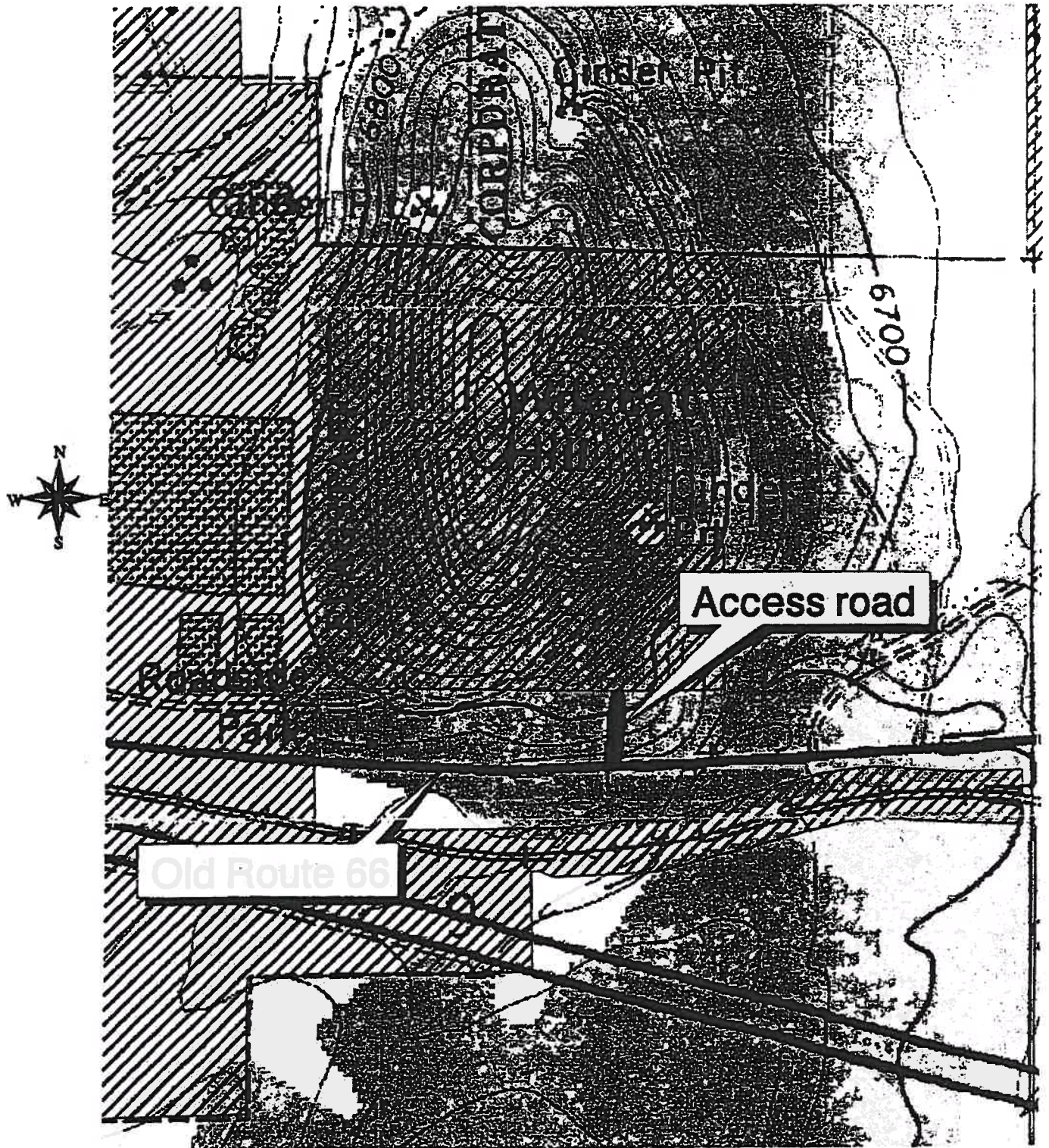
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Private access road
T21N, R8E, Section 9
EXHIBIT B



0.07 0 0.07 0.14 Miles

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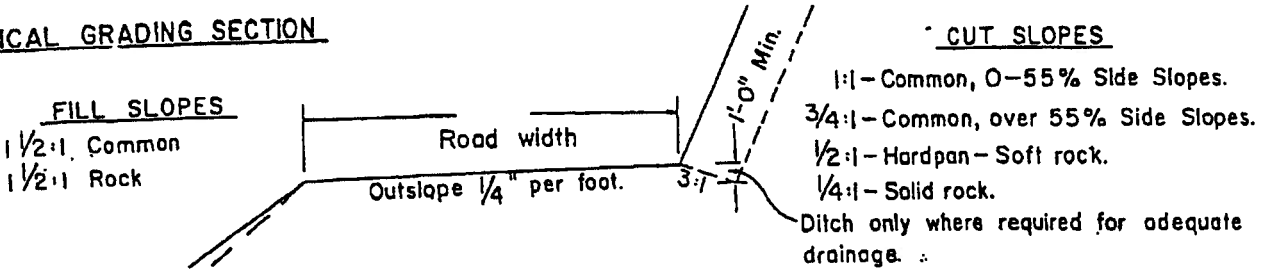
- a. During snow removal operations, banks shall not be undercut nor shall or other selected surface material be bladed off the roadway surface.
- b. Ditches and culverts shall be kept functional during and following roadway use.
- c. Snow berms shall not be left on the road surface without written approval of the Forest Service.
- d. Dozers shall not be used to plow snow on Forest Service roads without written approval.
- e. Damage from, or as a result of snow removal shall be restored in a timely manner by the permittee.

U.S. FOREST SERVICE — REG. NO. 3 EXHIBIT A
MINIMUM STANDARDS FOR SINGLE LANE FAIR WEATHER ROAD

DESIGN CRITERIA

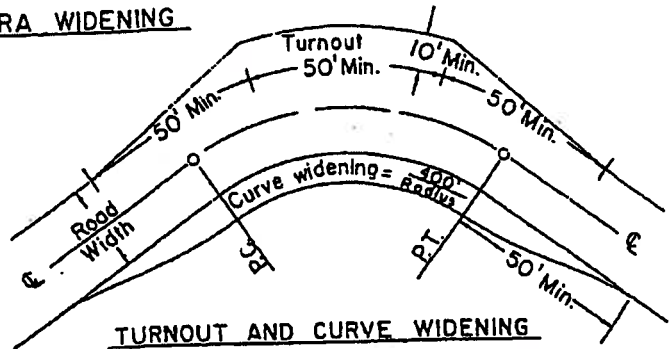
- Grade — Maximum of 8% unless approved in writing by the Forest Service.
- Alignment — Minimum radius 50 ft.

TYPICAL GRADING SECTION



Side cast on contour grade line permitted except where topography is so broken that designed end haul is necessary to obtain reasonable minimum alignment standard.

EXTRA WIDENING



WIDENING ON FILL

Height of fill at Shoulder	Widen each Shoulder
0' - 6' (1 1/2:1 Fill Slopes)	1'-0"
Over 6' (1 1/2:1 Fill Slopes)	2'-0"

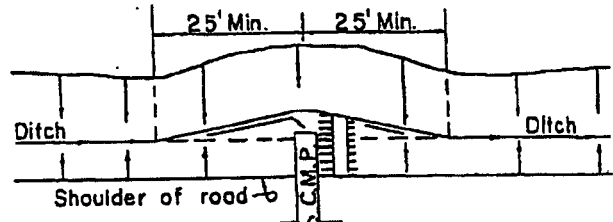
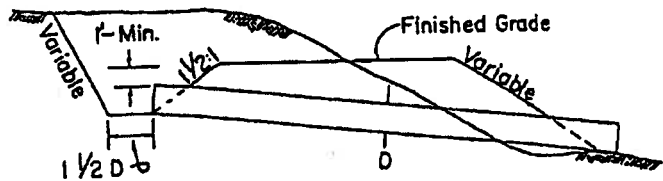
TURNOUT SPACING

Turnouts to be located on blind curves and supplemented between blind curves as necessary to keep spacing less than 1,000 ft.

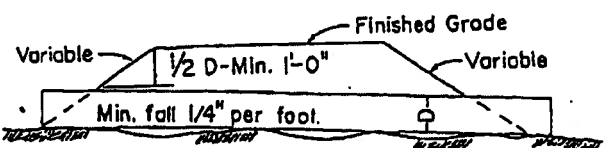
SURFACING

Spot surface with selected material where needed.

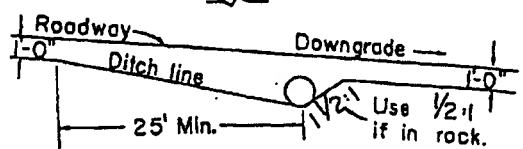
CULVERTS



SIDEHILL INSTALLATION



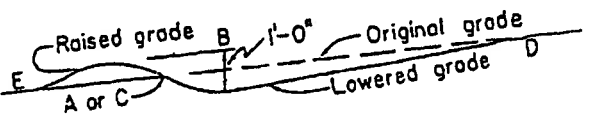
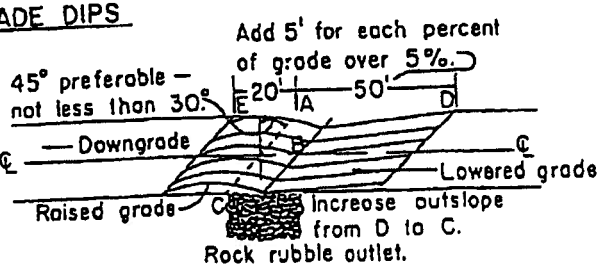
THROUGH FILL



SIDEHILL INSTALLATION

All culverts must discharge at natural ground level unless slope under pipe is protected by rock fill. Gradient of culverts on Sidehill Installation not less than approaching ditch gradient.

GRADE DIPS



Grade Dips may be used in lieu of culverts ordinarily used for ditch relief.

For spacing of Grade Dips and Ditch Relief Culverts see F.S.M. 5613.54.

SITE PLAN AREA MAP FOR WILDCAT INDUSTRIAL PARK

LOCATED IN THE N 1/2 OF SECTION 9,
TOWNSHIP 21 NORTH, RANGE 8 EAST, G&S.R.M.
FLAGSTAFF, COCONINO COUNTY, ARIZONA

SOIL PROPERTIES

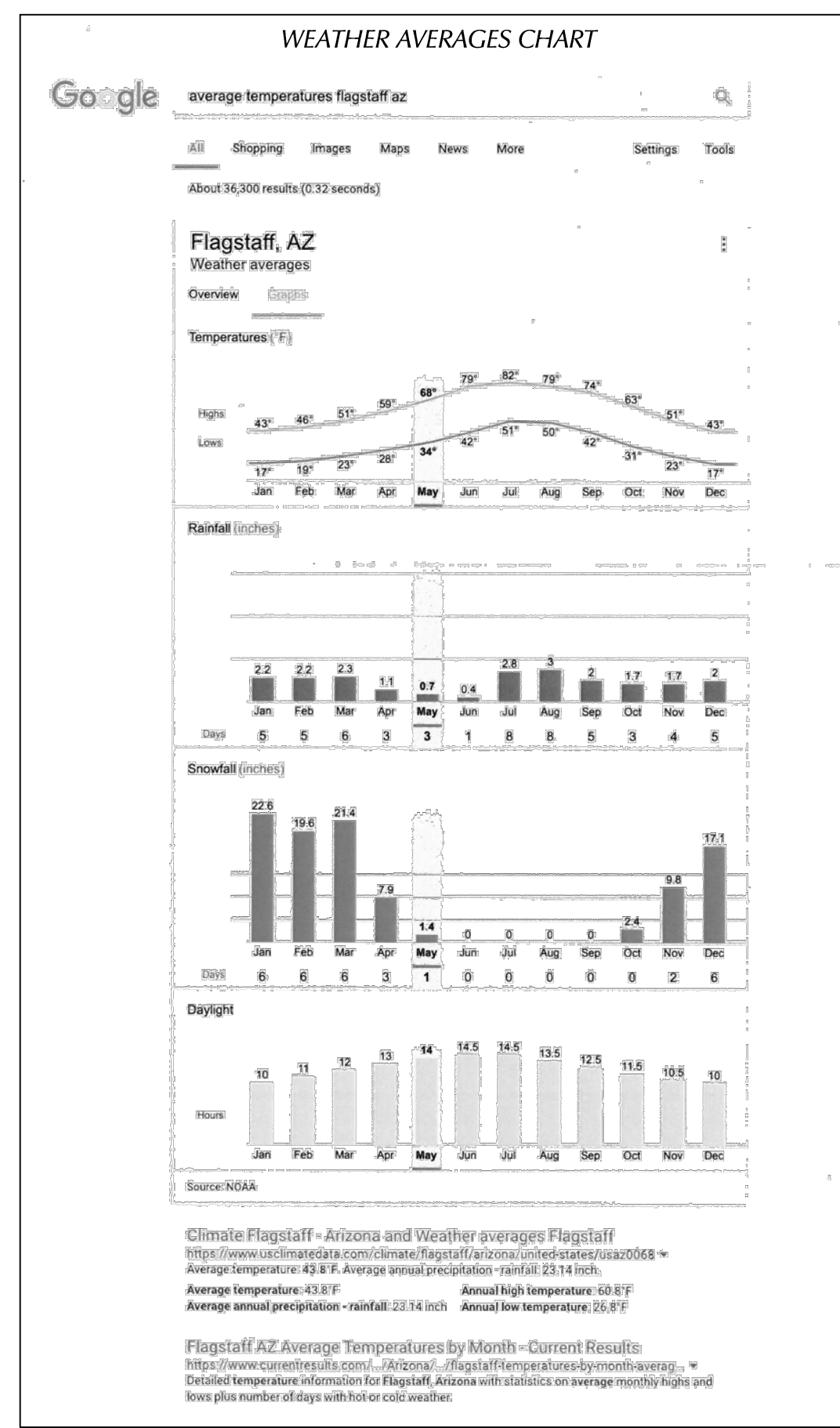
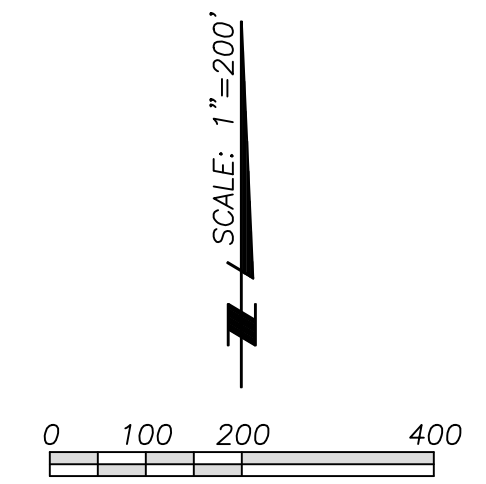
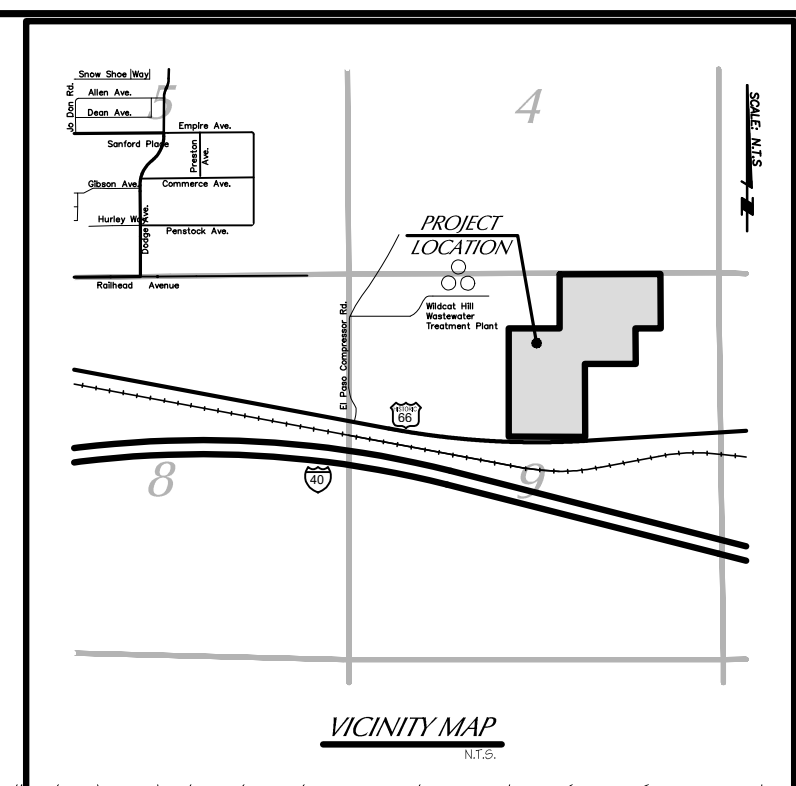
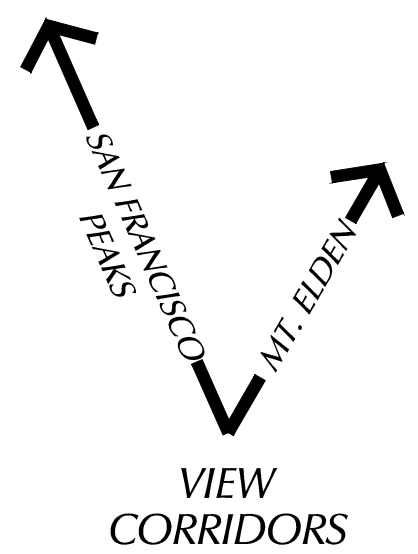
SOILS ARE BROLLIAR STONY CLAY LOAM WITH 0-2% SLOPES
BASED ON INFORMATION PROVIDED BY THE U.S. DEPT. OF
AGRICULTURE NATURAL RESOURCES CONSERVATION SERVICE
- CUSTOM SOIL RESOURCE REPORT (DATED JUNE 26, 2018)

SLOPES

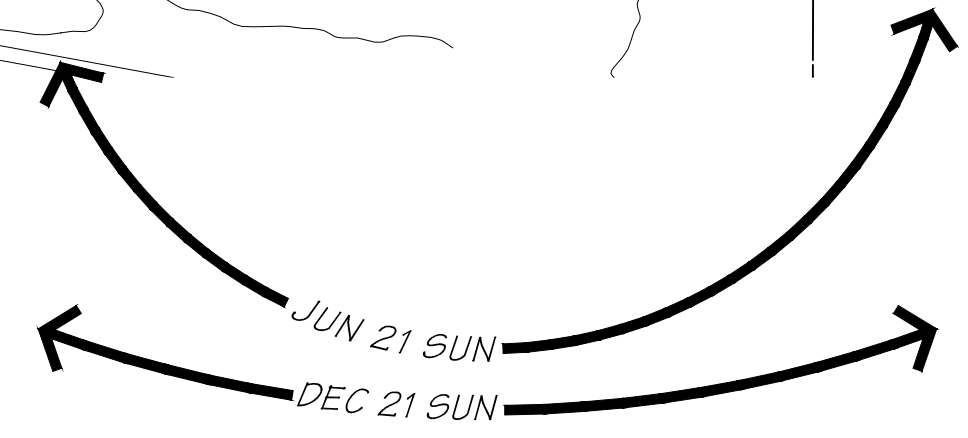
THERE ARE NO SLOPES LOCATED WITHIN THE PROJECT AREA

PRECIPITATION PATTERN NOTE

THERE ARE TWO DISTINCT PERIODS OF PRECIPITATION IN
FLAGSTAFF. THE FIRST OCCURS DURING THE WINTER MONTHS
FROM NOVEMBER THROUGH APRIL WHEN THE JET STREAM CAN
BE LOCATED OVER THE STATE ALLOWING PACIFIC STORM
SYSTEMS TO MOVE OVERHEAD. THE OTHER DISTINCT PERIOD IS
CLASSIFIED AS THE SUMMER RAINY SEASON, OR "SUMMER
MONSOON." THE MONSOON RAINY PERIOD USUALLY OCCURS
DURING JULY AND AUGUST WHEN MOST OF ARIZONA IS
SUBJECTED TO WIDESPREAD THUNDERSTORM ACTIVITY. THESE
THUNDERSTORMS ARE EXTREMELY VARIABLE IN INTENSITY AND
LOCATION AND OCCUR MAINLY BETWEEN THE HOURS OF 11 a.m.
AND 6 p.m.. SOME OF THESE STORMS CAN REACH SEVERE
LEVELS, WITH LARGE HAIL, DAMAGING WINDS, AND
OCCASIONALLY EVEN A TORNADO. (EXCERPT FROM THE CITY OF
FLAGSTAFF SUSTAINABILITY PROGRAM RECOMMENDATIONS -
CLIMATE SECTION - DATED OCTOBER 17, 2012)



NOTE:
TOPOGRAPHIC INFORMATION SHOWN HEREON HAS BEEN
PROVIDED BY COOPER AERIAL SURVEY. SURVEY WAS
COMPLETED IN NOVEMBER OF 2008 WITH CONTROL PROVIDED BY
MAGALLON ENGINEERING. OFFSITE INFORMATION IS FROM THE
CITY OF FLAGSTAFF G.I.S. DEPARTMENT. INFORMATION SHOWN
HEREON IS TRUE AND CORRECT TO THE BEST OF MY
KNOWLEDGE.



ROUTE 66
200' R.O.W.

SITE ANALYSIS:

- CONTOUR LINES: SHOWN
- NO OFFSITE DRAINAGE FLOWS
- NO STORMWATER DISCHARGE POINTS
- EXISTING BUILDINGS: SHOWN
- PUBLIC RIGHT-OF-WAY: SHOWN
- ACCESS: SHOWN
- NO PEDESTRIAN FACILITIES
- IMPROVEMENTS: SHOWN
- NO LANDSCAPING PROPOSED

PROJECT INFORMATION

PROJECT NAME: WILDCAT INDUSTRIAL PARK
PROJECT LOCATION: 6500 E. ROUTE 66
FLAGSTAFF, AZ. 86004
APN NUMBER: 113-07-004, 003L
TOTAL ACREAGE: 60.48544±
ACREAGE TO BE REZONED: 18.23808±
CURRENT ZONING DISTRICT: RR
PLAN DESIGNATION: FUTURE EMPLOYMENT
PROPOSED ZONING DISTRICT: HI
FEMA DESIGNATION: ZONE X
CURRENT USE: MINING OPERATIONS
OWNER/DEVELOPER: RE ASSET MANAGEMENT L.L.C.
6500 E. ROUTE 66
FLAGSTAFF, AZ. 86004

PROJECT NARRATIVE FOR WILDCAT INDUSTRIAL PARK

PROJECT TITLE: WILDCAT INDUSTRIAL PARK
PROJECT DESCRIPTION: MINING FOR CONSTRUCTION AND LANDSCAPE MATERIALS. THIS PROJECT WILL CONSIST OF REZONING 18.2± ACRES FROM CURRENT RR ZONE TO HI ZONE. THIS WILL ALLOW THE LEASING OF CONTRACTOR YARDS. A NEW WATER LINE WILL BE INSTALLED FOR FIRE PROTECTION. THIS PARCEL CANNOT SEWER TO A PUBLIC MAIN AS EXISTING ROUTES WILL NOT MEET ADEQ REQUIREMENTS. NO PERMANENT STRUCTURES ARE PROPOSED. THE LEASE AREAS WILL BE DEFINED ON-SITE VIA CHAIN LINK FENCE BOUNDARIES. THESE BOUNDARIES MAY CHANGE BASED ON MARKET/TENANT DEMANDS. NO DWELLING UNITS ARE PROPOSED. THE REMAINING ACREAGE OF THE SITE WILL CONTINUE THE EXISTING MINING OPERATIONS. NO TRASH ENCLOSURES PROPOSED, TRASH DISPOSAL WILL BE THE RESPONSIBILITY OF TENANTS.
LEGAL DESCRIPTION: INSTRUMENT 34485758
SITE AREA 60.5 ± ACRES
REZONING AREA 18.2± ACRES
PROPOSED BUILDINGS: NONE
NUMBER OF DWELLING UNITS: NONE
HERITAGE RESOURCES: NONE
ADDITIONAL DETAILS: THIS SITE PLAN IS SUBMITTED IN RESPONSE TO NOTICE OF VIOLATION, CITY OF FLAGSTAFF, DATED 11/14/17.

Mogollon ENGINEERING & SURVEYING
411 W Santa Fe Avenue
Flagstaff, Arizona 86001
Phone: 928-214-0214

PROJECT NO. 18296
REVISIONS PER C.O.F. COMMENTS DATED 10/31/14
FN SHEET-01.dwg
DATE: 5/19/23
DESIGNED BY: PHE
DRAWN BY: PHE
CHECKED BY: KVA
SCALE: 1"=200'

WILDCAT INDUSTRIAL PARK
SITE PLAN
SITE ANALYSIS & AREA MAP

5/19/23
MES# 18925

REGISTERED LAND SURVEYOR
PRELIMINARY
ARIZONA U.S.A.
Expires on 3/31/...

SITE PLAN for WILDCAT INDUSTRIAL PARK

LOCATED IN THE N 1/2 OF SECTION 9, T21N, R8E, G&SRM
FLAGSTAFF, COCONINO COUNTY, ARIZONA

NOTE:
SEE SHEET 1 FOR PARCEL BOUNDARIES AND ASSESSOR
PARCEL NUMBERS.

TOPOGRAPHIC INFORMATION SHOWN HEREON HAS BEEN
PROVIDED BY COOPER AERIAL SURVEY SURVEY WAS
COMPLETED IN NOVEMBER OF 2020 WITH CONTROL PROVIDED
BY MOGOLLON ENGINEERING. ADDITIONAL TOPOGRAPHIC
INFORMATION HAS BEEN PROVIDED BY ASPEN SURVEYING,
LLC. IN APRIL, 2020. OFFSITE INFORMATION IS FROM THE
CITY OF FLAGSTAFF G.I.S. DEPARTMENT.

STATE MINE INSPECTOR NOTE:
BUILDINGS, SEPTIC SYSTEMS, PARKING, STORMWATER
MITIGATION, AND FENCING ARE UNDER THE JURISDICTION OF
THE STATE MINE INSPECTOR AND CANNOT BE CHANGED
WITHOUT THEIR APPROVAL. THE APPROVED RECLAMATION AND
CLOSURE PLAN, INCLUDING FINANCIAL ASSURANCE, ON FILE
WITH THE STATE MINE INSPECTOR'S OFFICE PER A.R.S. TITLE
27, CHAPTERS 6 & 1273.

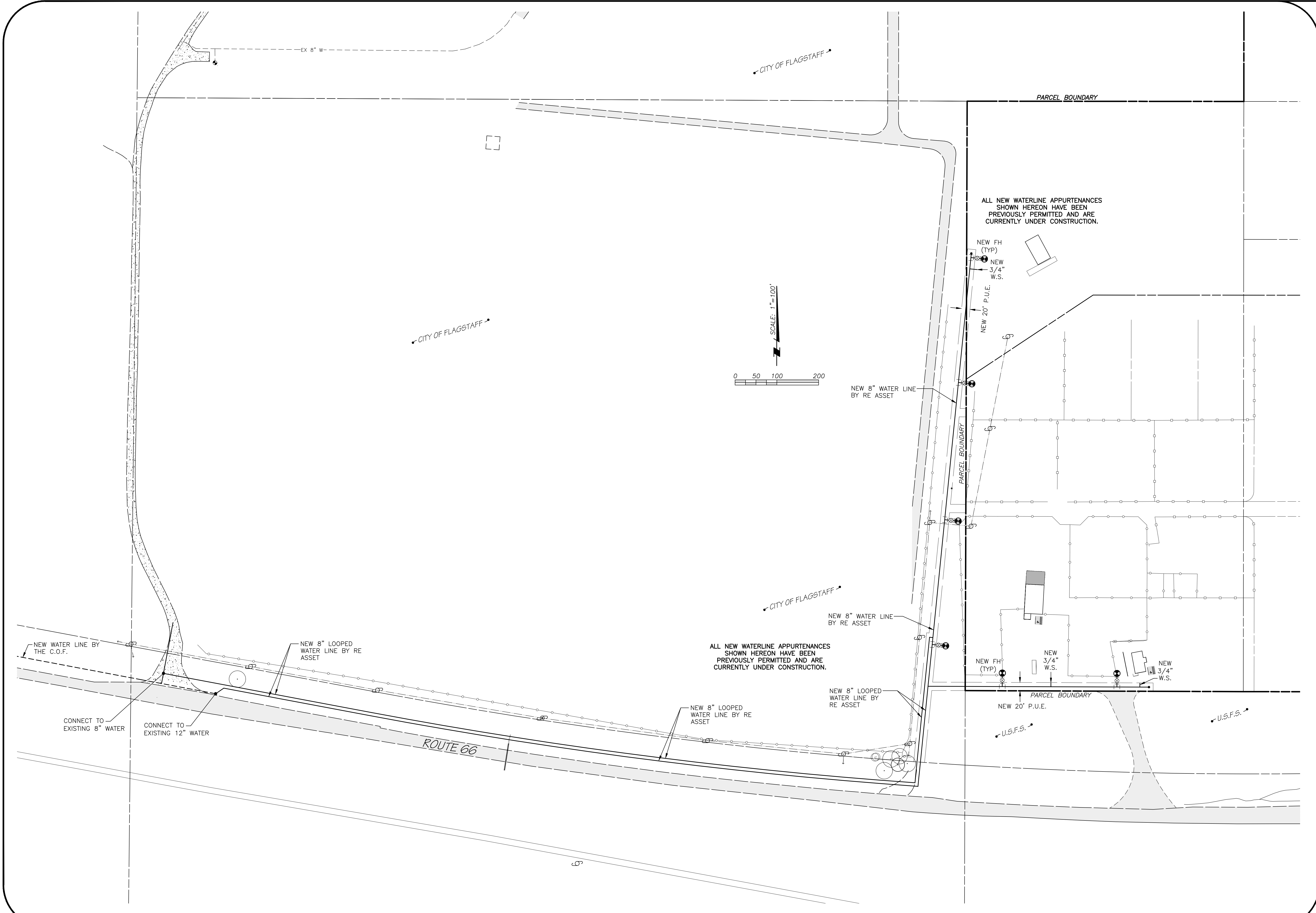


Mogollon
 ENGINEERING & SURVEYING
 411 W Santa Fe Avenue
 Flagstaff, Arizona 86001
 Phone: 928-214-0214

PROJECT NO. 18295
 REVISIONS PER C.O.F. COMMENTS DATED 10/21/19
 DATE: 5/19/23
 DESIGNED BY: MHE
 DRAWN BY: MHE
 CHECKED BY: KVH
 PROJECT: WILDCAT INDUSTRIAL PARK
 SHEET: P1 SHEET2.DWG
 VERT SCALE: N/A
 HOR SCALE: 1"=60'
 5/19/23
 MES# 18295

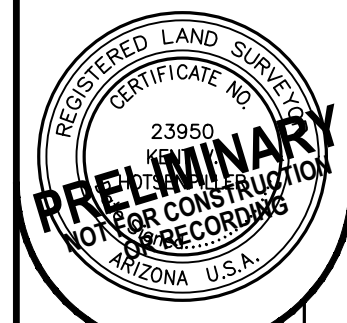
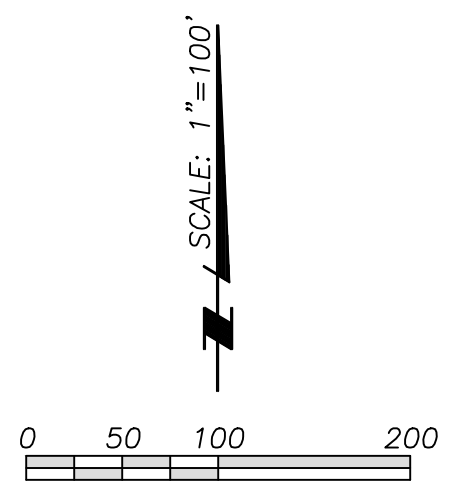
WILDCAT INDUSTRIAL PARK
 SITE PLAN
 YARD LAYOUT

SHEET NO. 2 OF 3
 COF PROJECT # PZ-19-00181



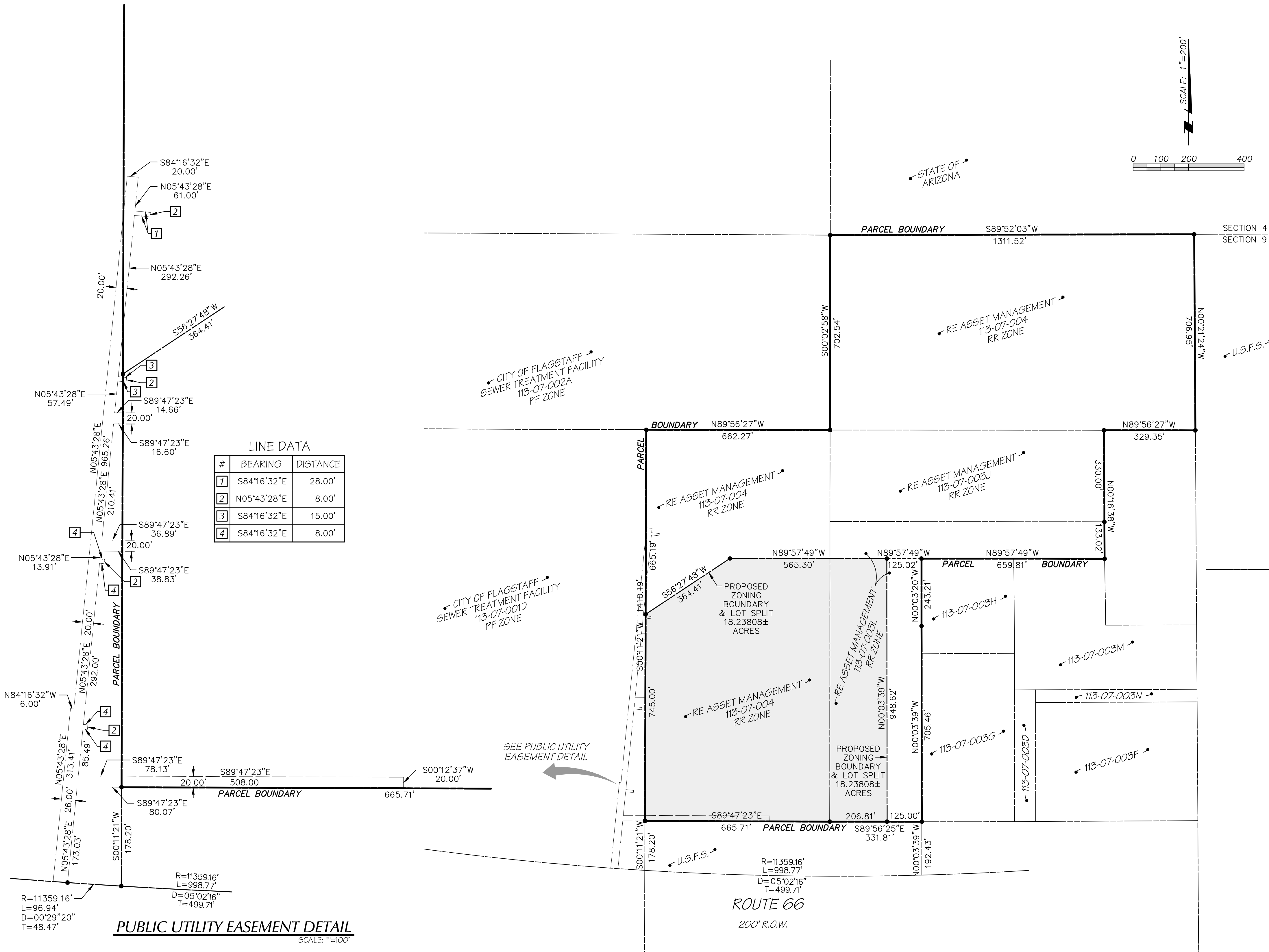
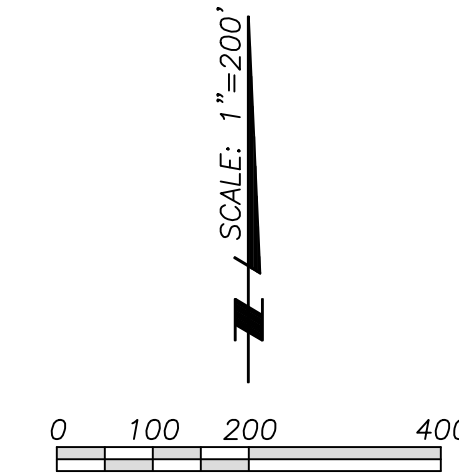
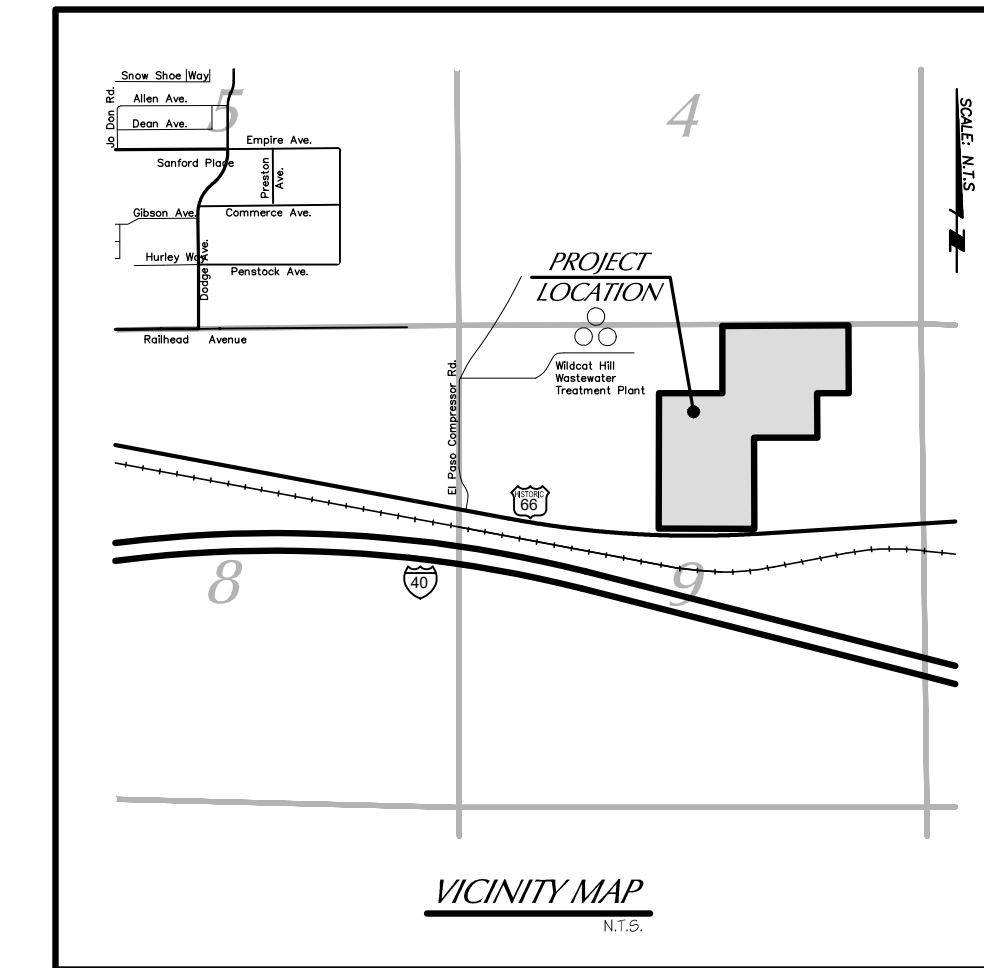
ALL NEW WATERLINE APPURTENANCES SHOWN HEREON HAVE BEEN PREVIOUSLY PERMITTED AND ARE CURRENTLY UNDER CONSTRUCTION.

ALL NEW WATERLINE APPURTENANCES SHOWN HEREON HAVE BEEN PREVIOUSLY PERMITTED AND ARE CURRENTLY UNDER CONSTRUCTION.



PROPOSED LOT SPLIT FOR WILDCAT INDUSTRIAL PARK

LOCATED IN THE N 1/2 OF SECTION 9,
TOWNSHIP 21 NORTH, RANGE 8 EAST, G&S.R.M.
FLAGSTAFF, COCONINO COUNTY, ARIZONA



LINE DATA

#	BEARING	DISTANCE
1	S84°16'32\"E	28.00'
2	N05°43'28\"E	8.00'
3	S84°16'32\"E	15.00'
4	S84°16'32\"E	8.00'

PUBLIC UTILITY EASEMENT DETAIL
SCALE: 1\"=100'

PROJECT INFORMATION

PROJECT NAME: WILDCAT INDUSTRIAL PARK
 PROJECT LOCATION: 6500 E. ROUTE 66
 FLAGSTAFF, AZ. 86004
 APN NUMBER: 113-07-003L
 TOTAL ACREAGE: 60.48544±
 ACREAGE TO BE REZONED: 18.23808±
 CURRENT ZONING DISTRICT: RR
 PLAN DESIGNATION: FUTURE EMPLOYMENT
 PROPOSED ZONING DISTRICT: HI
 FEMA DESIGNATION: ZONE X
 CURRENT USE: MINING OPERATIONS
 OWNER/DEVELOPER: RE ASSET MANAGEMENT L.L.C.
 6500 E. ROUTE 66
 FLAGSTAFF, AZ. 86004

Citizen Participation Plan (AKA The Neighborhood Meeting Plan and
Neighborhood Meeting Notification)
Wildcat Industrial Park

Citizen Participation Plan (The Plan below was prepared and approved by City Staff Prior to the Neighborhood Meeting, which explains why it is written in the future tense)

In accordance with Section 10-20.30.060 of the City of Flagstaff Zoning Code, the applicant will be holding at least one neighborhood meeting as part of its citizen participation efforts. Pursuant to direction from City Staff, the neighborhood meeting will be virtual and will be held on Zoom due to the Covid-19 pandemic. It is noted that the Zoning Code requires two neighborhood meetings but gives City Staff the authority to waive the requirement for the second meeting, should the applicant make this request in writing and Staff determines that a second meeting is not needed. If it is determined that a second neighborhood meeting is required, however, the applicant will hold this meeting in accordance with the Flagstaff Zoning Code.

Parties to be notified

In working with City Staff, it was determined the applicant should reach out to neighboring property owners within 1000 feet of the applicant's parcels, to-wit: 113-07-004 and 113-07-003L, in addition to all persons or groups whose names are on the registry of persons and groups who are interested in receiving such notice. The applicant is not aware of any tenants or HOA's within the 1000 feet of the applicant's mentioned parcels. We have attached a list of all the properties within the 1000 foot area with buffering maps showing the properties that are included. It is noted that there are 7 property owners included within 1000 feet including the applicant, BNSF, the City of Flagstaff, the Coconino National Forest Service, and 3 private owners (Vera Baker, Justin Miller, and Robert and Geraldine Payne).

Notification Methods

The applicant is proposing to mail (via first class mail of the United States Post Office) the attached Neighborhood Meeting Notice to all parties described above who are required to be noticed. The letter will invite these parties to a neighborhood meeting on Zoom that will be held on a weekday at 6:00 pm. The letter providing the Zoom meeting link will be sent by first-class mail no later than 15 days prior to the meeting.

A sign that will be at least 4' x 4' in area will be installed at the property's East Route 66 public right of way entrance at least 10 days before each neighborhood meeting. The sign will set forth the purpose, time, date, and place of the meeting. The attached Neighborhood Meeting Sign document includes the sign content. The lettering size and design will use Public Hearing sign design standards, since this is what the community is used to seeing. The sign shall have a white

background with black lettering, with a minimum 2” title text and minimum 1” letter size. It will also make it easier to re-use the sign to announce the public hearings (P&Z and Council). The sign shall be securely fastened to wooden or metal stakes. It will be made of laminated coroplast, laminated plywood, or other suitable construction material. The height of the sign shall be at least four feet from the finished grade to the top of sign and shall not be obstructed from view. There will be a tube containing copies of the neighborhood meeting notice.

Neighborhood Meeting Form, Structure, and Agenda

The meeting will begin with a presentation from the applicant’s team and will be followed by a question and answer session with participants during which the applicant will attempt to address any concerns. The applicant’s proposed site plan and other plans will be displayed during the presentation. The applicant Robert Miller, his attorney Tony S. Cullum, and his other representatives Guy Ecklund, and Kent Hotsenpiller, will make a presentation. Tony S. Cullum will lead the meeting and there will be a number of talking points to cover during the meeting. The applicant will also establish communication guidelines at the beginning of the meeting and will reiterate them throughout as needed. At the beginning of the meeting, the applicant’s representative will ask all attendees to provide their name and address in the chat box to record their attendance to the meeting. At the beginning of the meeting, the applicant’s project representative will inform the attendees that attendees will have the ability to use the chat function to respectfully ask questions and make comments, and in doing so to respect the opinions of all attendees. The questions and comments will be addressed during the question and answer session following the presentation. Additionally, the attendees will be notified that they also will have the opportunity to verbally provide questions, and input during the question and answer session of the meeting. They will be informed that they will have 3 minutes to speak and they will be notified when their 3 minutes are up and only one person will be allowed to talk at a time. They will also be notified that if participants in the meeting continue to interrupt other attendees or presenters, then they may be removed from the meeting

Presentation and Display of site plan: Tony Cullum will give a presentation to the attendees describing the rezoning request, including the area to be rezoned, the current and proposed use of this area, the current and proposed zoning, reasons behind the rezoning request, the improvements that will be made to accommodate development, and any other relevant information. Robert Miller, Guy Ecklund, and Kent Hotsenpiller will assist with the presentation and provide input and comments as necessary. Guy Ecklund will monitor the chat while during the presentation. During the presentation, the applicant will also show the proposed site plan on the screen so the neighbors can get a full understanding of the site lay out and the proposed use subject to the rezoning.

Discussion with Attendees: The attendees will be muted during the presentation. However, while one member of the applicant’s team is speaking, the other two members will be monitoring the chat box to coordinate with attendees who communicate in writing during the meeting. Once the presentation is made, the applicant and his representatives will open up the meeting to the attendees for verbal discussion and, as stated above, attendees will have at least 3 minutes to speak. They will begin by answering any questions, or responding to comments, that attendees wrote in

the chat box during the presentation. The attendees will then be asked if they have additional comments or questions and the meeting will be opened up to verbal discussion. The purpose of this part of the meeting is for the applicant and his representatives to engage in dialogue to attempt to address any concerns the attendees may have. Once this discussion is completed the meeting will be called to an end.

Additional opportunities for those potentially affected parties to discuss and provide input on the applicant's proposal:

The applicant and his representatives will continue to make themselves available throughout the rezoning process to answer and address questions and concerns. It is noted that the applicant and its project team's contact information is clearly set forth on the proposed meeting notice to make for easy ongoing communications with the community before and after the meeting. The applicant and his team will work to address and attempt to resolve any concerns expressed by members of the community prior to the meeting, and after the meeting throughout the rezone process either through email, by phone, or in person meetings that are specifically requested or arranged.

Following the neighborhood meeting and efforts described above, the applicant will submit to the Planning Development Manager assigned to this rezoning case—Genevieve Pearthree—a Neighborhood Meeting Record of Proceedings and the Neighborhood Meeting Certification in accordance with Section 10-20.20-060 of the City's Zoning Ordinance. These are the methods that will be used to keep City Planning Staff and the City Planning Director informed of the status.

The Neighborhood Meeting Record of Proceedings will include details of techniques the applicant used to involve the public, including: 1) Dates and location(s) of neighborhood meetings; 2) Copies of letters, notices, newsletters, and other correspondence, including dates and number of mailings or deliveries; 3) A copy of the mailing list and a summary of where residents, property owners, and potentially affected citizens receiving notices, newsletters, or other written materials were located; 4) The number and names of people that participated in the process based on the sign-in sheet for the meeting; and 5) A dated photograph of the sign installed. The report will also include a summary of concerns, issues, and problems expressed during the neighborhood meeting, including, the substance of the concerns, issues, and problems, and the applicant's response to the comments received at the public meeting. The applicant's responses will be included on the site plan, illustrative plan, other planning documents(s), and/or in an associated report. If public comments are not included in any of these documents, an explanation of why they were not included must be provided.

Neighborhood Meeting Record of Proceedings (prepared after the neighborhood meeting took place)

After project representative Guy Ecklund worked with City Staff to confirm the above referenced citizen participation plan was acceptable and conformed to the Zoning Ordinance, and also approved by City Staff, the applicant proceeded to implement the citizen participation plan by doing the following:

1) On August 14, 2020, the applicant mailed the attached Neighborhood Meeting Invitation Letter to all of the property owners within 1,000 feet of the property being rezoned (**42 Mailings total**). The invitation was also sent to all the individuals and entities listed on the registry of persons and groups who are interested in receiving such notice as provided by City Staff. The letters were mailed via first class mail of the United States Post Office. It is noted that there are no tenants, and no owners' associations on neighboring properties within the 1,000 foot radius.

2) On August 20, 2020, the applicant installed a sign on the property in a visible location at the property's entrance off Old Route 66 to notify the public that the applicant and the applicant's project representatives would be holding a Public Virtual Neighborhood Meeting via Zoom on August 31, 2020 at 6pm. A dated photograph of the sign is attached hereto. The sign verbiage and installation conformed to the City Zoning Ordinance and was approved by City Planning Staff. The sign well exceeded 4x4 feet in area and it was installed in a place that was clearly visible from the Old E. Route 66 public right of way. The sign was installed more than 10 days prior to the neighborhood meet in conformance with the code.

3) The applicant held the virtual neighborhood meeting on August 31, 2020. **20 people (not including the applicant's team) attended the meeting.** The meeting was held in the manner set forth on Citizen Participation Plan set forth above. The meeting was well attended and the structure and format of the meeting conformed to the Citizen Participation Plan above. In general, the attendees were overwhelmingly in favor of the proposal. The following is an account of those who attended the meeting, along with their comments which have been noted into the record:

1. Warren S. Smith, 7700 E. Old Walnut Canyon. Road, Flagstaff, Arizona, 86004: Mr. Smith expressed his full support for the zone change and, as a fellow contractor and heavy equipment operator, confirmed there is a great need inside the city limits for the proposed storage yard use. He indicated the proposed location is well suited for the proposed use.
2. Justin Miller, 1801. N. Second St., Flagstaff, Arizona, 86001: Justin indicated he owns a 4.6 acre parcel APN 113-07-003G and .82 acre parcel APN 113 07-003D which parcels are located adjacent and to the east of the subject property. Justin Miller is the closest neighboring property owner to property being rezoned. He stated he fully supports the proposal and indicated there is a great need for the proposed use and zone change. With

close proximity to I-40 and E. Old Route 66 he stated traffic or traffic congestion will not be an issue.

3. Julie Smith, 7700 E. Old Walnut Canyon Road, Flagstaff, Arizona, 86001: She expressed her full support for the rezoning proposal. She also stated this will add to the value of residential properties in Flagstaff by keeping commercial vehicles off residential streets and helping to prevent them from being stored on residential properties in residential neighborhoods.
4. Richard Boyle, Phd. 2724 S. Birds of Prey Court, Flagstaff, Arizona 86005: He indicated he has association with many local young contractors in the City of Flagstaff Area. He indicated that the proposed use will help the young contractors fulfill their dreams of owning a business by giving them a place to store their equipment. He fully supported the proposed use and zone change.
5. Jacqita Bailey, 515 N. San Francisco Street, Flagstaff, Arizona, 86001: She mentioned she fully supports the rezone. She mentioned there is a great need for the proposed use in the City of Flagstaff and mentioned the proposed location is well suited for the proposed use.
6. Val Peavy, 8190 Koch Field Road, Flagstaff, Arizona, 86004: Mr. Peavy is a local contractor and he and his family have been in the area a long time. Mr. Peavy expressed his full support for the zone change and, as a fellow contractor and heavy equipment operator, confirmed there is a great need inside the city limits for the proposed storage yard use. He indicated the proposed location is well suited for the proposed use.
7. Jay Tubbs, 2767 N Fox Run, Flagstaff, Arizona, 86004. Mr. Tubbs attended but did not speak or comment during the meeting. Mr. Tubbs reached out to the applicant's representatives prior to the meeting to inform them of his support of the zone change.
8. Patricia Helene Allenbaugh, 6600 Rain Valley Road, Flagstaff, Arizona 86004: She indicated she was curious about what was being proposed. She did not have any comments or concerns.
9. Jeff Smith, 6050 W. Vista Montana Flagstaff, Arizona: Mr. Smith expressed his full support for the zone change and, as a fellow contractor and heavy equipment operator, confirmed there is a great need inside the city limits for the proposed storage yard use. He indicated the proposed location is well suited for the proposed use.
10. Angela Vega, 2109 Cyprus Drive, Flagstaff, Arizona, 86004: She is affiliated with the contracting/excavating company. She indicated that in Flagstaff there is presently a need for a storage facility/yard to for construction professionals to store heavy equipment. She indicated the company she is affiliated with is interested in leasing space at the proposed

facility. She also indicated that the proposed use will help alleviate traffic in the City of Flagstaff by keeping traffic out of residential neighborhoods.

11. Mary Rinne, 1803 N. Wakonda Flagstaff, Arizona 86004: She indicated that she was attending because she is curious about what is being proposed. After learning about the project, she indicated she was supportive of the proposal or not opposed.
12. Jack Rinne, 1803 N. Wakonda Flagstaff, Arizona, 86004: He indicated that he was attending because he is curious about what is being proposed. After learning about the project, he indicated he was supportive of the proposal and acknowledged it was “progress” for the City of Flagstaff. He asked the applicant’s representative to clarify if the property was being rezoned to light industrial. Representative Guy Ecklund explained that the property was being rezoned from RR to High Industrial HI.
13. Dan Phillips, 4704 S. Bright Angel Trail Flagstaff, Arizona, 86001: Mr. Philips owns Timber Peaks Construction. He expressed his full support for the zone change. As a fellow contractor and heavy equipment operator, he confirmed there is a great need inside the city limits for the proposed storage yard use. He indicated the proposed location is well suited for the proposed use. He indicated his company is in need of leasing space at the proposed facility.
14. Signe Miller, 5015 E. Lennox Road, Flagstaff, Arizona: Signe Miller expressed her full support for the zone change and confirmed there is a great need inside the city limits for the proposed storage yard use. Signe indicated the proposed location is well suited for the proposed use.
15. Mark Hoffner 64 E. Oak Ave, Flagstaff, and Arizona, 86001: Mr. Hoffner is a salesman with the company known as Unitized Rentals. He did not speak during the meeting but, after the meeting, he sent the applicant’s representative Guy Ecklund the attached email of support for the proposal. The email indicates he is personally aware there is a great need for the proposed use in the Flagstaff area.
16. Tracy Plecas, 6725 N. Rain Valley Road, Flagstaff, Arizona 86004: Mrs. Pleacas expressed the concern that the proposed use would cause traffic congestion. She also inquired about the possibility of additional mine property being developed for heavy industrial more of the mine is mined out and becomes available for future development potentially causing more traffic congestion issues. Please note the applicant’s response in the summary of concerns below.
17. Fritz Plecas 6725 N. Rain Valley Road, Flagstaff, Arizona: 86004: Mr. Plecas attended the meeting and was on the line with his wife Tracy above.

18. Dan Zanone, 2727 N. Prescott Rd., Flagstaff, Arizona 86001: Mr. Zanone wrote a comment on in the chat room expressing his support for the zone change proposal.
19. Genevieve Pearthree, City of Flagstaff, Planning Development Manager, 211 W. Aspen, Flagstaff, Arizona, 86001: Genevieve is the city planning staff professional in charge of managing the zone change application for this project. She informed the attendees that she would be available if the attendees and the public had any questions regarding the zone change process and the approvals needed for this project.
20. Alexandra Pucciarelli, City of Flagstaff Planning Manager, 211 W. Aspen Flagstaff, Arizona, 86001: She stated that she was simply attending the meeting to give Genevieve Pearthree support during the neighborhood meeting.

Summary of Concerns of the Attendees of the August 31, 2020 6:00pm Virtual Neighborhood meeting Regarding the Zoning Map Amendment for the 18.24 acre site known as the Wildcat Industrial Park located at 6500 E. Old Route 66 Flagstaff, Arizona, 86001.

As stated above, the attendees were generally overwhelmingly in favor of the proposal. The only concern presented by attendees related to traffic congestion and that concern was expressed by one person. The concerns expressed in this regard was that traffic from the site could result in traffic congestions for the general Flagstaff area and the residents of the Rain Valley area. Also, there was a concern that as the adjacent mine is subject to further mining more of the mine property could be utilized for additional heavy industrial usage potentially causing further traffic congestion issues.

Applicant's Response to address the concern regarding the possibility of traffic congestion being caused as a result of the proposal:

With close proximity to I-40 and E. Old Route 66, traffic congestion will not be an issue for the greater Flagstaff area especially since the site is located in a remote area of the City of Flagstaff, away from City of Flagstaff neighborhoods. The property is adjacent to large scale mining operation and is also adjacent to a City of Flagstaff waste water treatment plant causing no traffic congestion concerns for those established uses.

With regard to the possibility of traffic congestion being caused for the residents of Rain Valley, the applicant would like to point out that the proposed storage yard use will serve to reduce traffic as follows:

- The proposed use is a low traffic generator in comparison to the applicant's adjacent mine use, which generates a high volume of truck and vehicle traffic as trucks/vehicles access the mine for cinder hauling purposes.
- The proposed 18.24 acre site being rezoned was formerly part of the mine, which has now been completely mined out of material. The 18.24 acres is being replaced from a high traffic generating mining use to a much lower traffic generating use that is the proposed storage yards.
- The applicant points out that the mine is currently being mined out at a rapid pace. The applicant believes there will be no material left for mining purposes in 7 to 12 years. Truck and vehicle traffic to the site will continue to drop in volume as material becomes scarce at the mine. The high volume mining traffic will be reduced to zero once mining at the mine is complete.
- To address the concern about additional property being developed for heavy industrial usage in the future (and causing further traffic congestion issues) the applicant's representative pointed out that, should the applicant ever desire to establish additional non mining heavy industrial usage or other usage not permitted in the current RR zone the applicant would need to

apply to the city for another rezoning and, in doing so, the applicant would need to address and resolve the issue of traffic congestion at the time.

Prior to the finalization of this Citizen Participation Plan/Report to the City of Flagstaff, the applicant has mailed a copy of this summary with the Record of Proceedings above to all attendees who provided their name and address during the meeting as they were instructed to by the Applicant's Representative Guy Ecklund at the beginning of the meeting.

NOTICE

Notice is hereby given that RE Asset Management, LLC will be holding a

PUBLIC VIRTUAL NEIGHBORHOOD MEETING

6:00 p.m. on August 31, 2020

ZOOM VIDEO MEETING LINK: (to be inserted before notice is final)

For the purpose of considering the following:

Zoning Map Amendment

Direct Ordinance via Site Plan Submittal process to Amend the City of Flagstaff's Rural Residential (RR) designation for an 18.24 acre parcel to be created with a City of Flagstaff land division permit from existing parcels 113-07-003L and 113-07-004 to a Heavy Industrial (HI) use. The meeting will introduce the use of leased storage yards for contractors and other businesses in the community on the 18.24 acre site located at 6400 E. Old Route 66 that was formerly used as a volcanic cinder mine.

Assessor's Parcel Numbers 113-07-003L, 113-07-004

Interested persons may appear at the meeting and be heard for or against any proposed action regarding the area or may file a written statement.

For Additional Information Contact

Genevieve Pearthree, Planning Development Manager
City of Flagstaff, Community Development Department
211 W. Aspen Avenue, Flagstaff, Arizona 86001
(928) 213-2640, Genevieve.Pearthree@flagstaffaz.gov

Neighborhood Meeting Notice

RE Asset Management, LLC
Principal, Robert Miller
6500 E. Route 66
Flagstaff, Arizona 86004

Date _____, 2020

RE: Proposed Rezoning/Zoning Map Amendment For the Project known as Wildcat Industrial Park

Dear Neighbor,

RE Asset Management, LLC (and its Principal Owner, Robert Miller) owns the following 3 contiguous parcels located at 6500 E. Route 66, Flagstaff, Arizona 86004 totaling approximately 58 acres.

113-07-004 (40 acres)

113-07-003J (7.48 acres)

113-07-003L (10.22 acres)

Total property owned by RE Asset Management, LLC: 58 acres approx.

The parcels have historically been used as a volcanic cinder mine since long before the City of Flagstaff was incorporated and long before the City of Flagstaff's adoption of a zoning ordinance. Despite the fact that the property contained a heavy industrial mining use prior to the City of Flagstaff's incorporation, the City zoned the property RR (rural residential) when the city incorporated and adopted its zoning ordinance.

Although the 3 parcels owned by RE Asset Management continue to be used for volcanic cinder mining purposes, there are portions of Parcel 113-07-004 and 113-07-003L that have been mined out such that there are no longer any materials left for mining. RE Asset Management, LLC has therefore re-habilitated portions of parcel 113-07-004 and 113-04-003L totaling 18.24 acres to allow for other types of heavy industrial uses to occur on that portion of the parcel.

In this regard, RE Asset Management, LLC has discovered that there is a great need in the City of Flagstaff for Contractor Yard/Storage Yard space, especially for construction professionals and other businesses to store items that are not appropriate to be stored in non-industrial areas of the city (i.e., repo vehicles and trailer storage, river-runner equipment, empty tank storage, etc.). In fact, there is simply nowhere in the City of Flagstaff or Coconino County for many such small business professionals to store their construction materials, equipment, and vehicles, etc. This has forced many small business owners to operate illegally out of their homes (or other non-industrial properties), leaving them vulnerable to complaints from residential neighbors as well as zoning enforcement proceedings by the City of Flagstaff and Coconino County.

In consideration of the foregoing, RE Asset Management, LLC is submitting a rezone/zoning map amendment application to the City of Flagstaff to rezone 18.24 acres of its property to allow the property to be rezoned from Rural Residential to Heavy Industrial to allow an 18.24 acre portion of its site to be used commercially as contractor yards or storage yards.

We are inviting you to a virtual neighborhood meeting at the property located at 6500 E. Route 66 at 6:00 pm on August 31, 2020, so that you can review our plans for the rezone/zoning map amendment. The following is a link to attend the virtual meeting on Zoom: (to be inserted when the meeting is officially scheduled)

The following people will be in attendance at the meeting on behalf of RE Asset Management, LLC:

Robert Miller, managing member of RE Asset Management, LLC. 6500 E. Route 66, Flagstaff, Arizona 86004, 928/853-5577, robertdonaldmiller@gmail.com

Guy Ecklund and Tony Cullum, Law Office of Tony S. Cullum, 14 E. Dale Ave., Flagstaff, Arizona 86001, 928/774-2565 ecklund@tonycullumlaw.com

Kent Hotsenpiller, Mogollon Engineering, 411 W. Santa Fe Ave., Flagstaff, Az, 86001

At the meeting, we invite you to share your thoughts about the project and we would like to hear any concerns you may have so that we can attempt to address concerns as we go through the city approval process.

Additionally, please note that you are welcome to contact me (Robert Miller) or Guy Ecklund at any time throughout the City of Flagstaff rezoning process. We will make ourselves available in an effort to address and resolve any concerns you might have regarding our project.

Sincerely,

Robert D. Miller

Property Owners Within
1000'

Tax Parcel

#	APN	Account #	911 Address	Owner Name	Owner AC Idress
1	11307002A	R0056605	2800 N EL PASO FLAGSTAFF RD	FLAGSTAFF CITY OF	211 W ASPEN AVE FLAGSTAFF, A Z 86001
2	11306004	R0349346	N/A	FLAGSTAFF CITY OF	211 W ASPEN AVE FLAGSTAFF, A Z 86001
3	11307001D	R0066584	N/A	FLAGSTAFF CITY OF	211 W ASPEN AVE FLAGSTAFF, A Z 86001
4	11306002	R0066583	N/A	FLAGSTAFF CITY OF	211 W ASPEN AVE FLAGSTAFF, A Z 86001
6	11307004	R0056614	6500 E ROUTE 66	RE ASSET MANAGEMENT LLC	PO BOX 30326 FLAGSTAFF, A Z 86003
7	11307003L	R0056611	N/A	RE ASSET MANAGEMENT LLC	PO BOX 30326 FLAGSTAFF, A Z 86003
8	11307003J	R0056610	N/A	RE ASSET MANAGEMENT LLC	PO BOX 30326 FLAGSTAFF, A Z 86003
9	11307001G	R0056604	7700 E OLD WALNUT CANYON RD	SMITH FAMILY TRUST DTD 04/01/13	7700 E OLD WALNUT CANYON RD FLAGSTAFF, AZ 86004
10	11307003F	R0056607	7000 E ROUTE 66	PAYNE ROBERT E & GERALDINE	2962 TOVAR TRL FLAGSTAFF, AZ 86005
11	11307003H	R0056609	N/A	PAYNE ROBERT E & GERALDINE	2962 TOVAR TRL FLAGSTAFF, AZ 86005
12	11307003N	R0056613	N/A	PAYNE ROBERT E & GERALDINE	2962 TOVAR TRL FLAGSTAFF, AZ 86005
13					
14	11307010	R7001759	6400 E ROUTE 66	BNSF RAILWAY COMPANY	PO BOX 961089 FORT WORTH, TX 76161-0089
15	11307010A	R7001647	N/A	BNSF RAILWAY COMPANY	PO BOX 961089 FORT WORTH, TX 76161-0089
16	11307010B	R7001750	N/A	BNSF RAILWAY COMPANY	PO BOX 961089 FORT WORTH, TX 76161-0089
17	11307010C	R7001637	N/A	BNSF RAILWAY COMPANY	PO BOX 961089 FORT WORTH, TX 76161-0089

18 Coconino National
Forest Service

1824 S. Thompson Street
Flagstaff, AZ
86001

19 11307003M R0056612 7000 E ROUTE
66

BAKER VERA E

2323 W ALASKA AVE
FLAGSTAFF, AZ 86001

~~20 11307003G R0056608 N/A~~

~~GENTRY MICHEL
DAVID~~

~~8090 N FRANK DR
FLAGSTAFF, AZ 86004~~

~~21 11307003D R0056606 N/A~~

~~GENTRY MICHEL
DAVID~~

~~8090 N FRANK DR
FLAGSTAFF, AZ 86004~~

20 11307003G 700 E RT66

Justin Miller

2962 TOVAR Trail

21 11307003D 700 E RT66

Justin Miller

Flagstaff AZ

86005

2962 TOVAR Trail

Flagstaff AZ

86005



Coconino County Parcel View



APN: Address Account Ov Parcel Report

Parcel

Select draw mode



Buffer distance (optional)

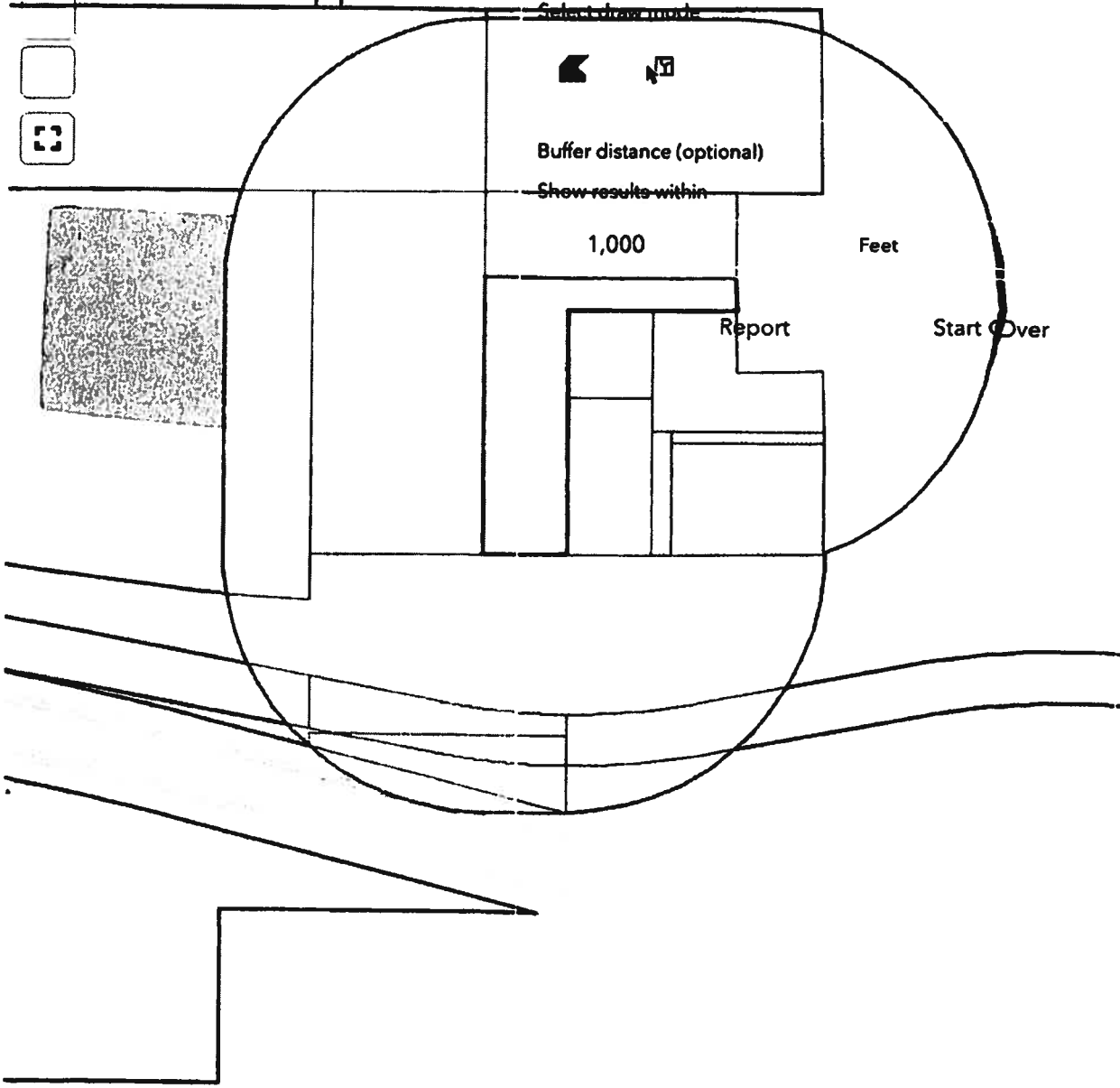
Show results within

1,000

Feet

Report

Start Over



35.221 -111.553 Degrees



Coconino County Parcel View



▼ APN. Address. Account Ov

Parcel Report

Parcel

Select draw mode



Buffer distance (optional)

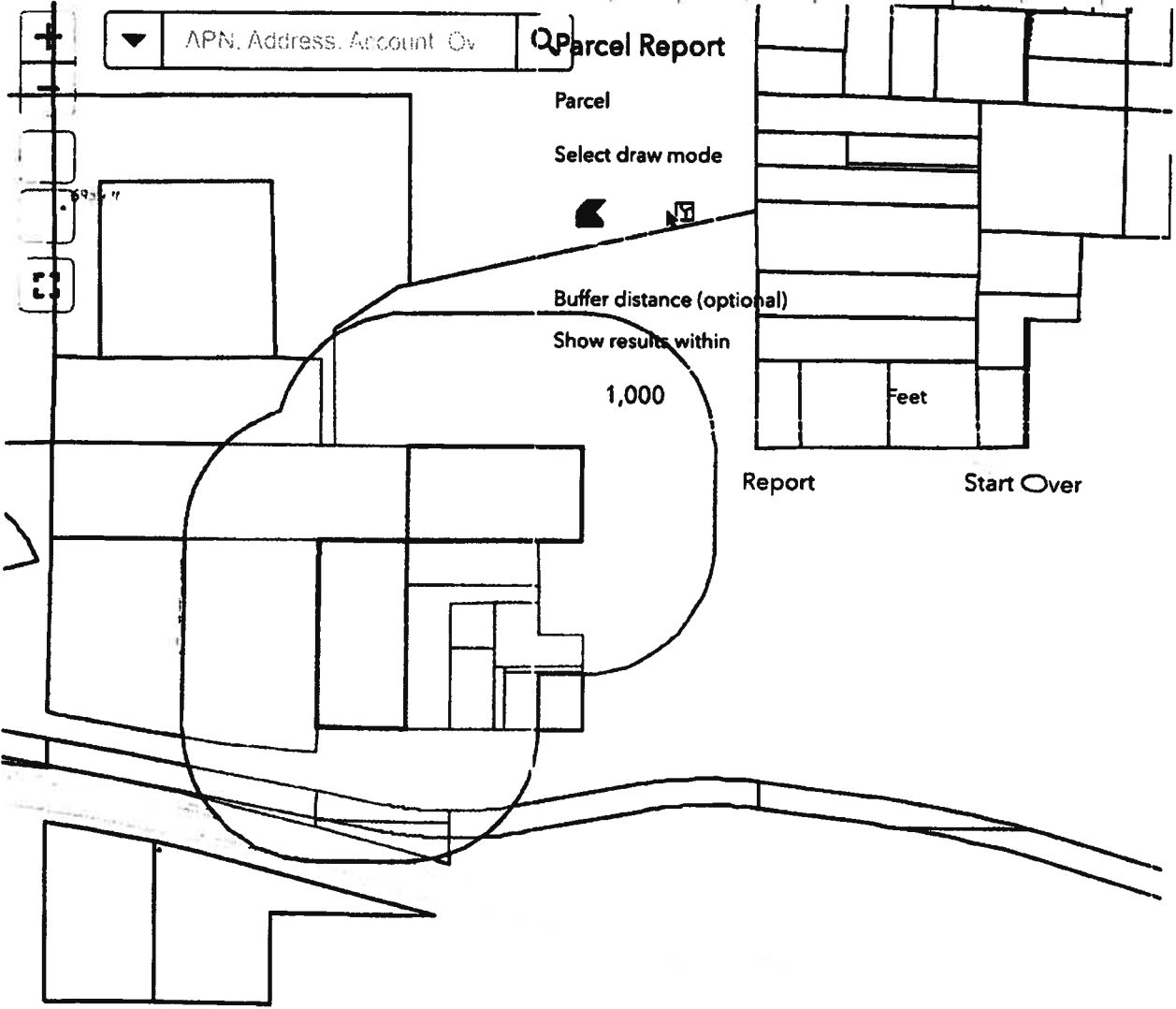
Show results within

1,000

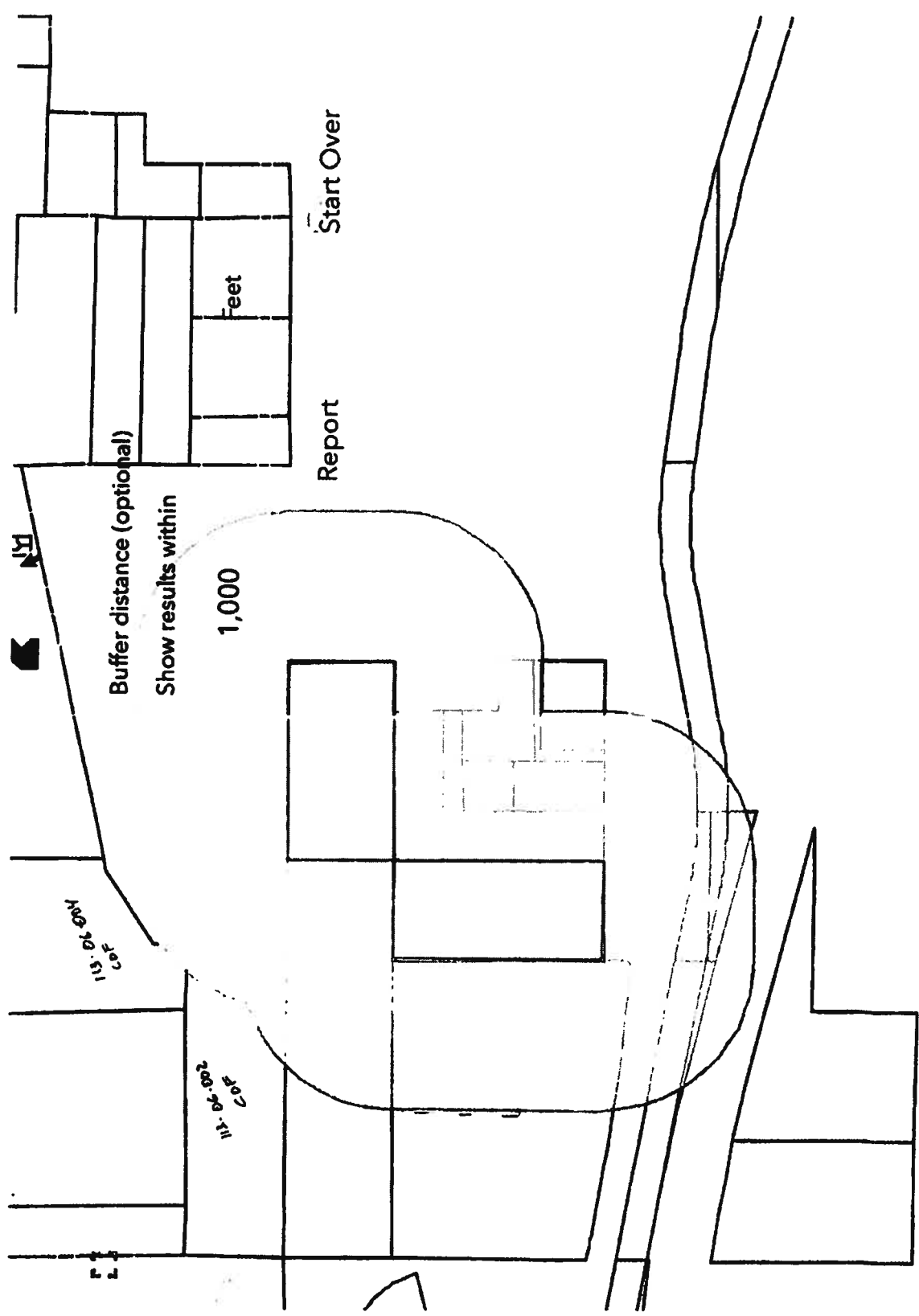
Feet

Report

Start Over



35.228 -111.540 Degrees



Start Over

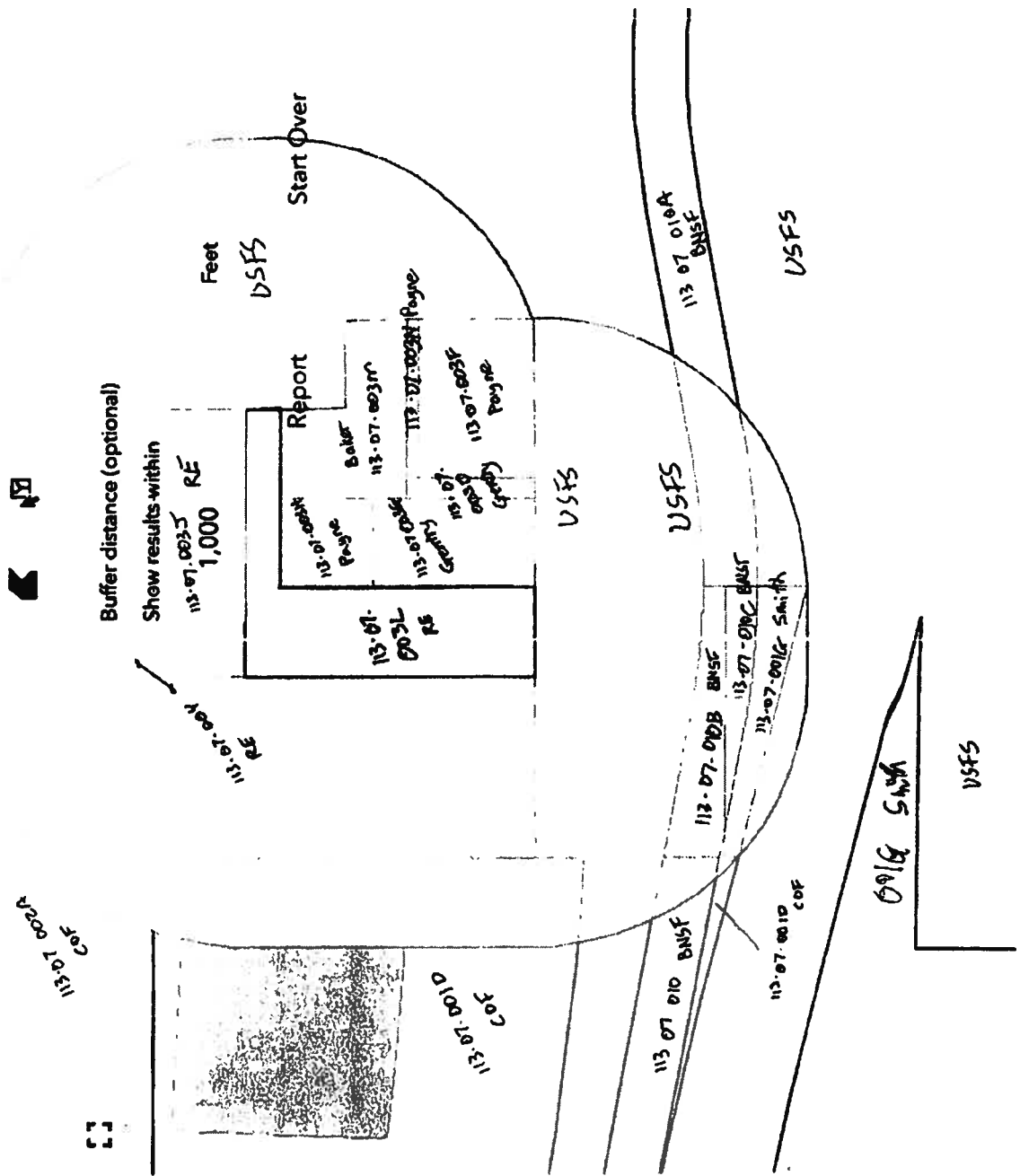
Report

11-1-11 11:11:00 AM

11-1-11 11:11:00 AM

11-1-11 11:11:00 AM

Parcel State No Map
Solist: streamside



0918 SWS
USFS

**"Registry of Persons and Groups"
As Required in Zoning Code Section 10-20.30.080.B**

Last updated: March 2, 2020

Friends of Flagstaff's Future

P.O. Box 23462
Flagstaff, AZ 86002
info@friendsofflagstaff.org
(928) 556-8663

Northern Arizona Building Association

1500 East Cedar Avenue, Suite 86
Flagstaff, AZ 86004
tbociung@nazba.org
(928) 779-3071

Northern Arizona Association of Realtors, Jeffrey Herd

1515 East Cedar Avenue, Suite C-4
Flagstaff, AZ 86004
naarflag@nazrealtor.com and
naargovaffairs@outlook.com
(928) 779-4303

Tish Bogan-Ozmun

5271 Mt. Pleasant Drive
Flagstaff, AZ 86004
tishflagstaff@gmail.com

Marilyn Weissman

1055 East Apple Way
Flagstaff, AZ 86001
(928) 779-5323
Missymoet@aol.com

Maury Herman

Coast and Mountain Properties
3 North Leroux Street
Flagstaff, AZ 86001
(928) 779-6211
mherman@coastandmountain.com

Nat White

1120 North Rockridge Road
Flagstaff, AZ 86001
white@lowell.edu
RegistryofPersonsGroups.docx

Charlie Silver

720 West Aspen Avenue
Flagstaff, AZ 86001
Cws720@gmail.com

Betsy McKellar

330 S Ash Lane
Flagstaff, AZ 86004
birdvest8@gmail.com

David Carpenter

495 S River Run Suite 100
Flagstaff, AZ 86001
dc@hopeaz.com

Dorenda Coleman

Arizona Army National Guard, AZAA-FMO
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Phoenix, AZ 85008
dorenda.j.coleman.nfg@mail.mil

Mary Beth Dreusike

US Navy, Intergovernmental Branch
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marybeth.dreusike@navy.mil

Celia Barotz

3354 N Crest Street
Flagstaff, AZ 86001
cbarotz@gmail.com

Norm Wallen

3716 N Grandview
Flagstaff, Az 86004
normwallenfig@gmail.com

Jay Christelman

Coconino County Community Development
2500 N Fort Valley Rd. Bldg 1
Flagstaff, Az 86001-1287
jchristelman@coconino.az.gov

Jess McNeely

Coconino County Community Development
2500 N Fort Valley Rd. Bldg 1

**"Registry of Persons and Groups"
As Required in Zoning Code Section 10-20.30.080.B**

Last updated: March 2, 2020

Flagstaff, Az 86001-1287
wmcneely@coconino.az.gov

Steve Finch
Flagstaff Lodging, Restaurant & Tourism
Association
PO Box 30622
Flagstaff, AZ 86003
sfinch@flrta.org
(928) 326-6008

Adrian Skabelund
819 West Grand Canyon Ave.
Flagstaff, AZ 86001
askabelund@azdailysun.com

Rachel Bass
3083 W. Easterday Lane
Flagstaff 86001
rsilverton@gmail.com

**Requested Notification of
Zoning Code Text Amendments Only**

David Hayward
Neighborhood Homes, LLC
510-331-3380
david@neighborhoodhomes.com

Barry Levitan
19 S San Francisco St
Flagstaff, AZ 86001
bllips@aol.com

-----Original Message-----

From: Mark Hoffner <mhoffner@ur.com>

Sent: Wednesday, September 2, 2020 2:33 PM

To: ecklund@tonycullumlaw.com

Subject: FLP Storage yard proposal

United Rentals receives regular requests from contractors needing to rent space to park their equipment when they are in Flagstaff.

Mobilizing and staging equipment has always been a major obstacle in this town.

Mark Hoffner

928-607-7418

Mhoffner@ur.com

NOTICE

Notice is hereby given that
RE Asset Management, LLC will be holding a
**PUBLIC VIRTUAL
NEIGHBORHOOD MEETING**

6:00 p.m. on August 31, 2020

ZOOM VIDEO MEETING LINK:

[https://us02web.zoom.us/j/86931085731?](https://us02web.zoom.us/j/86931085731?pwd=QkEyVnViK3hXSHY4ZzJnaHYrL3Y5QT09)

[pwd=QkEyVnViK3hXSHY4ZzJnaHYrL3Y5QT09](https://us02web.zoom.us/j/86931085731?pwd=QkEyVnViK3hXSHY4ZzJnaHYrL3Y5QT09)

(Meeting ID: 869 3108 5731; Passcode: wildcat)

For the purpose of considering the following:

Zoning Map Amendment

Direct Ordinance via Site Plan Submittal process to Amend the City of Flagstaff's Rural Residential (RR) designation for an 18.24 acre parcel to be created with a City of Flagstaff land division permit from existing parcels 113-07-003L and 113-07-004 to a Heavy Industrial (HI) use. The meeting will introduce the use of leased storage yards for contractors and other businesses in the community on the 18.24 acre site located at 6500 E. Old Route 66 that was formerly used as a volcanic cinder mine.

Assessor's Parcel Numbers

113-07-003L, 113-07-004

For Additional Information Contact

Genevieve Pearthree, Planning Development Manager
City of Flagstaff, Community Development Department

211 W. Aspen Avenue

Flagstaff, Arizona 86001

(928) 213-2603, Genevieve.Pearthree@flagstaffaz.gov

8/31/2020

**Summary of Meeting Proceedings of the August 31, 2020 6:00pm
Virtual Neighborhood meeting Regarding the Zoning Map Amendment
for the 18.24 acre site known as the Wildcat Industrial Park
located at 6500 E. Old Route 66, Flagstaff, Arizona**

The attendees were generally overwhelmingly in favor of the proposal. The only concern presented by attendees related to traffic congestion and that concern was expressed by one person. The concerns expressed in this regard was that traffic from the site could result in traffic congestions for the general Flagstaff area and the residents of the Rain Valley area. Also, there was a concern that, as the adjacent mine is subject to further mining, more of the mine property could be utilized for additional heavy industrial usage potentially causing further traffic congestion issues.

Applicant's Response to address the concern regarding the possibility of traffic congestion being caused as a result of the proposal:

With close proximity to I-40 and E. Old Route 66, traffic congestion will not be an issue for the greater Flagstaff area especially since the site is located in a remote area of the City of Flagstaff, away from City of Flagstaff neighborhoods. The property is adjacent to large scale mining operation and is also adjacent to a City of Flagstaff waste water treatment plant causing no traffic congestion concerns for those established uses.

With regard to the possibility of traffic congestion being caused for the residents of Rain Valley, the applicant would like to point out that the proposed storage yard use will serve to reduce traffic as follows:

- The proposed use is a low traffic generator in comparison to the applicant's adjacent mine use, which generates a high volume of truck and vehicle traffic as trucks/vehicles access the mine for cinder hauling purposes.
- The proposed 18.24 acre site being rezoned was formerly part of the mine, which has now been completely mined out of material. The 18.24 acres is being reduced from a high traffic generating mining use to a much lower traffic generating use that is the proposed storage yards.
- The applicant points out that the mine is currently being mined out at a rapid pace. The applicant believes there will be no material left for mining purposes in 7 to 12 years. Truck and vehicle traffic to the site will continue to drop in volume as material becomes scarce at the mine. The high volume mining traffic will be reduced to zero once mining at the mine is complete.
- To address the concern about additional property being developed for heavy industrial usage in the future (and causing further traffic congestion issues), the Applicant's representative pointed out that, should the applicant ever desire to establish additional non mining heavy industrial usage or other usage not permitted in the current RR zone, it would need to apply to the

city for another rezoning and, in doing so, the applicant would need to address and resolve the issue of traffic congestion at the time.

Prior to the finalization of this Citizen Participation Plan/Report to the City of Flagstaff, the applicant has mailed a copy of this summary with the Record of Proceedings above to all attendees who provided their name and address during the meeting as they were instructed to by the Applicant's Representative Guy Ecklund at the beginning of the meeting.

RE Asset Management, LLC
c/o Guy Ecklund, Project Representative
14 E. Dale Ave
Flagstaff, Arizona 86004

Date: 9/15/2020

RE: Proposed Rezoning/Zoning Map Amendment for the Project known as Wildcat Industrial Park consisting of 18.24 acres; Project No. PZ-19-00181-02, Property Address 6500 E. Old Route 66, Flagstaff, Arizona, 86004; APN's Involved: 113-07-003L and 113-07-004

Dear Neighbor:

Thank you for attending the Virtual Neighborhood meeting on August 31, 2020 at 6:00pm regarding the above referenced matter. We also appreciate the support received from many of the neighbors who attended the meeting. As a project representative for RE Asset Management, LLC and this project, I have prepared the enclosed "Summary of Meeting Proceedings" summarizing the comments and concerns that were expressed at the meeting, along with a summary as to how concerns are being addressed. If you believe anything in this summary has been misstated or if you have any further concerns or comments you would like to provide, I am requesting you please contact me. My contact information is below and we will work with you to address any issues:

Guy Ecklund
Project Representative/Project Paralegal
Law Office of Tony S. Cullum
14 E. Dale Ave
Flagstaff, Arizona, 86001
PH 928/774-2565
ecklund@tonycullumlaw.com

Thank you for attending the meeting.

Sincerely,

Guy Ecklund

GE:tw

Citizen Participation Plan (AKA The Neighborhood Meeting Plan for Second Neighborhood Meeting and Second Neighborhood Meeting Notification) Wildcat Industrial Park

Citizen Participation Plan (The Plan below was prepared and approved by City Staff Prior to the Second Neighborhood Meeting, which explains why it is written in the future tense)

In accordance with Section 10-20.30.060 of the City of Flagstaff Zoning Code, the applicant will be holding at a second neighborhood meeting as part of its citizen participation efforts. Pursuant to direction from City Staff, the second neighborhood meeting will be virtual and will be held on Zoom to allow more citizen participation. While Staff previously agreed that only one neighborhood meeting was required, Staff later changed its mind to require a second neighborhood meeting because much time has passed since the first neighborhood meeting on August 18, 2020. It should be noted that after the first neighborhood meeting, Staff required the applicant to construct offsite improvements which included approximately 7,000 feet of a looped Waterline system to provide potable water and fire protection to the property. These improvements were required prior to proceeding with public hearings before the Planning and Zoning Commission and City Council. Now the applicant and his contractor have completed these offsite improvements and are ready to proceed with the final steps to have the property rezoned.

Parties to be notified

In working with City Staff, it was determined the applicant should reach out to neighboring property owners within 1,000 feet of the applicant's parcels, to-wit: 113-07-004 and 113-07-003L. The applicant is not aware of any tenants or HOAs within 1,000 feet of the applicant's mentioned parcels. We have attached a list of all the properties within the 1,000-foot area with buffering maps showing the properties that are included. It is noted that there are six (6) property owners included within 1,000 feet not including the applicant, to-wit: BNSF, City of Flagstaff, Coconino National Forest Service, and three private owners (Vera Baker, and Robert and Geraldine Payne).

Notification Methods

The applicant is proposing to mail (via first class mail of the United States Post Office) the attached Neighborhood Meeting Notice to all parties described above who are required to be noticed. The letter will invite these parties to a neighborhood meeting on Zoom that will be held on a weekday at 6:00 pm. The letter providing the Zoom meeting link will be sent by first-class mail no later than 15 days prior to the meeting.

A sign that will be at least 4' x 4' in area will be installed at the property's East Route 66 public right of way entrance at least 10 days before each neighborhood meeting. The sign will set forth the purpose, time, date, and place of the meeting. The attached Neighborhood Meeting Sign

document includes the sign content. The lettering size and design will use Public Hearing sign design standards, since this is what the community is used to seeing. The sign shall have a white background with black lettering, with a minimum 2” title text and minimum 1” letter size. It will also make it easier to re-use the sign to announce the public hearings (P&Z and Council). The sign shall be securely fastened to wooden or metal stakes. It will be made of laminated coroplast, laminated plywood, or other suitable construction material. The height of the sign shall be at least four feet from the finished grade to the top of sign and shall not be obstructed from view. There will be a tube containing printed copies of the neighborhood meeting notice.

Second Neighborhood Meeting Form, Structure, and Agenda

The meeting will begin with a presentation from the applicant’s team and will be followed by a question-and-answer session with participants, during which the applicant will attempt to address any concerns. The applicant’s proposed site plan and other plans will be displayed during the presentation. The applicant Robert Miller, his attorney Tony S. Cullum, and his other representatives Guy Ecklund, and Robert Begeley, will make a presentation. Tony Cullum and Guy Ecklund will lead the meeting and there will be a number of talking points to cover during the meeting. The applicant will also establish communication guidelines at the beginning of the meeting and will reiterate them throughout as needed. At the beginning of the meeting, the applicant’s representative will ask all attendees to provide their name and address in the chat box to record their attendance to the meeting. At the beginning of the meeting, the applicant’s project representative will inform the attendees that attendees will have the ability to use the chat function to respectfully ask questions and make comments, and in doing so, to respect the opinions of all attendees. The questions and comments will be addressed during the question-and-answer session following the presentation. Additionally, the attendees will be notified that they also will have the opportunity to verbally provide questions and input during the question-and-answer session of the meeting. They will be informed that they will have 3 minutes to speak and they will be notified when their 3 minutes are up, and only one person will be allowed to talk at a time. They will also be notified that if participants in the meeting continue to interrupt other attendees or presenters, then they may be removed from the virtual meeting.

Presentation and Display of site plan: Guy Ecklund and Tony Cullum will give a presentation to the attendees describing the rezoning request, including the area to be rezoned, the current and proposed use of this area, the current and proposed zoning, reasons behind the rezoning request, the improvements that will be made to accommodate development, and any other relevant information. Robert Miller, Guy Ecklund, and Tony Cullum will assist with the presentation and provide input and comments as necessary. Guy Ecklund will monitor the chat during the presentation. During the presentation, the applicant will also show the proposed site plan on the screen so the neighbors can get a full understanding of the site lay out and the proposed use subject to the rezoning.

Discussion with Attendees: The attendees will be muted during the presentation. However, while one member of the applicant’s team is speaking, the other two members will be monitoring the chat box to coordinate with attendees who communicate in writing during the meeting. Once

the presentation is made, the applicant and his representatives will open up the meeting to the attendees for verbal discussion and, as stated above, each attendee will have at least 3 minutes to speak. The applicant team will begin by answering any questions, or responding to comments written by attendees in the chat box during the presentation. The attendees will then be asked if they have additional comments or questions, and the meeting will be opened up to verbal discussion. The purpose of this part of the meeting is for the applicant and his representatives to engage in dialogue to attempt to address any concerns of the attendees. Once this discussion is completed, the meeting will be called to an end.

Additional opportunities for those potentially affected parties to discuss and provide input on the applicant's proposal:

The applicant and his representatives will continue to make themselves available throughout the rezoning process to answer and address questions and concerns. It is noted that the applicant and its project team's contact information is clearly set forth on the proposed meeting notice to make for easy ongoing communications with the community before and after the meeting. The applicant and his team will work to address, and attempt to resolve, any concerns expressed by members of the community prior to the meeting and, after the meeting, throughout the rezoning process either through email, by phone, or in person meetings that are specifically requested or arranged.

Following the second neighborhood meeting and efforts described above, the applicant will submit to the Planning Development Manager assigned to this rezoning case—Alexandra Pucciarelli—a Neighborhood Meeting Record of Proceedings and the Neighborhood Meeting Certification in accordance with Section 10-20.20-060 of the City's Zoning Ordinance. These are the methods that will be used to keep City Planning Staff and the City Planning Director informed of the status.

The Neighborhood Meeting Record of Proceedings will include details of techniques the applicant used to involve the public, including: 1) Dates and location(s) of neighborhood meetings; 2) Copies of letters, notices, newsletters, and other correspondence, including dates and number of mailings or deliveries; 3) A copy of the mailing list and a summary of where residents, property owners, and potentially affected citizens receiving notices, newsletters, or other written materials were located; 4) The number and names of people that participated in the process based on the sign-in sheet for the meeting; and 5) a dated photograph of the sign installed. The report will also include a summary of concerns, issues, and problems expressed during the neighborhood meeting, including, the substance of the concerns, issues, and problems, and the applicant's response to the comments received at the public meeting. The applicant's responses will be included on the site plan, illustrative plan, other planning documents(s), and/or in an associated report. If public comments are not included in any of these documents, an explanation of why they were not included must be provided.

Neighborhood Meeting Record of Proceedings (prepared after the neighborhood meeting took place)

After project representative Guy Ecklund worked with City Staff to confirm the above referenced citizen participation plan was acceptable and conformed to the Zoning Ordinance, and after it was also approved by City Staff, the applicant proceeded to implement the citizen participation plan by doing the following:

1) On November 30, 2023, the applicant mailed the attached Second Neighborhood Meeting Invitation Letter to all of the property owners within 1,000 feet of the property being rezoned. The letters were mailed via first class mail of the United States Post Office. It is noted that there are no tenants, and no owners' associations on neighboring properties within the 1,000 foot radius.

2) On December 4, 2023, the applicant installed a sign on the property in a visible location at the property's entrance off Old Route 66 to notify the public that the applicant and the applicant's project representatives would be holding a Public Virtual Neighborhood Meeting via Zoom on December 18, 2023 at 6pm. A dated photograph of the sign is attached hereto. The sign verbiage and installation conformed to the City Zoning Ordinance and was approved by City Planning Staff. The sign well exceeded 4x4 feet in area and it was installed in a place that was clearly visible from the Old E. Route 66 public right of way. The sign was installed more than 10 days prior to the neighborhood meet in conformance with the code.

3) The applicant held the virtual neighborhood meeting on December 18, 2023 at 6pm. The meeting was held in the manner set forth on Citizen Participation Plan set forth above. The meeting was well attended and the structure and format of the meeting conformed to the Citizen Participation Plan above. All the attendees were overwhelmingly in favor of the proposal. The following is an account of those who attended the meeting, along with their comments which have been noted into the record:

1. Warren S. Smith Jr., 7700 E. Old Walnut Canyon. Road, Flagstaff, Arizona, 86004: Mr. Smith expressed his full support for the zone change and, as a fellow contractor and heavy equipment operator, confirmed there is a great need inside the city limits for the proposed storage yard use. He indicated the proposed location is well suited for the proposed use.
2. Julie Smith, 7700 E. Old Walnut Canyon Road, Flagstaff, Arizona, 86001: She expressed her full support for the rezoning proposal. She also stated this will add to the value of residential properties in Flagstaff by keeping commercial vehicles off residential streets and helping to prevent them from being stored on residential properties in residential neighborhoods.
3. Val Peavy, 8190 Koch Field Road, Flagstaff, Arizona, 86004: Mr. Peavy is a local contractor and he and his family have been in the area a long time. Mr. Peavy expressed his full support for the zone change and, as a fellow contractor and heavy equipment

operator, confirmed there is a great need inside the city limits for the proposed storage yard use. He indicated the proposed location is well suited for the proposed use.

4. Jay Tubbs, 5100 E. Denali Dr., Flagstaff, Arizona 86004. Mr. Tubbs attended and voiced his full support for the project and how it would help contractors with heavy equipment storage and expressed there is a great need for heavy equipment storage use in the City of Flagstaff as there Flagstaff is lacking in areas where this type of use is available.
5. Mary Rinne, 1803 N. Wakonda Flagstaff, Arizona 86004: She indicated that she was attending to support the proposal. After learning about the project at the first neighborhood meeting, she indicated she was attending to affirm her full support for the project.
6. Mark Hoffner, 64 E. Oak Ave, Flagstaff, Arizona 86001: Mr. Hoffner is a salesman with the company known as United Rentals. Mr. Hoffner voiced his full support and reiterated the need for heavy equipment storage use in Flagstaff and voiced the proposed location was suitable due to its location in an heavy industrial area.
7. Austin Micheal Boyle, 5100 E Denali Dr. Flagstaff, Arizona 86004: Austin was very supportive of the project and the work that Robert Miller has done in the community. This project would alleviate numerous traffic issues in the residential areas.
8. Geary Redmond, 2120 N Navajo Dr., Flagstaff, Arizona 86001: Mr. Redmond indicated that there is a great need for off road truck parking in Flagstaff and this industrial park is the best place in town for it. Equipment parking and Storage parking is greatly needed in Flagstaff. He stated that he does not know of another place in Flagstaff more suitable for equipment and truck storage than the subject property.
9. Wayne Chadwick, Flagstaff Truck Center, Old Route 66, Flagstaff, AZ. 86004: Mr. Chadwick showed up virtually and was very supportive of the project. Owning a truck repair center, he realizes first- hand the need for off road truck and equipment storage and reiterated the proposed location is suitable in the existing heavy industrial area.
10. Travis Brooks, 9860 Girard Road, Flagstaff, Arizona 86004: Travis indicated that the City of Flagstaff Waste Water Treatment Plant adjacent to the subject property emits bad odor and the subject property would not be appropriate for residential use. He said the proposed storge use is well suited in the proposed industrial location.
11. Dawson Buck, 9026 E. Heyfield Dr. Flagstaff, Arizona 86004: Dawson was supportive based on the smell that comes from the sewage treatment plant and pointed out that the proposed industrial use is perfect at the proposed location.

Summary of Concerns of the Attendees of the December 18, 2023 6:00pm Virtual Neighborhood meeting Regarding the Zoning Map Amendment for the 18.24 acre site known as the Wildcat Industrial Park located at 6500 E. Old Route 66 Flagstaff, Arizona, 86001.

As stated above, the attendees were generally overwhelmingly in favor of the proposal. All attendees expressed full support. There were not negative comments or comments of opposition. All attendees expressed full support. There were not negative comments or comments of opposition.

Tax Parcel

#	APN	Account #	911 Address	Owner Name	Owner Address
1	11307003N	R0056613	N/A	PAYNE ROBERT E & GERALDINE	2962 TOVAR TRL FLAGSTAFF, AZ 86005
2	11307003D	R0056606	N/A	RT 66 COMMERCE LLC	1801 N 2ND ST FLAGSTAFF, AZ 86004
3	11307010C	R7001637	N/A	BNSF RAILWAY COMPANY	PO BOX 961089 FORT WORTH, TX 76161-0089
4	11306004	R0349346	N/A	FLAGSTAFF CITY OF	211 W ASPEN AVE FLAGSTAFF, AZ 86001
5	11307001G	R0056604	7700 E OLD WALNUT CANYON RD	SMITH FAMILY TRUST DTD 04/01/13	7700 E OLD WALNUT CANYON RD FLAGSTAFF, AZ 86004
6	11307003H	R0056609	N/A	PAYNE GERALDINE	2962 TOVAR TRL FLAGSTAFF, AZ 86005
7	11307010B	R7001750	N/A	BNSF RAILWAY COMPANY	PO BOX 961089 FORT WORTH, TX 76161-0089
8	11307010A	R7001647	N/A	BNSF RAILWAY COMPANY	PO BOX 961089 FORT WORTH, TX 76161-0089
9	11307010	R7001759	6400 E ROUTE 66	BNSF RAILWAY COMPANY	PO BOX 961089 FORT WORTH, TX 76161-0089
10	11307003G	R0056608	N/A	RT 66 COMMERCE LLC	1801 N 2ND ST FLAGSTAFF, AZ 86004
11	11306002	R0066583	N/A	FLAGSTAFF CITY OF	211 W ASPEN AVE FLAGSTAFF, AZ 86001
12	11307003M	R0056612	7000 E ROUTE 66	PAYNE GERALDINE	2962 TOVAR TRL FLAGSTAFF, AZ 86005
13	11307003F	R0056607	7000 E ROUTE 66	PAYNE GERALDINE	2962 TOVAR TRL FLAGSTAFF, AZ 86005
14	11307003J	R0056610	N/A	RE ASSET MANAGEMENT LLC	PO BOX 30326 FLAGSTAFF, AZ 86003
15	11307003L	R0056611	N/A	RE ASSET MANAGEMENT LLC	PO BOX 30326 FLAGSTAFF, AZ 86003
16	11307002A	R0056605	2800 N EL PASO FLAGSTAFF RD	FLAGSTAFF CITY OF	211 W ASPEN AVE FLAGSTAFF, AZ 86001
17	11307001D	R0066584	N/A	FLAGSTAFF CITY OF	211 W ASPEN AVE FLAGSTAFF, AZ 86001
18	11307004	R0056614	6500 E ROUTE 66	RE ASSET MANAGEMENT LLC	PO BOX 30326 FLAGSTAFF, AZ 86003

19. Coconino National Forest Service
1827 S. Thompson street
Flagstaff, AZ 86001

NOTICE

Notice is hereby given that RE Asset Management, LLC will be holding a
PUBLIC VIRTUAL NEIGHBORHOOD MEETING

6:00 p.m. on December 18, 2023

ZOOM VIDEO MEETING LINK:

Join Zoom Meeting

<https://us06web.zoom.us/j/86955443503?pwd=bLv0ok2HgqIZCWTdmjeUCtJd54hpl.1>

Meeting ID: 869 5544 3503

Passcode: 445377

For the purpose of considering the following:

Zoning Map Amendment

Direct Ordinance via Site Plan Submittal process to Amend the City of Flagstaff's Rural Residential (RR) designation for an 18.24 acre parcel to be created with a City of Flagstaff land division permit from existing parcels 113-07-003L and 113-07-004 to a Heavy Industrial (HI) use. The meeting will introduce the use of leased storage yards for contractors and other businesses in the community on the 18.24 acre site located at 6400 E. Old Route 66 that was formerly used as a volcanic cinder mine.

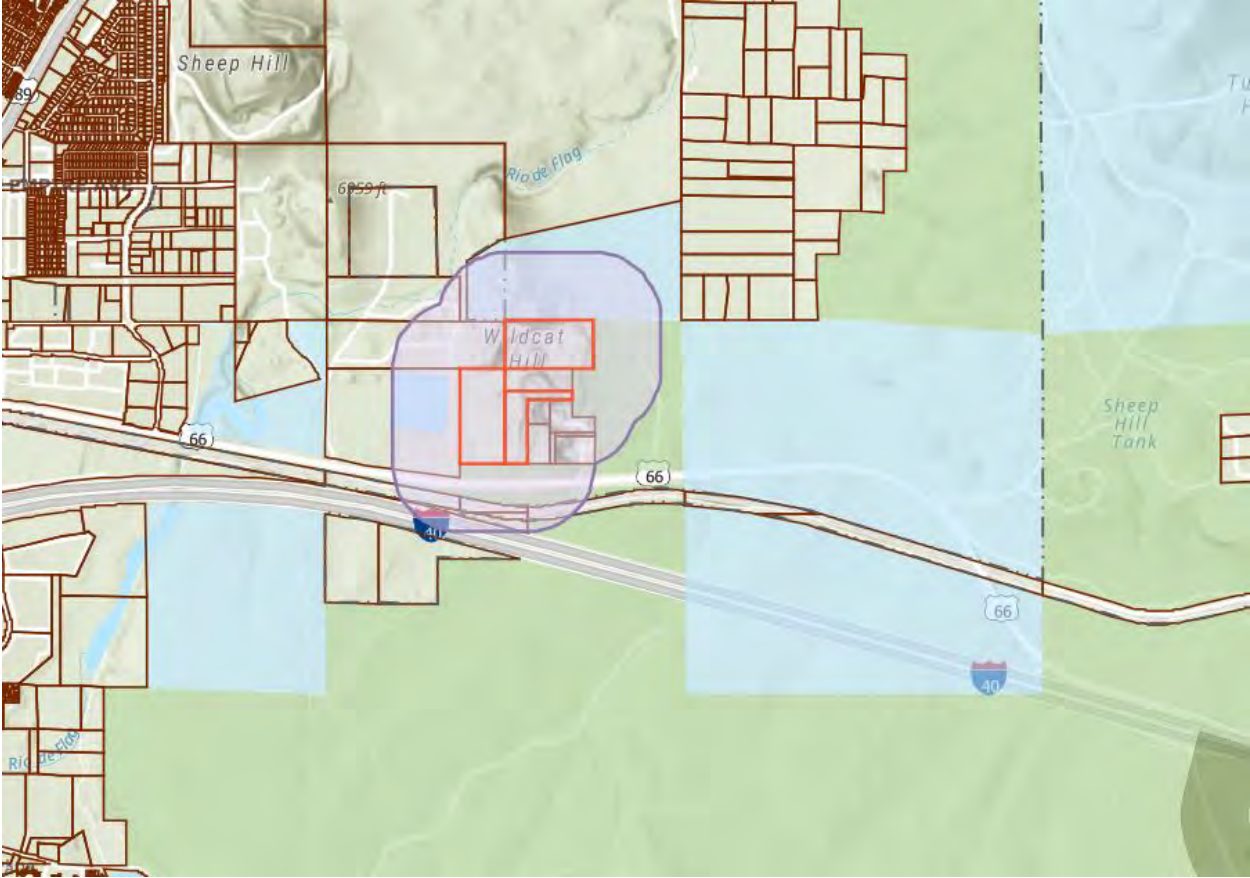
Assessor's Parcel Numbers 113-07-003L, 113-07-004

Interested persons may appear at the meeting and be heard for or against any proposed action regarding the area or may file a written statement.

For Additional Information Contact

Alexandra Pucciarelli, Planning Manager
City of Flagstaff, Community Development Department
211 W. Aspen Avenue, Flagstaff, Arizona 86001
(928) 213-2640, apucciarelli@flagstaffaz.gov

Map of 1000 Foot Radius



Neighborhood Meeting Invitation

RE Asset Management, LLC
Principal, Robert Miller
6500 E. Route 66
Flagstaff, Arizona 86004

Date November 30, 2023

RE: Proposed Rezoning/Zoning Map Amendment for the Project known as Wildcat Industrial Park; Project No. PZ-19-00181-02, Property Address 6500 E. Old Route 66, Flagstaff, Arizona, 86004; APN's Involved: 113-07-003L and 113-07-004

Dear Neighbor:

You may recall that we previously held a virtual neighborhood meeting regarding this project on August 31, 2020. Since then, we have been working to get the property ready to be rezoned, and our contractor, Warren Smith Contracting, has made offsite improvements which include extending City of Flagstaff public utilities (water) to the area of the property.

Although we are making no changes to the proposal we discussed at the August 31, 2020 neighborhood meeting, we are holding a second neighborhood meeting because some time has passed since the last meeting.

In this regard, we are pleased to invite you to our second Virtual Neighborhood meeting regarding this matter. As with the last meeting, we will be describing the nature of our proposal and the meeting is also an opportunity for you, as neighbors, to provide suggestions, concerns, and comments regarding our proposed zoning map amendment. The amendment will consist of a direct ordinance via site plan submittal process to amend the property's City of Flagstaff Rural Residential (RR) designation of an 18.24 acre parcel to be created with a City of Flagstaff land division permit from existing parcels 113-07-003L and 113-07-004 to Heavy Industrial (HI). The virtual Neighborhood Meeting will introduce the use of leased storage yards for contractors and other businesses in the community on the 18.24 acre site that has formerly been used as a volcanic Cinder mine.

The Virtual meeting will be held via Zoom at the following link on December 18, 2023 at 6:00pm:

Need to new Zoom link

The owner/developer Robert Miller of RE Asset Management, LLC, and his project team consisting of Attorney Tony S. Cullum, Project Paralegals Guy Ecklund and Dr. Boyle, and our project team, will be in attendance and available at the virtual meeting to answer any questions you may have as well as listen to your suggestions. A City of Flagstaff planning representative may also be in attendance and will be available to answer questions about the Zoning Map Amendment Process.

Thanks you for your consideration.

Sincerely,

RE Asset Management, LLC

Background and other Information

RE Asset Management, LLC (and its Principal Owner, Robert Miller) owns the following 3 contiguous parcels located at 6500 E. Route 66, Flagstaff, Arizona 86004 totaling approximately 58 acres.

113-07-004 (40 acres); 113-07-003J (7.48 acres); 113-07-003L (10.22 acres)

Total property owned by RE Asset Management, LLC: 58 acres approx.

The parcels have historically been used as a volcanic cinder mine since long before the City of Flagstaff was incorporated and long before the City of Flagstaff's adoption of a zoning ordinance. Despite the fact that the property contained a heavy industrial mining use prior to the City of Flagstaff's incorporation, the City zoned the property RR (rural residential) when the city incorporated and adopted its zoning ordinance.

Although the 3 parcels owned by RE Asset Management continue to be used for volcanic cinder mining purposes, there are portions of Parcel 113-07-004 and 113-07-003L that have been mined out such that there are no longer any materials left for mining. RE Asset Management, LLC has therefore re-habilitated portions of parcel 113-07-004 and 113-04-003L totaling 18.24 acres to allow for other types of heavy industrial uses to occur on that portion of the parcel.

In this regard, RE Asset Management, LLC has discovered that there is a great need in the City of Flagstaff for Contractor Yard/Storage Yard space, especially for construction professionals and other businesses to store items that are not appropriate to be stored in non-industrial areas of the city (i.e., repo vehicles and trailer storage, river-runner

equipment, empty tank storage, etc.). In fact, there is simply nowhere in the City of Flagstaff or Coconino County for many such small business professionals to store their construction materials, equipment, and vehicles, etc. This has forced many small business owners to operate illegally out of their homes (or other non-industrial properties), leaving them vulnerable to complaints from residential neighbors as well as zoning enforcement proceedings by the City of Flagstaff and Coconino County.

In consideration of the foregoing, RE Asset Management, LLC is submitting a rezone/zoning map amendment application to the City of Flagstaff to rezone 18.24 acres of its property to allow the property to be rezoned from Rural Residential to Heavy Industrial to allow an 18.24 acre portion of its site to be used commercially as contractor yards or storage yards.

12/4/23

NOTICE

Notices hereby given that RE Asset Management LLC will be holding a
PUBLIC VIRTUAL NEIGHBORHOOD MEETING

6:00p.m. on December 18, 2023

ZOOM VIDEO MEETING LINK:

Join Zoom Meeting

<https://us06web.zoom.us/j/86955443503?pwd=blv0ok2HggJZCWTDmjeUCUjS4hppl>

Meeting ID: 869 5544 3503

Passcode: 445377

to considering the following:

Direct to Ordinance Zoning Map Amendment

The amendment proposes to amend the City of Flagstaff zoning map to rezone 18.24 acres from the Rural Residential (RR) zone with the Resource Protection Overlay (RPO) to Heavy Industrial (HI) zoning with the Resource Protection Overlay (RPO) for the purpose of allowing the use of leased storage yards for contractors and other businesses in the community.

Assessor's Parcel Numbers: 113-07-003L, 113-07-004

Interested persons may appear at the meeting and be heard for or against any proposed action regarding the area or may file a written statement.

For Additional Information Contact:

Alexandra Pucciarelli, Planning Manager

City of Flagstaff, Community Development Department

211 W. Aspen Avenue, Flagstaff, Arizona 86001

(928) 213-2640, apucciarelli@flagstaffaz.gov

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Anja Wendel, Senior Assistant City Attorney AW
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE:

Parking District Enforcement Update and Consideration and Adoption of Resolution No. 2024-10 and Ordinance No. 2024-06: A Resolution of the Flagstaff City Council declaring as a public record that certain document filed with the City Clerk and entitled "*2024 Parking Code Amendments*"; and, an Ordinance of the Flagstaff City Council, amending the Flagstaff City Code, Title 9 Traffic, Chapter 9-01 Traffic Code, by adopting by reference that certain document entitled "*2024 Parking Code Amendments*"; providing for repeal of conflicting ordinances, severability, and establishing an effective date.

STAFF RECOMMENDED ACTION:

At the March 19, 2024 Council Meeting:

1. Read Resolution No. 2024-10 by title only
2. City Clerk reads Resolution No. 2024-10 by title only (if approved above)
3. Read Ordinance No. 2024-06 by title only for the first time
4. City Clerk reads Ordinance No. 2024-06 by title only (if approved above)

At the April 2, 2024 Council Meeting:

5. Adopt Resolution No. 2024-10
6. Read Ordinance No. 2024-06 by title only for the final time
7. City Clerk reads Ordinance No. 2024-06 by title only (if approved above)
8. Adopt Ordinance No. 2024-06

Executive Summary:

ParkFlag will provide a Parking District Enforcement Update. ParkFlag is intending to start implementing existing City Code parking enforcement procedures that allow for immobilization and impoundment of vehicles where the registered owner of the vehicle has received three (3) or more judgments for parking tickets and the parking tickets remain unpaid after notice and opportunity to pay or contest placement on the immobilization and impoundment list.

The City Council is being asked to consider adoption of minor amendments to the City Code to clarify parking enforcement procedures. The primary changes are the following:

- Clarifies that ParkFlag will need to file notices of violation with the Flagstaff Municipal Court on the 16th day after issuance (per state law, A.R.S. Section 28-1592, these should be filed within 60 days, but the shorter time frame allows for the Court to process parking citations and notices of violation in the same manner).
- Clarifies that when the Police Department issues a parking citation, it must be immediately filed with the Court (per state law, A.R.S. Section 28-1593, these should be filed within 10 days). This is an existing practice.
- Clarifies that Flagstaff Municipal Court will enter default judgments within 30 days, if parking notices/citations are not timely paid or contested.
- Clarifies that a vehicle owner is entitled to a post-impoundment hearing if the vehicle was towed without first having been placed on the immobilization and impoundment list.
- Adds that the Flagstaff Municipal Court may send unpaid judgments to a collections agency.

Financial Impact:

ParkFlag anticipates that when it starts using vehicle immobilization and impoundment to enforce collection of unpaid parking tickets, that current repeat parking offenders will start paying parking tickets. ParkFlag does not receive revenues paid to the Flagstaff Municipal Court, but this is anticipated to result in increased revenues to the City and the State.

Policy Impact:

These updates will revise ParkFlag's citation processing policy, providing guidance on the timing for entering citations into the court, and demonstrating the capability to implement an immobilization list for future scofflaws. As ParkFlag did not boot and tow previously there has been a decrease in compliance with some downtown users. Updating the code and utilizing enforcement authority will assist with behavior change and ensure compliance.

Connection to PBB, Carbon Neutrality Plan, 10-Year Housing Plan & Regional Plan:**Priority Based Budget Key Community Priorities and Objectives**

Maintain the organization's fiscal stability through strong financial policies and best practices.
Achieve a well-maintained community through comprehensive and equitable code compliance and development

Carbon Neutrality Plan

DD-4 Transform transportation policies and planning to incorporate greenhouse gas emissions analysis and reduce dependence on driving.

Regional Plan

Policy LU.1.1. Plan for and support reinvestment within the existing city centers and neighborhoods for increased employment and quality of life.

Policy E.1.5. Promote and encourage the expansion and use of energy-efficient modes of transportation:

- a. Public transportation
- b. Bicycles
- c. Pedestrians

To the extent that charging for downtown parking encourages people to walk or bicycle downtown versus driving, the downtown parking program helps achieve DD-4 and Policy E.1.5. listed above.

Has There Been Previous Council Decision on This:

Yes. The City Council adopted the current Parking Code and it has been in effect for many years.

Attachments: Presentation
 Res. 2024-10
 2024 Parking Code Amendments
 Ord. 2024-06

PARKING CODE UPDATES

March 19, 2024





Introduction



Downtown Parking Overview

Downtown Parking Enforcement

Parking Code Updates – Seeking Council Approval



Parking District Overview

- ParkFlag manages Downtown & Southside areas
- Parking tickets are issued for code violations
- Many repeat offenders, not all pay
- City Code includes parking enforcement procedures
- ParkFlag has not historically used all available parking enforcement procedures



Parking District Enforcement

- Starting in April 2024, ParkFlag intends to start using its code authority that allows for immobilization and impoundment of vehicles for new, unpaid parking tickets
- Vehicles will be placed on the list only if the Flagstaff Municipal Court has entered 3 judgments, and the tickets remain unpaid
- ParkFlag is notifying the Downtown Business Alliance
- ParkFlag is notifying registered owners of vehicles with unpaid parking tickets



Parking Enforcement Process

- Parking ticket issued
- 15 days to pay ticket or request a hearing
- City will file complaint with the Court if ticket is not paid or if hearing is requested
- 30 days after ticket is issued, if not paid or contested, Court enters default judgment
- After 3 unpaid judgments, City will send notice of impending placement on impoundment/immobilization list
- 15 days to pay tickets or request a hearing



Parking Enforcement Process

- After a vehicle is placed on the immobilization and impoundment list, the registered owner still has opportunity to pay tickets
- After vehicle is immobilized or impounded, the registered owner will have to pay the tickets plus either the \$40 immobilization fee or towing and storage charges in order to obtain release of the vehicle

ANY QUESTIONS?



Parking Code Updates

- Clarifies that Police Department issues parking citations, ParkFlag issues notices of violations
- Provides that if owner fails to pay or contest a notice of violation within 15 days, ParkFlag must file a complaint on the 16th day (for Court jurisdiction)
- Clarifies Court will enter a default judgment 30 days after the parking citation/notice of violation was issued if ticket was not paid or contested
- Clarifies post-impoundment hearing only is available if vehicle was towed without having been placed on immobilization & impoundment list
- Adds that the Court will send unpaid judgments to a collections agency
- Miscellaneous minor changes

Council Discussion/ Next Steps

1. Notify public and repeat offenders about ParkFlag's intention to use immobilization and impoundment measures
2. If ordinance adopted, Parking Code Updates will be effective 30 days thereafter



RESOLUTION NO. 2024-10

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL DECLARING AS A PUBLIC RECORD THAT CERTAIN DOCUMENT FILED WITH THE CITY CLERK AND ENTITLED “2024 PARKING CODE AMENDMENTS”

RECITALS:

WHEREAS, pursuant to A.R.S. § 9-802 a municipality may enact or amend provisions of the City Code by reference to a public record, provided that the adopting ordinance is published in full; and

WHEREAS, the City of Flagstaff wishes to incorporate by reference amendments to the Flagstaff City Code, Ordinance No. 2024-06, by first declaring said amendments to be a public record.

ENACTMENTS:

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. In General.

That certain document known as “*2024 Parking Code Amendments*” attached hereto as Exhibit A is hereby declared to be a public record, and one (1) paper copy and one (1) electronic copy maintained in compliance with A.R.S. § 44-7041 shall remain on file with the City Clerk and kept available for public use and inspection.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 5th day of March, 2024.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

Attachments: Exhibit A *2024 Parking Code Amendments*

2024 PARKING CODE AMENDMENTS

The Flagstaff City Code, Title 9 Traffic, Chapter 9-01 Traffic Code, Section 9-01-001-0003 Stopping, Standing and Parking Restrictions, is hereby amended by deleting and adding provisions to the code as shown in redline below (new text is underlined and capitalized in red, and deleted text is shown as stricken):

9-01-001-0003 STOPPING, STANDING AND PARKING RESTRICTIONS

A. **Applicability:** The provisions of this chapter prohibiting the standing, stopping or parking of a vehicle shall apply at all times or at those times herein specified or as indicated on official signs or parking meters, except when it is necessary to stop a vehicle to avoid conflict with other traffic or in compliance with directions of a police officer or official traffic-control devices.

Any stopping, standing, or parking restrictions provided in this chapter shall not apply to any police officer, peace officer, or parking enforcement agent when such stopping, standing, or parking is for the purpose of actual performance of law enforcement duty.

The provisions of this chapter imposing a time limit on parking shall not relieve any person from the duty to observe other and more restrictive provisions prohibiting or limiting the standing, stopping or parking of vehicles in specified places or at specified times.

B. **Persons Liable:** Whenever any vehicle shall be parked in violation of any of the provisions of any ordinance prohibiting or restricting parking, the person in whose name such vehicle is registered shall be responsible for such violation and is subject to the penalties therefor.

C. **Defense to Liability:** Subsection (B) of this section shall not prevent a person from presenting evidence in any prosecution of a parking violation that a vehicle was not illegally parked or that said vehicle was not registered to said person at the time of the offense, or that said vehicle had been stolen at the time of the alleged offense. Proof that a person other than the registered owner was operating the vehicle at the time of the violation shall not constitute a valid defense to the substantive offense.

D. ~~Duty to Document~~ **RESPONSIBILITY FOR ENFORCEMENT OF PARKING VIOLATIONS: THE CHIEF OF POLICE AND HIS AUTHORIZED AGENTS, INCLUDING THE OFFICE OF THE PARKING MANAGER (PARKFLAG), ARE RESPONSIBLE FOR PARKING ENFORCEMENT.** It is the duty of the Chief of Police and his authorized agents to account for the issuance of all parking violations enumerated in this chapter and to take the following actions:

1. Document the date, time and location of the parking violation.
2. Document the State license number of any vehicle which is in violation of this chapter.
3. Document any other acts, knowledge of which is necessary to a thorough understanding of the violation of this chapter, and to issue a notice of violation in accordance with the provisions of subsection (F) of this section.

E. Violations:

1. Violation of any provision of this chapter which regulates the time, place, or method of parking shall be a violation subject to civil penalty not to exceed the amounts prescribed under subsection (H) of this section. ~~A separate fee schedule for fines in lesser amounts may also be adopted by the City Council by resolution.~~

2. Separate and Distinct Violations: Violations of this chapter regulating the time, place or method of parking which are continuous in nature shall constitute a separate and distinct violation for each full hour thereof.

3. Parking Prohibited:

a. A person shall not stop, stand or park a vehicle in any of the following places:

- (1) On a sidewalk.
- (2) In front of a public or private driveway, except that this subsection does not apply to a vehicle or the driver of a vehicle engaged in the official delivery of the United States mail if the driver does not leave the vehicle and the vehicle is stopped only momentarily.
- (3) Within an intersection.
- (4) Within fifteen (15) feet of a fire hydrant.
- (5) On a crosswalk.
- (6) Within twenty (20) feet of a crosswalk at an intersection.
- (7) Within thirty (30) feet of the approach to any flashing beacon, stop sign, yield sign or traffic control signal located at the side of a roadway.

(8) At any place where official signs prohibit standing or stopping.

b. A person who stops or parks a vehicle on a roadway where there are adjacent curbs shall stop or park the vehicle with its right-hand curb side wheels parallel to and within eighteen (18) inches of the right-hand curb, or within eighteen (18) inches of the left-hand or right-hand curb if the roadway is a one (1) way roadway.

c. A person who stops or parks a vehicle on a roadway shall not park in a diagonal manner but must park parallel to the roadway and no part of the vehicle may be in the roadway.

4. Limited Time Parking Areas: It is unlawful to park any vehicle in violation of any restriction so signed or marked.

5. Pay-to-Park Areas:

a. Operational Procedure to Be Followed: Immediately after parking a vehicle within a pay-to-park parking space, the person in the vehicle shall purchase a time period for the vehicle to remain within said parking space. To purchase a time period a person must deposit an acceptable form of payment in the nearest parking meter as indicated on the parking meter and follow operational procedures in accordance with the instructions posted on the parking meter. The vehicle may remain within said parking space only for the time period(s) purchased. Failure to deposit payment or follow the operational procedures shall constitute a violation of this chapter.

(1) For the first violation, or a violation more than one (1) year following a previous violation, a fine will be imposed pursuant to the table set forth in subsection (H)(3) of this section.

(2) For a violation within one (1) year from a violation described in subsection (E)(5)(a)(1) of this section a fine will be imposed pursuant to the table set forth in subsection (H)(3) of this section.

(3) For a violation within one (1) year from a violation described in subsection (E)(5)(a)(2) of this section a fine will be imposed pursuant to the table set forth in subsection (H)(3) of this section.

(4) For a violation within a year from a violation described in subsection (E)(5)(a)(3) of this section, or any subsequent violations of this subsection, a fine will be imposed pursuant to the table set forth in subsection (H)(3) of this section.

b. Overtime Parking Violations: It is unlawful for any person to cause, allow, permit or suffer any vehicle registered in the name of, or operated by, such person to remain parked within any pay-to-park parking space beyond the time for which payment has been made. Any person who causes a vehicle to remain within a pay-to-park parking space overtime, or for more time than purchased, shall be in violation of this chapter and subject to the penalties as follows:

(1) For the first violation, or a violation more than one (1) year following a previous violation, a fine will be imposed pursuant to the table set forth in subsection (H)(3) of this section.

(2) For a violation within one (1) year from a violation described in subsection (E)(5)(b)(1) of this section, a fine will be imposed pursuant to the table set forth in subsection (H)(3) of this section.

(3) For a violation within one (1) year from a violation described in subsection (E)(5)(b)(2) of this section, a fine will be imposed pursuant to the table set forth in subsection (H)(3) of this section.

(4) For a violation within a year from a violation described in subsection (E)(5)(b)(3) of this section, or any subsequent violations of this subsection, a fine will be imposed pursuant to the table set forth in subsection (H)(3) of this section.

c. Other Parking Meter Violations: The following shall constitute violations relating to parking meters, and are subject to the penalties set forth in the table in subsection (H)(3) of this section:

(1) To deface, damage, tamper with, open or willfully break, destroy or attempt in any manner to impair the function of any parking meter.

(2) To deposit or cause to be deposited in any parking meter any slugs, devices, or other substitutes for lawful payment as indicated on the parking meter.

(3) To make use of or operate any parking meter for the purpose of advertising or solicitation of business, either directly or indirectly.

(4) To permit, cause, or allow a bicycle, news rack, animal, or any other thing to be attached to or to be leaned against a parking meter.

(5) To permit, cause or allow any sign, symbol, sticker, graffiti or similar writings, photos or artwork to be written, etched, attached, hung or posted in any manner on a parking meter without the express written consent of the City.

6. Parking-Permit-Required Areas:

a. It is unlawful to park any vehicle in violation of any parking restriction as indicated and marked with signage.

(1) For the first violation, or a violation more than one (1) year following a previous violation, a fine will be imposed pursuant to the table set forth in subsection (H)(3) of this section.

(2) For a violation within one (1) year from a violation described in subsection (E)(6)(a)(1) of this section a fine will be imposed pursuant to the table set forth in subsection (H)(3) of this section.

(3) For a violation within one (1) year from a violation described in subsection (E)(6)(a)(2) of this section a fine will be imposed pursuant to the table set forth in subsection (H)(3) of this section.

(4) For a violation within a year from a violation described in subsection (E)(6)(a)(3) of this section or any subsequent violations of this subsection a fine will be imposed pursuant to the table set forth in subsection (H)(3) of this section.

b. Other Parking Permit Violations: The following shall constitute violations relating to permit parking and are subject to the penalties set forth in the table in subsection (H)(3) of this section:

(1) To falsely represent oneself as eligible for a parking permit or to furnish false information in an application for a parking permit.

(2) To assign or transfer a parking permit, with or without consideration, monetary or otherwise.

(3) To copy, produce, or create a facsimile of or counterfeit of a parking permit, or to display a facsimile or counterfeit parking permit for purposes of parking in parking-permit-required areas.

(4) To use, or to allow the use of, a parking permit for a vehicle other than the specific vehicle for which the permit was issued.

7. Seasonal Parking Restriction: No person shall park, or permit to be parked, on any street between midnight and 7:00 a.m., from November 1st to April 1st, any vehicle owned or controlled by that person.

a. Exceptions:

(1) The seasonal parking restriction does not apply to the following areas:

(a) The north side of the westerly one thousand (1,000) feet of Coconino Avenue.

(b) Both sides of Pine Cliff Drive for a distance of nine hundred (900) feet south of the south curb line of Ponderosa Parkway.

(c) Both sides of Locust Street (formerly Cottonwood Street) for a distance of three hundred fifty (350) feet south of the south curb line of Ponderosa Parkway.

(d) All public streets in the Aspen Place at the Sawmill development.

(e) Streets in those areas of the City that have been zoned to the Traditional Neighborhood District zoning designation.

(2) The seasonal parking restriction shall be from 3:00 a.m. until 7:00 a.m. for the following areas:

(a) Both sides of Leroux Street from Benton Avenue to Phoenix Avenue, and from Route 66 to Cherry Avenue.

(b) Both sides of Benton Avenue, Cottage Avenue, and Phoenix Avenue from Leroux Street to Agassiz Street.

(c) Both sides of Aspen Avenue from Beaver Street to ~~Agassiz~~ W.C. RILES Street.

(d) Both sides of Birch Avenue and Cherry Avenue from Beaver Street to San Francisco Street.

(e) The north side of Route 66 from Beaver Street to ~~Agassiz~~ W.C. RILES Street.

(f) Both sides of ~~Agassiz~~ W.C. RILES Street from Route 66 to Birch Avenue.

8. Reparking Prohibited: If a vehicle has been parked in an area on any street where parking is limited or restricted to a specified maximum period of time by official signs posted at that location, it is prohibited and a violation of this section to repark said vehicle within three hundred (300) feet of the location where it was first parked within the following four (4) hour period.

9. Parking within Lines or Markings: It is unlawful to park any vehicle across lines or markings painted upon the curb or street to designate a parking space or to park a vehicle in such a position that it shall not be entirely within the space designated by such lines or markings.

10. Large Vehicle Parking Prohibited: It is unlawful for anyone to park a vehicle, trailer or semi-trailer or more than fourteen thousand (14,000) pounds gross vehicle weight on that side of any public street which is on the boundary of or is within a land use zoning district of RR, RS, R1, RMM, RML, MH or PLO as designated on the current official zoning map except for the purpose of loading or unloading said vehicle or equipment.

F. PARKING CITATIONS AND NoticeS of Violation:

1. UPON ISSUING A PARKING CITATION, A CITY LAW ENFORCEMENT OFFICER WILL FILE A COMPLAINT IN THE FLAGSTAFF MUNICIPAL COURT.

2. IF A NOTICE OF VIOLATION HAS BEEN ISSUED BY PARKFLAG, PARKFLAG WILL FILE A COMPLAINT IN THE FLAGSTAFF MUNICIPAL COURT EITHER UPON THE SIXTEENTH (16TH) DAY FROM ISSUANCE OF THE NOTICE OF VIOLATION IF THE PARKING VIOLATION HAS NOT YET BEEN PAID, OR UPON SUCH EARLIER DATE WHEN THE REGISTERED OWNER OF THE VEHICLE HAS CONTESTED THE TICKET WITH PARKFLAG AND REQUESTED A HEARING.

3. In an action involving unlawful parking, a copy of the PARKING CITATION OR notice need not be personally served upon the owner or operator of the vehicle but may be served by conspicuously attaching a copy to the vehicle.

4. The PARKING CITATION OR notice OF VIOLATION shall include the date, time and location of the violation, the State license number of the vehicle unlawfully parked, reference to the City ordinance or code provision violated, the sanction for the violation, HOW PAYMENT IS TO BE MADE, and notice that within fifteen (15) calendar days from the day on which the notice was issued, the sanction for the

violation must be paid and received by the City of Flagstaff office designated by the City Manager or a written request for a hearing to contest the alleged violation must be made and received by the City of Flagstaff office designated by the City Manager. AT THE LOCATION STATED IN THE NOTICE, OTHERWISE A DEFAULT JUDGMENT SHALL BE ENTERED AGAINST THE REGISTERED OWNER OF THE VEHICLE FOR THE SANCTION PLUS LATE PENALTIES PURSUANT TO THE TABLE OF FINES SET FORTH IN SUBSECTION H(3).

G. Response to PARKING CITATION/Notice of Violation, Review and Hearing:

1. Within fifteen (15) calendar days from the day on which the PARKING CITATION OR notice was issued, the person or persons liable for the ALLEGED parking violation shall respond to the notice by:

a. Paying the civil sanction prescribed for the violation to the City BY THE MEANS STATED IN THE PARKING CITATION/NOTICE of Flagstaff office designated by the City Manager; or

b. Submitting a written request for a hearing to contest the alleged parking violation BY THE MEANS STATED IN THE PARKING CITATION/NOTICE, to the City of Flagstaff office designated by the City Manager. That designated office will then forward the violation to the Flagstaff Municipal Court for a hearing.

In the event the fifteenth day from the day on which the notice was issued falls on a Saturday, Sunday or legal holiday, then the person or persons liable for the parking violation shall respond by the next regular business day following the fifteenth day.

2. A civil traffic hearing for a parking violation may be heard by a MAGISTRATE OR civil traffic hearing officer at the Flagstaff Municipal Court pursuant to applicable State statutes and the Arizona Supreme Court Rules of Procedure in Civil Traffic Violation Cases. The MAGISTRATE OR hearing officer may make such orders as may be necessary and proper to dispose of such cases. Any fines imposed by the FLAGSTAFF MUNICIPAL COURT hearing officer shall not be less than a base fine of ten dollars (\$10.00) excluding State surcharges, ASSESSMENTS, and fees. Fines imposed after a civil traffic hearing BY THE COURT shall be paid to the Flagstaff Municipal Court. The Flagstaff Municipal Court shall transmit the portion of the fee due to the City of Flagstaff to the City Treasurer who shall account for the same per the City budget.

H. Penalties and Enforcement:

1. Minimum **BASE** Fine: ~~If payment of the fine is received or notice to contest is filed within fifteen (15) days of issuance of the notice of violation, t~~The sanction for a violation of this chapter ~~upon payment of the sanction or upon conviction shall be not less than ten dollars (\$10.00), plus State surcharges, and assessments, AND FEES.~~

2. Maximum **BASE** Fine: Every person held responsible for a violation of any provision of this section shall be penalized by a civil sanction not to exceed two hundred fifty dollars (\$250.00), excluding **STATE** surcharges, ~~and assessments, AND FEES.~~

3. Fines assessed for specific violations of this chapter are detailed in the table of fines set forth below and include **THE BASE FINE, surcharges and fees required to be assessed by State law. STATE SURCHARGES, ASSESSMENTS, AND FEES. THE TOTAL FINE PAID LATE INCLUDES A \$20.00 CITY ADMINISTRATIVE FEE.**

TABLE OF FINES

Parking Violation Code Section	Parking Violation Code Title	Total Fine Paid on Time	Total Fine Paid Late
9-01-001-0003(E)(3)(a)(1)	Parked on Sidewalk	\$97.00	\$147.00
9-01-001-0003(E)(3)(a)(2)	Parked Blocking Driveway	\$97.00	\$147.00
9-01-001-0003(E)(3)(a)(3)	Parked in Intersection	\$97.00	\$147.00
9-01-001-0003(E)(3)(a)(4)	Parked within 15 Feet of Fire Hydrant	\$97.00	\$147.00
9-01-001-0003(E)(3)(a)(5)	Parked in Crosswalk	\$97.00	\$147.00
9-01-001-0003(E)(3)(a)(6)	Parked within 20 Feet of Crosswalk at Intersection	\$97.00	\$147.00
9-01-001-0003(E)(3)(a)(7)	Parked within 30 Feet of the Approach of a Traffic Control Signal	\$97.00	\$147.00
9-01-001-0003(E)(3)(a)(8)	Parked Where Official Signs Prohibit Parking	\$97.00	\$147.00
9-01-001-0003(E)(3)(b)	Failure to Park within 18 Inches of the Curb	\$97.00	\$147.00
9-01-001-0003(E)(3)(c)	Failure to Park Parallel to Curb or Roadway	\$97.00	\$147.00

Parking Violation Code Section	Parking Violation Code Title	Total Fine Paid on Time	Total Fine Paid Late
9-01-001-0003(E)(4)	Failure to Obey Parking Signs or Marked Restrictions	\$48.00	\$98.00
9-01-001-0003(E)(5)(a)(1)	Failure to Pay Meter – First Violation	\$48.00	\$98.00
9-01-001-0003(E)(5)(a)(2)	Failure to Pay Meter – Second Violation within One Year of First	\$83.00	\$133.00
9-01-001-0003(E)(5)(a)(3)	Failure to Pay Meter – Third Violation within One Year of Second	\$115.00	\$165.00
9-01-001-0003(E)(5)(a)(4)	Failure to Pay Meter – Four or More Violations within One Year of Third	\$150.00	\$200.00
9-01-001-0003(E)(5)(b)(1)	Expired Meter – First Violation	\$48.00	\$98.00
9-01-001-0003(E)(5)(b)(2)	Expired Meter – Second Violation within One Year of First	\$83.00	\$133.00
9-01-001-0003(E)(5)(b)(3)	Expired Meter – Third Violation within One Year of Second	\$115.00	\$165.00
9-01-001-0003(E)(5)(b)(4)	Expired Meter – Four or More Violations within One Year of Third	\$150.00	\$200.00
9-01-001-0003(E)(5)(c)	Parking Meter Abuse	\$58.00	\$108.00
9-01-001-0003(E)(6)(a)(1)	Parked without Parking Permit – First Violation	\$48.00*	\$98.00
9-01-001-0003(E)(6)(a)(2)	Parked without Parking Permit – Second Violation within One Year of First	\$83.00	\$133.00
9-01-001-0003(E)(6)(a)(3)	Parked without Parking Permit – Third Violation within One Year of Second	\$115.00	\$165.00
9-01-001-0003(E)(6)(a)(4)	Parked without Parking Permit – Four or More Violations within a Year of Third	\$150.00	\$200.00
9-01-001-0003(E)(6)(b)	Parking Permit Abuse	\$58.00	\$108.00

Parking Violation Code Section	Parking Violation Code Title	Total Fine Paid on Time	Total Fine Paid Late
9-01-001-0003(E)(7)	Parked during Seasonal Restriction	\$48.00	\$98.00
9-01-001-0003(E)(8)	Reparking Prohibited	\$48.00	\$98.00
9-01-001-0003(E)(9)	Failure to Park within Lines or Markings	\$48.00	\$98.00
9-01-001-0003(E)(10)	Large Vehicle Parking Prohibited	\$48.00	\$98.00
9-01-001-0006	Disabled Parking Violations	\$265.00	\$315.00

* Code reviser's note: The amount shown in Ordinance 2018-38 has been corrected at the direction of the city to show the intended amount.

4. Default Judgment and Penalty Assessment: If the person or persons liable for a parking violation fail to respond by one (1) of the methods prescribed in subsection (G)(1) of this section, ~~THEN, within fifteen (15) days~~ **THIRTY (30) DAYS AFTER THE DATE OF VIOLATION,** of the issuance of the notice, a default judgment shall be entered against the registered owner of the vehicle **FOR THE SANCTIONS OWED, INCLUDING ANY LATE PENALTIES,** and the sanction for the violation shall automatically increase pursuant to the table **OF FINES** outlined in subsection (H)(3) of this section. **THE FLAGSTAFF MUNICIPAL COURT WILL SEND NOTICE OF ANY DEFAULT JUDGMENT TO THE REGISTERED OWNER OF THE VEHICLE.**

5. Disposition of Fines: Funds collected from fines on parking violations **OWED TO THE CITY** shall be turned over to the City Treasurer who shall account for the same per the City budget.

6 IN THE EVENT SANCTIONS AND LATE PENALTIES REMAIN UNPAID, THE FLAGSTAFF MUNICIPAL COURT WILL SEND THE CASE TO A COLLECTIONS AGENCY, AND THE OWNER OF THE REGISTERED VEHICLE SHALL BE RESPONSIBLE FOR PAYING COLLECTION AGENCY COSTS AS SET BY THE ARIZONA SUPREME COURT IN ADDITION TO THE BALANCE OF THE SANCTIONS AND LATE PENALTIES OWED. THE FLAGSTAFF MUNICIPAL COURT MAY REQUEST THE ARIZONA DEPARTMENT OF MOTOR VEHICLES AND/OR THE ARIZONA DEPARTMENT OF REVENUE TO ASSIST IN COLLECTION EFFORTS.

I. Immobilizing and Impounding of Vehicles:

1. The Police Department or ~~the Office of Parking Manager~~ PARKFLAG may remove and impound any unoccupied vehicle of any kind or description found violating any of the provisions of this chapter, or of any of the ordinances of the City of Flagstaff or the laws of the State of Arizona regulating the standing or parking of vehicles.

2. The Police Department or the Office of Parking Manager may immobilize by placement of a restraint in such a manner as to prevent a vehicle's operation, and may remove and impound any eligible vehicle upon a street, highway, public right-of-way, or city-owned or leased parking lot. A vehicle shall be eligible for immobilization and/or impoundment as provided herein any time after inclusion of its registered owner on an immobilization and impoundment list.

3. ~~The Office of Parking Manager~~ FLAGSTAFF MUNICIPAL COURT shall include a registered owner on the immobilization and impoundment list only if:

a. The registered owner has accumulated in the Flagstaff Municipal Court three (3) or more parking violation complaints on which the court has entered judgment for the State, whether by default or after an admission or finding of responsibility, and on which full payment has not been made; and

b. Notice of impending vehicle immobilization and impoundment has been: (1) personally served, or (2) sent to the registered owner via REGULAR U.S. MAIL, AND A COPY OF THE NOTICE HAS BEEN CONSPICUOUSLY ATTACHED TO THE VEHICLE, OR (3) THE NOTICE HAS BEEN SENT BY certified mail, return receipt requested. Notice via ~~certified~~ mail shall be sent to the address of the registered owner provided to the Arizona Motor Vehicle Division or at the last known address of the registered owner as indicated in the Flagstaff Municipal Court's records. The notice shall state the name and address of the registered owner, the license plate number of the vehicle, the nature of the ordinances violated, the violation dates, the numbers of the complaints, and the amount of the unpaid sanctions and surcharges. The notice shall advise that the registered owner may prevent his/her inclusion on the immobilization and impoundment list by paying, within fifteen (15) calendar days of the date of receiving said notice, all sanctions and surcharges, ~~and~~ THE NOTICE shall also advise that a person may challenge the validity of the notice of impending vehicle immobilization and impoundment WITHIN FIFTEEN (15) CALENDAR DAYS OF RECEIPT OF SUCH NOTICE by requesting a hearing in the Flagstaff Municipal Court, appearing and submitting evidence which would conclusively disprove liability for immobilization and impoundment, such as the sanctions for the violations cited in the notice were paid, or the registered owner has not accumulated three (3) or

more unpaid parking violation complaints on which the Flagstaff Municipal Court has entered judgment for the State.

C. IF THE REGISTERED OWNER REQUESTS A HEARING WITHIN FIFTEEN (15) DAYS FROM THE DATE OF RECEIPT OF SAID NOTICE, THE FLAGSTAFF MUNICIPAL COURT SHALL SET A HEARING TO DETERMINE WHETHER THERE IS A SUFFICIENT FACTUAL AND LEGAL BASIS FOR PLACEMENT ON THE IMMOBILIZATION AND IMPOUNDMENT LIST. A hearing provided by ~~this subsection~~ THE FLAGSTAFF MUNICIPAL COURT shall not determine the validity of or set aside any judgment entered on a parking complaint issued to the registered owner. The hearing shall be conducted informally before a MAGISTRATE ~~judge~~ or hearing officer and the technical rules of evidence shall not apply; provided, that the decision of the Flagstaff Municipal Court shall in all cases be based upon substantial and reliable evidence. FAILURE TO REQUEST OR ATTEND A SCHEDULED HEARING SHALL BE DEEMED A WAIVER OF THE RIGHT TO A HEARING.

43. A registered owner shall be removed from the immobilization and impoundment list, PRIOR TO IMMOBILIZATION OR IMPOUNDMENT OF THE VEHICLE, by:

a.—Satisfying all of the judgments entered on the three (3) or more parking violation complaints that caused the registered owner to be included on the list.

b.—~~The Flagstaff Municipal Court upon a finding that the registered owner was not properly included on the immobilization and impoundment list.~~

5. Upon immobilization of an eligible vehicle, a notice shall be affixed to the vehicle in a conspicuous place. The notice shall warn that the vehicle is immobilized and that any attempt to move the vehicle may result in its damage. The notice shall state that the unauthorized removal of or damage to the immobilizing restraint is a criminal violation. The notice shall also state that unless arrangements are made for release of the vehicle within twenty-four (24) hours of immobilization, the vehicle may be towed and impounded. The notice shall also specify how release of the immobilizing restraint may be had.

65. The Police Department or ~~the Office of Parking Manager~~ PARKFLAG may remove and impound any vehicle upon which an immobilizing restraint has been placed if no arrangements have been made for the release of the vehicle within twenty-four (24) hours of immobilization.

~~7~~6. It is unlawful for any person, without proper authority, to remove or attempt to remove, or for any person to damage, tamper with or deface an immobilizing restraint device that has been attached to a vehicle pursuant to this section, or to relocate or tow any vehicle so restrained.

8. WITHIN THREE (3) BUSINESS DAYS, EXCLUDING WEEKENDS AND CITY HOLIDAYS, AFTER A VEHICLE HAS BEEN IMPOUNDED, THE CITY SHALL EITHER SEND A NOTICE OF IMPOUNDMENT BY REGULAR U.S. MAIL TO THE REGISTERED OWNER OF THE VEHICLE AT THE ADDRESS OF THE REGISTERED OWNER PROVIDED TO THE ARIZONA DEPARTMENT OF MOTOR VEHICLES OR AT THE LAST KNOWN ADDRESS OF THE REGISTERED OWNER AS INDICATED IN THE FLAGSTAFF MUNICIPAL COURT'S RECORDS, OR THE CITY SHALL PERSONALLY SERVE A COPY OF THE NOTICE OF IMPOUNDMENT ON THE REGISTERED OWNER. THE NOTICE SHALL SPECIFY HOW RELEASE OF THE VEHICLE MAY BE HAD.

~~9~~7. If any unoccupied vehicle is in violation of any of the provisions of this code, or of any of the ordinances of the City of Flagstaff or the laws of the State of Arizona regulating the standing or parking of vehicles, or if the registered owner of any vehicle is included on an immobilization and impoundment list, then such vehicle shall be deemed to constitute a nuisance and the registered owner of the vehicle consents to immobilization and impoundment as provided herein. IF THE CITY HAS IMPOUNDED A VEHICLE UNDER THIS SUBSECTION, AND THE REGISTERED OWNER OF THE VEHICLE IS NOT ON THE IMMOBILIZATION AND IMPOUNDMENT LIST, THE REGISTERED OWNER SHALL BE ISSUED A PARKING CITATION OR NOTICE OF VIOLATION AND IS ENTITLED TO A POST-IMPOUNDMENT HEARING.

J. Immobilized and Impounded Vehicles--Release:

1. ~~Prior to a hearing on the validity of an immobilization or impoundment authorized by subsection (1)(2) of this section,~~ AFTER THE FLAGSTAFF MUNICIPAL COURT HAS ORDERED A VEHICLE PLACED ON THE VEHICLE IMMOBILIZATION AND IMPOUNDMENT LIST, AND THE VEHICLE HAS BEEN IMMOBILIZED OR IMPOUNDED, the registered owner of the immobilized or impounded vehicle or other person entitled to possession of the vehicle shall be permitted to secure release of the vehicle by:

A. furnishing evidence of ~~his or her~~ THE REGISTERED OWNER'S identity and ownership or right to possession and:

~~a.~~ B. ~~P~~aying the immobilization FEE TO THE CITY, and, if applicable, towing and storage fees TO THE TOWING COMPANY, and paying all the sanctions, surcharges and fees on the parking

violation complaints for which notice had been sent and hearing has been held or waived as provided by subsection (I)(3)(b) of this section TO THE FLAGSTAFF MUNICIPAL COURT;

~~b.— Posting a bond, or any other undertaking approved by the Chief Presiding Judge of the Flagstaff Municipal Court, in an amount equal to the immobilization and, if applicable, towing and storage fees, and all the sanctions, surcharges and fees on the parking violation complaints for which notice had been sent and a hearing has been held or waived as provided by subsection (I)(2)(b) of this section.~~

~~2.— Within five (5) business days after a vehicle has been impounded notice of impoundment shall be sent by certified mail, return receipt requested, to the registered owner of the vehicle at the address of the registered owner provided to the Arizona Department of Motor Vehicles or at the last known address of the registered owner as indicated in the Flagstaff Municipal Court's records. The notice shall state that the registered owner has the right to a post immobilization and/or post impoundment hearing as provided in subsection (J)(3) or (J)(6)(c) of this section.~~

23. IF A VEHICLE IS IMPOUNDED BY THE CITY WITHOUT FIRST HAVING BEEN PLACED ON THE IMMOBILIZATION AND IMPOUNDMENT LIST, THEN ~~†~~The registered owner of a vehicle immobilized or impounded under subsection (I)(2) of this section shall have the right to a POST-IMPOUNDMENT hearing to determine whether there was a sufficient factual and legal basis for the immobilization or impoundment or whether the owner was properly included on an immobilization and impoundment list, if the owner files a written request for a hearing with the Flagstaff Municipal Court within ~~fourteen (14)~~ FIFTEEN (15) calendar days after issuance of the notice specified in subsection (I)(8) ~~(J)(2)~~ of this section or within fourteen (14) calendar days of the immobilization or impoundment, whichever is later. A hearing shall be conducted within THREE (3) BUSINESS DAYS, ~~forty-eight (48) hours,~~ excluding weekends and CITY holidays, of THE FLAGSTAFF MUNICIPAL COURT'S receipt of a written request for hearing, unless otherwise waived by the registered owner. Failure to request or attend a scheduled hearing shall be deemed a waiver of the right to a hearing. In event of such failure, any bond or other undertaking deposited pursuant to subsection (J)(3)(B)(1)(b) ~~(4)(b)~~ of this section shall be forfeited. If the court determines that there were insufficient grounds for the immobilization or impoundment, the bond or other undertaking shall be exonerated. A hearing provided by this section shall not determine the validity of or set aside any judgment entered on a parking complaint issued to the registered owner. The hearing shall be conducted informally before a judge or hearing officer and the technical Rules of Evidence shall not apply; provided, that the decision of the Flagstaff Municipal Court shall in all cases be based upon substantial and reliable evidence.

3. THE REGISTERED OWNER OF THE VEHICLE IMPOUNDED WITHOUT FIRST HAVING BEEN PLACED ON THE IMMOBILIZATION AND IMPOUNDMENT LIST SHALL BE PERMITTED TO SECURE RELEASE OF THE VEHICLE BY FURNISHING EVIDENCE OF THE REGISTERED OWNER'S IDENTITY AND OWNERSHIP OR RIGHT TO POSSESSION AND BY:

(A) PAYING THE APPLICABLE TOWING AND STORAGE FEES OWED TO THE TOWING COMPANY; AND

(B) EITHER PAYING ALL THE SANCTIONS, SURCHARGES, AND FEES ON THE PARKING VIOLATION COMPLAINTS FOR WHICH NOTICE HAD BEEN SENT AND THE HEARING HAS BEEN HELD OR WAIVED UNDER SUBSECTION (I)(8) OR POSTING A BOND, OR ANY OTHER UNDERTAKING APPROVED BY THE CHIEF PRESIDING JUDGE OF THE FLAGSTAFF MUNICIPAL COURT, IN SUCH AMOUNT.

4. A lienholder asserting its right to possession of an immobilized or impounded vehicle pursuant to its conditional sales agreement may obtain immediate release of such vehicle by paying the immobilization FEE TO THE CITY and, if applicable, towing and storage fees TO THE TOWING COMPANY, and submitting a photocopy of the conditional sales agreement and title certificate, an affidavit stating that the purchaser is in default of the agreement and an indemnification certificate executed by an authorized agent of the lienholder. The requirements of subsection (J)(1) of this section shall not apply to a lienholder asserting its right to possession of an immobilized or impounded vehicle as provided herein.

5. The immobilization fee shall be forty dollars (\$40.00). The towing and storage fees shall be those fees set forth in the applicable current tow service contract between the City and the tow contractor providing the tow service.

6. No fees shall be assessed for any immobilization or impoundment which has been determined BY THE CITY OR FLAGSTAFF MUNICIPAL COURT to be without a sufficient factual or legal basis. The City shall be responsible FOR REIMBURSING THE REGISTERED OWNER WHOSE VEHICLE WAS TOWED WITHOUT A SUFFICIENT FACTUAL OR LEGAL BASIS FOR ANY TOWING AND STORAGE FEES THE REGISTERED OWNER HAS PAID IN ORDER TO SECURE RELEASE OF THE VEHICLE, OR IF THE VEHICLE HAS NOT BEEN RELEASED, THE CITY SHALL PAY ~~to the tow contractor~~ for any towing and storage fees incurred as a result of an impoundment determined to be without a sufficient factual or legal basis IN ORDER TO ALLOW FOR RELEASE.

~~6.—The registered owner or other person entitled to possession of a vehicle removed and impounded pursuant to subsection (1)(1) of this section may:~~

~~a.—Recover possession of the vehicle by paying to the tow contractor having custody of the vehicle the towing and any storage fees that may have accrued.~~

~~b.—Recover possession of the vehicle by posting a bond, or any other undertaking approved by the Chief Presiding Judge of the Flagstaff Municipal Court, in the amount of the towing and storage fees that have accrued to the tow contractor. Within thirty (30) days of the posting of the bond, a hearing before a magistrate or hearing officer shall be conducted in the Flagstaff Municipal Court to determine the propriety of the tow. If the court determines that there were sufficient factual and legal grounds for the tow, the bond or other undertaking shall be forfeited as payment thereof; if the court determines that there were insufficient grounds for the tow, the bond or other undertaking shall be exonerated.~~

~~c.—Demand on a form provided by the Flagstaff Municipal Court a hearing as to whether there was a sufficient factual and legal basis for removing and impounding the vehicle. The hearing may take place before a judge or a hearing officer. To be entitled to a hearing, a written demand must be filed with the Flagstaff Municipal Court within either five (5) days after Petitioner learned that the vehicle was impounded or missing, or within fourteen (14) days after the City sent notice of impoundment, whichever occurs first. The hearing must be held within forty-eight (48) hours after the filing of the written demand. A determination that there was an insufficient factual or legal basis for impounding the vehicle will require the tow contractor to release the vehicle without the payment of the towing and storage fees. In that event, the City shall be responsible for payment of the towing and storage fees. A hearing may be demanded by filing the appropriate form with the Flagstaff Municipal Court during regular business hours. The payment of towing and storage fees shall not release the owner or driver of such vehicle of any other penalty imposed for the violation of this code or the laws of the State of Arizona regulating the standing or parking of vehicles.~~

K. Impounded Vehicles--Record: The Police Department or **PARKFLAG** the Office of Parking Manager shall maintain a record of all vehicles impounded. Such records shall show the location from which the vehicle was removed, the date and time of removal, the name of the individual authorizing the removal, the reason for such removal and impounding, and the location at which the vehicle is presently stored. (Ord. 1185, Amended, 11-17-81; Ord. 1265, Amended, 03/15/83; Ord. 1995, Amended, 05/18/99; Ord. 2005-26, Amended, 11/01/2005;

Ord. 2007-42, Amended, 11/20/2007; Ord. 2012-02, Amended, 03/06/2012; Ord. 2016-05, Amended, 02/02/2016; Ord. 2017-01, Amended, 02/07/2017; Ord. 2018-38, Amended, 11/20/2018)

ORDINANCE NO. 2024-06

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, TITLE 9 TRAFFIC, CHAPTER 9-01 TRAFFIC CODE, BY ADOPTING BY REFERENCE THAT CERTAIN DOCUMENT ENTITLED “2024 PARKING CODE AMENDMENTS”; PROVIDING FOR REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, the City desires to amend the City Code to clarify parking enforcement procedures.

ENACTMENTS:

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. In General

That certain document known as “*2024 Parking Code Amendments*”, one(1) paper copy and (1) electronic copy of which are on file in the office of the City Clerk of the City of Flagstaff, Arizona, has been declared a public record by Resolution No. 2024-10 of the City of Flagstaff, Arizona, and is hereby referred to, adopted and made a part hereof as if fully set out in this ordinance.

The Flagstaff City Code, Title 9 Traffic, Chapter 9-01 Traffic Code, Section 9-01-001-0003 Stopping, Standing and Parking Restrictions, is hereby amended by adopting those code revisions set forth in the *2024 Parking Code Amendments*.

SECTION 2. Repeal of Conflicting Ordinances

All ordinances and parts of ordinances in conflict with the provisions of the code adopted herein are hereby repealed.

SECTION 3. Severability

If any section, subsection, sentence, clause, phrase or portion of this ordinance or any part of the code adopted herein by reference is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

SECTION 4. Clerical Corrections

The City Clerk is hereby authorized to correct clerical and grammatical errors, if any, related to this ordinance, and to make formatting changes appropriate for purposes of clarity, form, or consistency with the Flagstaff City Code.

SECTION 5. Effective Date

This Ordinance shall be effective thirty (30) days following adoption by the City Council.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 2nd day of April, 2024.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Jennifer Mikelson, Housing Planning Manager
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE:
Consideration and Approval: Rental Incentive Bond Program Awards

STAFF RECOMMENDED ACTION:

Approve two Rental Incentive Bond Program Awards totaling \$3,330,000 resulting in 139 affordable rental units, as recommended by the Ranking Committee.

Executive Summary:

The Rental Incentive Bond Program (RIBP) was approved by Council in November 2023 and a subsequent Notice of Funding Availability (NOFA) process was conducted in February 2024. Two affordable rental project applications were determined eligible to be considered for funding and were scored by a Ranking Committee. Staff is requesting Council's approval of funding awards, per the Committee's recommendation.

Project details and recommended award amounts are as follows:

1. San Francisco Square Apartments
 - o Foundation for Senior Living
 - o 70 units
 - o Serving seniors below 80% AMI
 - o \$1,680,000
2. Aspen Lofts Apartments
 - o Foundation for Senior Living
 - o 69 units
 - o Serving individuals and families below 60% AMI
 - o \$1,650,000

Staff is recommending that the award for Aspen Lofts Apartments be made contingent upon the project receiving an award of tax credits on or before 2025. If approved, funding will be provided to both projects as 50-year forgivable loans. Loan documents will be drafted and brought forward as consent items at a future Council meeting.

Financial Impact:

This program is budgeted in the Housing General Obligation Bond Fund, 411-05-105-0354- for rental assistance. Loans will utilize general obligation bond funds, as approved by Flagstaff voters in the November 2022 election. The bonds will be paid back with Secondary Property Tax levies as approved by the voters. A total of five million (\$5M) in bond funds are available under the RIBP. Loans will have no financial impact on the city's general fund.

Policy Impact:

N/A

Previous Council Decision or Community Discussion:

City Council placed Proposition 442 on the ballot for the November 2022 election with one of the funding

items being "Incentivizing the Private Sector to Incorporate Affordable Rental Housing in New Developments." Work Session on the RIBP held October 24, 2023 Resolution 2023-51 adopting the RIBP approved November 7, 2023

Options and Alternatives to Recommended Action:

1. Approve staff's recommendation.
2. Modify staff's recommendation.
3. Reject staff's recommendation, understanding that rejecting the recommended award amounts or delaying approval of awards will jeopardize FSL's competitiveness in its application for Low-Income Housing Tax Credits for Aspen Lofts, due on April 1, 2024.

Background and History:

Housing Bond Background

Proposition 442 "authorizing the use \$20 million dollars of general obligation bonds for "Creating Rental and Ownership Opportunities for Residents of Flagstaff" was approved by the voters in the November 2022 General Election. Proposition 442 identified four affordable housing spending categories, including "incentivizing the private sector to incorporate affordable rental housing into new developments."

Rental Incentive Bond Program Overview

Approved by City Council in November 2023, the RIBP is intended to provide loans to eligible developers of rental housing choosing to include a minimum of 10% affordable units in new rental projects serving households at or below 80% area median income (\$65,450 for a household of 3) in Flagstaff.

NOFA and Evaluation Process

Purchasing staff published a Request for Proposals solicitation for the Notice of Funding Availability Rental Incentive Bond Program in the Arizona Daily Sun on February 3 & 10, 2024 and posted the solicitation to the City of Flagstaff's PlanetBids Website on February 2, 2024. On February 19, 2024, the City received three (3) proposals with two deemed responsive and responsible. In developing the NOFA, staff prioritized a simple application with fact-based evaluation criteria in an effort to streamline the application and evaluation process. Housing staff conducted a minimum threshold review of all three applications and determined one to be ineligible for evaluation due to the advanced construction stage of the project. The two eligible applications were provided to members of the Ranking Committee and scored individually in accordance with the evaluation criteria. The Ranking Committee was comprised of two Housing Commissioners and a selection of internal City staff involved in the review of affordable development projects (two members from the Housing Section, one member from Development Engineering, and one member from Current Planning). The group met to discuss their scores and reached a final consensus score for each application. Based upon the numerical scoring of the applications below, the Committee identified both applications to be recommended for funding.

1. FSL Humphreys Flagstaff 2019 LLC (San Francisco Square) - 601 points
2. FSL Aspen Lofts, LLC - 557 points

The NOFA identified that the highest scoring application would receive a recommendation for full funding, with any remaining funding to be awarded to the next highest scoring application until all funding is allocated. With \$5,000,000 in bond funding available for award, and a total of \$3,330,000 requested, staff recommends fully funding both applications.

Foundation for Senior Living, a non-profit Low-Income Housing Tax Credit (LIHTC) developer, submitted two applications for a two-phased redevelopment of an entire downtown block located at 320 N. Humphreys Street (the old St. Mary's school site). Each phase is considered a separate project with separate financing efforts currently underway. The San Francisco Square project has already secured funding in part through conditionally approved Tax-Exempt Bonds with 4% LIHTCs, \$5 Million of Arizona Department of Housing's State Housing Trust Fund, \$7 Million in federal appropriations through Senator Sinema's office, and private funding. The Aspen Lofts project is applying for an award of 9% tax credits from the Arizona Department of Housing. Awards are typically announced in June each year.

A summary of application details is provided in the table below.

	Application #1	Application #2
Project Name	San Francisco Square Apartments (Phase 1)	Aspen Lofts Apartments (Phase 2)
Applicant Name	Foundation for Senior Living	Foundation for Senior Living
Requested Award Amount	\$1,680,000	\$1,650,000
Total Project Cost	\$35,236,005	\$29,274,852
Number of Affordable Units	70	69
Subsidy Per Unit Requested	\$24,000	\$23,913
Percent of Affordable Units	100%	100%
Max AMI & Population Served	80%, Seniors 62+	60%, Families & Individuals
Consensus Score	601 points	557 points
Recommended Funding Amount	\$1,680,000	\$1,650,000

If Council approves the award amounts, staff will issue notices of award to the developer. Funding will be provided as two 50-year forgivable loans, which will be drafted and brought forward as consent items at a future Council meeting. Per the adopted RIBP, all remaining \$1,670,000 in Program funds will be made available for a subsequent NOFA process. Dates for the next round have not been determined.

Community Benefit

These forgivable loans will assist in the creation of 139 new 100% affordable LIHTC units in downtown Flagstaff. The San Francisco Square Apartments will serve seniors earning up to 80% AMI and consists of 60 one-bedroom and 10 two-bedroom units. The Aspen Lofts Apartments will serve individuals and families up to 60% of the Area Median Income (AMI) and consists of 37 one-bedroom, 19 two-bedroom and 13 three-bedroom units.

Connection to PBB Priorities and Objectives:

Livable Community: Actively support attainable & affordable housing through City projects & opportunities with developers.

Connection to Regional Plan:

- Goal LU.9. Focus reinvestment, partnerships, regulations, and incentives on developing or redeveloping urban areas.
- Goal NH.3. Make available a variety of housing types at different price points, to provide housing opportunity for all economic sectors.

- Policy NH.3.1. Provide a variety of housing types throughout the City and region, including purchase and rental options, to expand the choices available to meet the financial and lifestyle needs of our diverse population.
- Policy NH.3.3. Increase the availability of affordable housing for very low-income persons, through innovative and effective funding mechanisms.
- Policy NH.3.5. Encourage and incentivize affordable housing.

Connection to Carbon Neutrality Plan:

- HA-1: Create housing options for households at all income levels and family sizes occupied by local residents.
- HA-2: Connect people to equitable housing solutions.
- HA-4: Protect people from housing discrimination and remove housing barriers.

Connection to 10-Year Housing Plan:

Create housing options for households at all income levels and family sizes occupied by local residents.

- Create 1: Incentivize the creation of affordable units through various programs and mechanisms. Protect people from housing discrimination and remove housing barriers.
- Protect 2: Ensure affordable housing is a part of every Flagstaff neighborhood and work to address disparate impact as part of any development or redevelopment.

Attachments: [RIBP Award Approval](#)

Rental Incentive Bond Program Awards

March 19, 2024

Jennifer Mikelson, Housing Planning Manager





Staff Recommended Action

Staff requests City Council's approval of two Rental Incentive Bond Program Awards totaling \$3,330,000 for projects resulting in a total of 139 affordable rental units, per the Ranking Committee's recommendation.



How we got here

Prop 442 – Affordable Housing Bond

- Voters approved Nov. 2022
- “Incentivize private sector to incorporate affordable rental units”
- \$5,000,000 in program funds available

Rental Incentive Bond Program

- Approved by Council Nov. 2023
- Notice of Funding Availability published Feb. 2 / closed Feb. 19
- Ranking Committee met March 4



Applications Received

	Application # 1	Application #2
Project Name	San Francisco Square Apartments (Phase 1)	Aspen Lofts Apartments (Phase 2)
Applicant Name	Foundation for Senior Living	Foundation for Senior Living
Requested Award Amount	\$1,680,000	\$1,650,000
Total Project Cost	\$35,236,005	\$29,274,852
Number of Affordable Units	70	69
Percent Affordable	100%	100%
Max AMI & Population Served	80% AMI; Seniors 62+	60% AMI; Families and Individuals
Consensus Score	601 points	557 points
Recommended Funding Amount	\$1,680,000	\$1,650,000



Award Process



- If award amounts are approved, staff will issue notices of award to the developer
 - Aspen Lofts award will be contingent on receipt of Low-Income Housing Tax Credits
- Funding will be provided as 50-year forgivable loans
 - Loan docs will be drafted and placed on a future Council agenda

**Remaining \$1,670,000 in Program funds will be made available in a subsequent NOFA process*

Council Direction:

1. Approve staff's recommendation.
2. Modify staff's recommendation.
3. Reject staff's recommendation, understanding that rejecting the recommended award amounts or delaying approval of awards will jeopardize FSL's competitiveness in its application for Low-Income Housing Tax Credits for Aspen Lofts, due on April 1, 2024



Thank you

Jennifer Mikelson

Housing Planning Manager



**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Anja Wendel, Senior Assistant City Attorney AW
Co-Submitter: David McIntire
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE:

Consideration and Approval of Resolution No. 2024-12: A Resolution of the Flagstaff City Council, authorizing a Ground Lease and Master Development Services Agreement with Genterra Enterprises, LLC for the lease and development of approximately 31.468 acres of land located at 456 W. John Wesley Powell Boulevard near the Flagstaff Pulliam Airport; and establishing an effective date.

STAFF RECOMMENDED ACTION:

1. Read Resolution No. 2024-12 by title only
2. City Clerk reads Resolution No. 2024-12 by title only (if approved above)
3. Adopt Resolution No. 2024-12

Executive Summary:

The City owns approximately 31.468 acres of land adjacent to Flagstaff Pulliam Airport that is zoned for Highway Commercial (HC) development ("the Property"). The Property was deeded to the City by the Federal Aviation Administration ("FAA") with the intention that any development or revenues generated be for the benefit of the Airport. The Property may not be developed for residential use, as this would not be consistent with Airport operations (noise).

The City Council is being requested to consider approval of a Master Development Services and Ground Lease Agreement ("Agreement") with Genterra Enterprises, LLC, an Arizona limited liability company ("the Developer"). Timothy Kinney serves as its manager.

The City has been negotiating with Developer to develop the Property since 2021. As proposed, City and Developer will enter into a Ground Lease and Master Development Services Agreement ("Agreement"). Developer will construct the public infrastructure, build a Research Park for commercial/research and development use, and pay fair market value rent to City for the ground lease.

The primary terms of the Agreement are summarized as set forth below:

- The lease term is 40 years, with option to renew for up to two additional 25-year terms.
- The lessee will pay fair rental value ("FRV") over the term of the lease (see rent schedule attached to Agreement).
 - Based on a recent appraisal, the parties have agreed that FRV at the outset of the lease is \$527,500. Rent will increase by 2% annually. A new appraisal may be obtained every five (5) years and at that time rent will be adjusted to current FRV.
 - Rent is deferred in years 1-4 of the lease, then recovered via deferred rent payments with accrued 2.65% annual interest over a 15 year amortization (payback) period. The interest rate is the previous 10 year Treasury Securities average based on economic data. Similar to what the City would earn on our reserved cash funds.
 - Rent is paid per a variable rent schedule as follows:
 - Year 1: 10% of FRV, as City is reserving the right to use the Property during this period.

- Years 2-4: 50% of FRV.
- Years 5-9: 75% of FRV, plus payment of deferred rent of \$58,404.00 annually.
- Years 10-17: 100% of FRV, plus payment of deferred rent of \$58,404.00 and "recapture rent" of \$243,650.64 annually.
- Years 18-19: 100% of FRV, plus payment of deferred rent of \$58,404.00 annually.
- Year 20-end of term: 100% of FRV.
- The recapture rent is paid in consideration of the variable rent schedule in Years 2-20.
- Use of the property is restricted. No residential housing is allowed per FAA. No more than 50% of the property may be used for short-term lodging, retail, or restaurant uses. The intent is to develop property for research and development and Airport-related industries.
- Lessee is required to construct public infrastructure for the Property (may exceed \$30 million cost).
- The lessee is given leeway as to the timing of development, based on market conditions.
 - The Development Plan needs to be completed within 30 months from lease start.
 - The project may be built in phases.
 - Any construction phase needs to be completed in three (3) years.
 - Full build-out is to be achieved within 25 years.
- Lessee has the option to terminate the lease prior to starting construction of public infrastructure, and in this case full FRV is due through the termination date.
- If City fails to approve the Lessee's Development Plan even though it complies with City Code and the Lease, then City will be deemed in breach, will forfeit its right to recapture deferred rent, and will need to reimburse up to \$3.74 million to Lessee as damages.
 - A Development Plan is defined per current City Code.
- Lessee has the option of securing financing from non-traditional sources (e.g. private equity partners) versus traditional lenders. The leasehold interest may be used as security for financing purposes.
- Lessee will construct (or allow sub-lessees to construct) Research Park buildings.
- Buildings will need to meet or exceed sustainability standards adopted by the City.
- All Research Park buildings will be privately owned and subject to property tax.
- At the end of the lease, ownership of the buildings will revert to the City.

The Agreement will be attached prior to the March 19th City Council meeting.

Financial Impact:

Project Name: Airport lease of 31.468 acres of land

Cost: The City has incurred costs for appraisal services, financial consulting, and outside legal counsel as part of contract negotiations. These costs were funded within the Airport operating funds. No further costs are anticipated related to the approval of this lease. City will start receiving rent in Year 5 of the Lease. Lease revenues will be used for support of the Flagstaff Pulliam Airport.

Fund responsibility: Airport Fund. This fund will be responsible for managing the lease agreement and will received the revenues associated with the lease agreement. Lease revenues will begin at \$527,500 per year but will deferred initially with all funds recouped over time.

FY Budgeted Amount: No expenditures related to approving this lease agreement.

Policy Impact:

None.

Previous Council Decision or Community Discussion:

2021 - 2023 - A handful of Executive Session for legal advice and property negotiations.

June 2021 -- Council enters into Reimbursement Agreement, agreeing to reimburse Genterra for up to \$100,000 of third-party costs if no agreement is reached.

May 2021 -- Council enters into Pre-development Agreement committing to exclusive negotiations with Genterra for 5 years.

Dec 2020 -- Council authorizes contract negotiations with Genterra.

August 2020 -- City issues an Request for Statement of Qualifications (RSOQ) for Master Development Services.

April 2020 - Development Study Presented to Council. Council gives direction to lease (versus sell) the land.

September 2019 - Development Study commissioned by the City to determine best uses for the 31 acres.

RESOLUTION NO. 2024-12

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, AUTHORIZING A GROUND LEASE AND MASTER DEVELOPMENT SERVICES AGREEMENT WITH GENTERRA ENTERPRISES, LLC FOR THE LEASE AND DEVELOPMENT OF APPROXIMATELY 31.468 ACRES OF LAND LOCATED AT 456 W. JOHN WESLEY POWELL BOULEVARD NEAR THE FLAGSTAFF PULLIAM AIRPORT; AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, the City of Flagstaff ("City") owns approximately 31.468 acres of land located at 456 W. John Wesley Powell Boulevard near the Flagstaff Pulliam Airport in Flagstaff, Arizona ("Property"); and

WHEREAS, the Genterra Enterprises, LLC ("Genterra") was selected following a competitive solicitation, Request for Statement of Qualifications 2021-06 ("RSOQ"), to design, develop, lease, and operate a commercial and/or industrial development on the Property (the "Project"); and

WHEREAS, the City and Genterra desire to enter into a Ground Lease and Master Development Services Agreement, in the form attached to this Resolution as Exhibit A ("Development Agreement"), to provide for the terms and conditions under which the Property will be developed and to set forth in detail certain obligations of Genterra and the City; and

WHEREAS, Arizona Revised Statutes ("A.R.S.") § 9-500.05 authorizes the City to enter into development agreements in order to facilitate the orderly and effective development of properties.

ENACTMENTS:

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. The Development Agreement provides benefit to the City of Flagstaff.

SECTION 2. The Development Agreement is consistent with the purpose, intent, goals, policies, programs, and land use designations of the General Plan, any applicable specific plans, and the Zoning Code.

SECTION 3. The Development Agreement complies with the requirements of A.R.S. § 9-500.05.

SECTION 4. That the City of Flagstaff be hereby authorized to enter into the Development Agreement in the form attached to this Resolution as Exhibit A.

SECTION 5. The Mayor, the City Manager, the City Clerk, and the City Attorney are hereby authorized and directed to take all steps necessary to cause the execution of the Development Agreement and its related documents and to take all steps necessary to carry out the purpose and intent of this Resolution.

SECTION 6. That the City Clerk is hereby directed to record a copy of the agreement with the Coconino County recorder no later than ten days after the development agreement is executed.

SECTION 7. This Resolution shall become effective thirty (30) days following adoption by the City Council.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 19th day of March, 2024.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

Exhibit A: Ground Lease and Master Development Services Agreement

GROUND LEASE
AND
MASTER DEVELOPMENT SERVICES AGREEMENT

between

CITY OF FLAGSTAFF, an Arizona municipal corporation,

as Landlord

and

GENTERRA ENTERPRISES, LLC, an Arizona limited liability company,

as Tenant

dated _____, 2024

**GROUND LEASE
AND MASTER DEVELOPMENT SERVICES AGREEMENT**

THIS GROUND LEASE AND MASTER DEVELOPMENT SERVICES AGREEMENT (this “**Lease**” or the “**Agreement**,” as the context may require) is entered into as of the ____ day of _____, 2024 (the “**Effective Date**”) by and between City of Flagstaff, an Arizona municipal corporation (“**Landlord**” or “**City**”), and Genterra Enterprises, LLC, an Arizona limited liability company (“**Tenant**” or “**Genterra**”). Landlord and Tenant may be referred to in this Lease individually as a “**Party**,” or collectively as the “**Parties**.”

RECITALS

As background to this Lease, the Parties recite and acknowledge the following, each of which is a material term of, and is included in, this Lease:

A. City is the owner of an approximately 31.468-acre tract of undeveloped land located adjacent to the Flagstaff Pulliam Airport (the “**Airport**”) in the City of Flagstaff, Coconino County, Arizona, the legal description of which tract of land is attached to this Lease as Exhibit A, and incorporated into this Lease for all purposes (the “**Land**”).

B. On August 16, 2020, City issued a Request for Statement of Qualifications 2021-06 (the “**RSOQ**”) for a master developer to design, develop, lease, and operate a commercial and/or industrial development (the “**Project**”) on the Land.

C. On September 21, 2020, Genterra submitted its Statement of Qualifications (the “**SOQ**”) in response to the RSOQ.

D. On December 15, 2020, City, acting through its City Council (the “**City Council**”), determined Genterra was the best qualified candidate and directed staff to enter into negotiations for master development services with Genterra to develop and lease the Land.

E. On April 29, 2021, the Parties entered into a Pre-Development Engagement Agreement regarding the Project.

F. On June 8, 2021, the Parties entered into a Reimbursement Agreement regarding the Project.

G. The purpose of this Agreement is to provide for the leasing of the Land and the development of the Project in general accordance with the RSOQ and the SOQ, but in all events subject to the terms and conditions of this Agreement.

H. On March 19, 2024, the City Council passed Resolution No. 2024-12, authorizing and approving City’s execution of this Agreement. Unless otherwise specified in this Lease, all acts of Landlord (or City) are (or are required to be) the actions of the City Council of the City of Flagstaff, Arizona, acting in its sole discretion.

NOW, THEREFORE, in consideration of the rents, terms, and conditions set forth in this Lease, the Parties agree as follows:

ARTICLE 1

Lease of Property, Permitted Uses

1.1 **Lease.** Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Land (the “**Premises**” or “**Land**”), subject to (a) all existing encumbrances of record; (b) the reservation or grant of all easement rights required as part of the City of Flagstaff Community Development review process for development of the Project (collectively, “**Easements**”); (c) the reservation of rights and future utility easements needed by City under Section 10.7; and (d) this Lease.

1.2 Premises Adjustment.

(a) After any Public Infrastructure has been dedicated to and accepted for maintenance by City (acting in its capacity as a municipal corporation rather than as Landlord under this Lease), the Parties will prepare and attach to this Lease an amended Exhibit A that removes any areas from the Premises that are dedicated public rights-of-way upon which Tenant has constructed any portion of the required Public Infrastructure. The area of the Premises will not be reduced to exclude utility easements (whether public or private), driveways connecting to public rights-of-way, cross-access easements, or areas upon which Public Infrastructure has been constructed that do not constitute public rights-of-way. If Tenant elects to construct the Public Infrastructure in phases, the Premises will be adjusted in corresponding phases, with an amended Exhibit A being prepared (and attached to this Lease) with respect to each such phase to remove any area from the Premises that is dedicated public right-of-way upon which Tenant has constructed any portion of the required Public Infrastructure.

(b) Additional land near the Airport that is owned by the City of Flagstaff may be added to the Premises, following a competitive solicitation process per the City Procurement Code Manual and in accordance with FAA requirements, upon the mutual agreement of the Parties and upon the amendment of this Lease.

1.3 **Permitted Uses.** Tenant may use the Premises as professional office space, short-term lodging, retail and restaurant, light industrial, research and development, and other “airport-related” industries, as permitted in the applicable zoning classification for the Land (collectively, “**Permitted Uses**”). No residential use of the Premises is permitted. No more than 50% of the Premises may be used for short-term lodging, retail or restaurant uses, or any combination of such uses. Tenant agrees to use good faith efforts to secure subtenants engaged in “airport-related” industries as priority uses within the Project. As of the Effective Date, one of Tenant’s potential uses of the Premises, “Research and Development Uses,” requires a conditional use permit and therefore is not permitted as of right by the Land’s zoning (Highway Commercial).

1.4 Prohibited Uses.

(a) Tenant shall not use (or permit the use of) the Premises for any use other than the Permitted Uses without the prior written consent of Landlord, which consent may be withheld by Landlord in its sole but reasonable discretion.

(b) Tenant and its subtenants shall not use the Premises for any unlawful use.

(c) Tenant and its subtenants shall not use the Premises in any manner that may materially interfere with operations of the Airport (as the same may be constituted from time-to-time during the Term), as determined by the Airport Director in the Director's discretion, or directives (or similar regulations) of the Federal Aviation Administration ("**FAA**"). Tenant shall not use or allow any use of the Premises that will attract wildlife and birds to the Premises; provided, however, compliance with standard City development requirements including but not limited to landscaping, resource protection, secured trash bins, and stormwater detention is permissible.

(d) Tenant's construction of all improvements on the Premises shall (a) comply with FAA Form 7460 (as the same may be amended or replaced from time to time) and (b) be subject to the reservation in favor of City of an Avigation Easement in City's standard form. Tenant shall not use or allow any use of the Premises that may cause the City of Flagstaff to be in violation of the FAA Assurances for Airport Sponsors, which may be amended from time to time.

1.5 Within ten (10) business days of the Effective Date, Landlord will deliver to Tenant copies of all material Third-Party reports performed to date relating to the physical condition of the Land that are in Landlord's possession. Copies may be in digital format.

1.6 **Right of City to Use Premises.** Notwithstanding anything in this Lease to the contrary, City reserves and retains the right to use any or all portions of the Premises during the one-year period following the Effective Date (that is, during the first Lease Years, the "**City Reserved Use Term**") for any purpose.

ARTICLE 2

Term and Termination

2.1 **Term.** This Lease commences on the Effective Date, and continues for forty (40) years (the "**Initial Term**"), plus any Renewal Term (collectively, with the Initial Term, the "**Term**"), unless sooner terminated as provided for in this Lease. Each full year of the Term (as the same may be extended in accordance with Section 2.2) may be referred to in this Lease as a "**Lease Year.**"

2.2 **Renewal Terms.** Provided that there is no Event of Default by Tenant, and upon not less than one year's, and no more than two years', prior written notice to Landlord to be received prior to the expiration of the then-current Term (the "**Notice Period**"), Tenant in its sole election may renew this Lease for two (2) additional twenty-five (25) year terms (individually a "**Renewal Term**" and collectively "**Renewal Terms**"). Tenant's right to renew this Lease may

be exercised only during the applicable Notice Period and only for one Renewal Term at a time. During any Renewal Term, all terms and conditions of this Lease will continue in full force and effect; provided that, as a condition of Tenant's renewal of this Lease, Landlord may require Tenant at Tenant's expense to perform such maintenance and repairs to the Building(s) that Landlord (in its reasonable discretion) has determined are necessary to return the Building(s) to a good and marketable condition, normal wear and tear excepted.

2.3 **Termination by Tenant for Convenience.** Tenant may terminate this Lease for convenience upon sixty (60) days' Notice to Landlord at any time prior to Tenant's commencement of construction of the Phase 1 Public Infrastructure ("**Tenant Termination Date**"). Within ninety (90) days following Landlord's receipt of Notice of Tenant's requested termination (the "**Grace Period**"), Tenant shall pay to Landlord the sum of Rent for Year 1 (\$57,250.00), or a prorated sum if Tenant terminates prior to the completion of the first year of the Term, plus Base Rent (as adjusted pursuant to Section 3.3) for any subsequent year of the Lease prorated through the termination date, less any Base Rent that has been previously paid by Tenant through the termination date, payable to Landlord pursuant to the same terms of payment and amortization described in Section 3.5(c) below as though Tenant was making payments of Deferred Rent except that all unpaid amounts due and owing after the Grace Period shall accrue interest at one percent (1%) monthly. Upon the expiration of the Tenant Termination Date, Tenant will have no right to terminate this Lease except as may otherwise be provided for herein or available at law. This provision shall survive the termination of this Lease.

2.4 **Early Termination by Landlord.**

(a) If the Landlord does not approve the Development Plan (as defined in Section 6.2.b), including plans for construction of the Public Infrastructure, because (i) the Development Plan has not been timely completed by Tenant in accordance with all terms and conditions of this Lease, including but not limited to the timelines and deadlines specified in Section 6.2, or (ii) the Development Plan does not comply with this Lease and all existing municipal ordinances and regulations, and county, state, and federal laws and requirements (collectively, "**Applicable Laws**"), including but not limited to incomplete submissions, or failure to pay applicable fees, following any applicable notice and cure period provided in this Lease, then this Lease will automatically, and without further act or notice required, terminate, and the Parties will have no further liability to each other except for (1) Tenant shall be obligated to pay Rent for Year 1 (\$57,250.00), or a prorated sum if Tenant terminates prior to the completion of the first year of the Term, plus pay Base Rent (as adjusted pursuant to Section 3.3) for any subsequent year of the Lease prorated through the early termination date, less any Base Rent that has been previously paid by Tenant, which shall be due immediately and in full, and (2) Tenant's obligations of indemnity that expressly survive the termination of this Lease. The City's denial of rezoning or a conditional use permit application is not considered to be the failure to approve a Development Plan or cause for early termination under this subsection.

(b) If Landlord does not approve the Development Plan, even though it has been timely completed and meets the terms and conditions of this Lease, then this Lease will automatically, and without further act or notice required, terminate, in which event (i) the Parties will have no further liability to each other (except for obligations of indemnity that expressly survive the termination of this Lease); and (ii) Landlord shall forgive 100% of the accrued Deferred

Rent and interest to the date of termination and shall reimburse Tenant for its actual Third-Party verifiable costs spent from the Effective Date to the termination date with respect to the Pre-Development Analyses and Pre-Construction Services of the Project, in an amount not to exceed \$3,741,393.00. As a precondition to City's obligation to forgive any Deferred Rent and reimburse Tenant for any costs, Tenant shall transfer (and shall cause its applicable architectural and engineering professionals to transfer) all licenses and rights to use all plans and specifications specific to the design, construction, and operation of the Public Infrastructure and any other construction, architectural, and engineering plans for the Project that may exist.

2.5 **Ownership of Buildings and Improvements.** During the Term (including any Renewal Term), ownership of and title to all Buildings and Improvements will be held by Tenant. At the expiration of the Term or earlier termination of the Lease, ownership of all Buildings and Improvements will automatically, and without further act or notice required, vest in Landlord free and clear of any debt, encumbrance, or other obligation, except those that may be explicitly approved by Landlord as described below in Section 11.2. Upon request from Landlord, Tenant will promptly execute all instruments reasonably requested by Landlord (including but not limited to deeds and bills of sale) to document Landlord's title to the Buildings and Improvements at the expiration of the Term.

ARTICLE 3

Rent and Other Amounts to be Paid to Landlord

3.1 **Rent.** For the purposes of this Lease, "**Rent**" means the Rent required to be paid by Tenant to Landlord for lease of the Premises as summarized in the Rent Schedule attached hereto as Exhibit B (the "**Rent Schedule**"), along with any other amounts required to be paid by Tenant to Landlord under this Lease. Although Landlord may use Rent for any municipal purpose, it is Landlord's intention to apply Rent to its operations of, and enhancements to, the Airport.

3.2 **Base Rent.** "**Base Rent**" means the appraised fair rental value of the Premises, as determined by a licensed commercial appraiser mutually and reasonably acceptable to the Parties ("**FRV**"), as adjusted pursuant to Section 3.3. Base Rent as of the Effective Date of the Lease is \$527,500.00 per year, based upon the appraisal prepared by Appraisal Technology, LLC with a valuation date of March 10, 2023, a copy of which will be kept on file with the Flagstaff City Clerk's Office.

3.3 Adjustments to Base Rent During Term.

(a) Base Rent Adjustment for Premises Reduction. Base Rent shall be adjusted when the Premises is reduced in size in accordance with Section 1.2, such adjustment being proportionally based on the reduced size of the Premises, and calculated on a per square foot basis. The adjusted Base Rent thereafter will be due and owing commencing on the first day of the month after City's acceptance of the Public Infrastructure in accordance with such adjustment.

(b) Annual Increase to Base Rent. Base Rent will be automatically increased annually during the Term by two percent (2%) on each anniversary of the Effective Date (each, an "**Adjustment Date**").

(c) Periodic Adjustments to Base Rent.

(1) At any time after the initial five (5) years of the Agreement, and no more than once every five (5) years, Landlord or Tenant, at its respective expense, may obtain an appraisal of the FRV of the Premises from a licensed commercial appraiser mutually and reasonably acceptable to the Parties (each, an “**Updated Appraisal**”). Each Party shall have the opportunity to review a draft Updated Appraisal and provide comments to the appraiser prior to finalization of the Updated Appraisal. If the other Party does not object in writing to the Updated Appraisal within 30 days from receipt, then the Updated Appraisal shall be used as the “**Final FRV**.” If the other Party does object to the Updated Appraisal, then, the other Party, at its own expense, may elect to obtain a second-opinion appraisal with the same valuation date from a licensed commercial appraiser mutually and reasonably acceptable to the Parties (also an “Updated Appraisal”). The Parties at their mutual expense will then retain a licensed commercial appraiser mutually acceptable to the Parties to conduct a Review of the two Updated Appraisals to render a final opinion as to FRV (“**Final FRV**”).

(2) After the determination of Final FRV, Landlord shall increase or decrease the Base Rent to match the Final FRV commencing on the next anniversary of the Effective Date (and the adjusted Base Rent will continue to be subject to annual increases in Base Rent thereafter as required by Section 3.3(b) until any subsequent readjustment under this Section 3.3(c)). Any increase or decrease in the Base Rent shall be prospective only.

(3) The Parties acknowledge that Base Rent as adjusted with the 2% annual increase required by Section 3.3(b) may be less than or more than FRV over time.

(d) Notice of Base Rent Adjustments. Landlord shall send written notice to Tenant of each Base Rent Adjustment under this Section 3.3. Copies of all supporting materials, such as the reduced Premises calculation or any Updated Appraisal, shall be kept on file with the Flagstaff City Clerk’s Office.

3.4 Rent Payments. Although Tenant is obligated for Base Rent throughout the Term, the payments of Base Rent required to be made by Tenant will be variable as set forth in this Section and as summarized in the Rent Schedule.

(a) During Lease Year 1 (that is, the City Reserved Use Term), in view of the value to City of (i) the City’s right to use the Premises, and (ii) the Pre-Development Analyses being performed on and at the Premises by Tenant during such time, Rent will be \$52,750.00, which is 10% of the Base Rent. During Lease Year 1, Rent may be deferred pursuant to Section 3.5.

(b) During Lease Years 2 through 5, the portion of Base Rent required to be paid by Tenant is 50% of the Base Rent. During Lease Years 2 through 5, Rent may be deferred pursuant to Section 3.5.

(c) During Lease Years 6 through 9, the portion of Base Rent required to be paid by Tenant is 75% of the Base Rent.

(d) Commencing with Lease Year 10 and continuing thereafter, the portion of Base Rent required to be paid by Tenant is 100% of Base Rent.

(e) In consideration of reduced Rent in Lease Years 2-9, Tenant shall pay a fixed annual sum of \$243,650.00 during Lease Years 10 through 17 (“**Recapture Rent**”) as additional Rent, payable in equal monthly installments. If the Deferment Period is extended per Section 3.5(b), the Recapture Rent will increase to \$255,117.00 during Lease Years 10 through 17. The Recapture Rent was calculated to enable Landlord to recover Base Rent (including an assumed 2% annual increase in Base Rent) in Lease Years 2 through 9 and 2.65% interest on Deferred Rent amortized over 15 years. Recapture Rent is part of the overall consideration for this Agreement and shall not be adjusted, although all or a portion of Recapture Rent may be prepaid by Tenant in its sole discretion.

(f) If there is an Event of Default by Tenant during Lease Years 1 through 17, and such Event of Default is not resolved within the applicable cure period, then (and in addition to any other remedy of Landlord) all Base Rent as calculated from the Effective Date (including but not limited to any unpaid Deferred Rent) will be immediately due and owing from Tenant to Landlord, payable to Landlord pursuant to the same terms of payment and amortization described in Section 3.5(c) below as though Tenant was making payments of Deferred Rent.

3.5 **Deferred Rent and Deferment Period.**

(a) At any time that there is no Event of Default by Tenant, Tenant at its option may defer payment of Rent that accrues during the Deferment Period as defined in Section 3.5(b). Any Rent that is deferred is “**Deferred Rent**.” Nothing in this Section 3.5(a) precludes Tenant from paying Rent during the Deferment Period.

(b) “**Deferment Period**” means the earlier of forty-eight (48) months after the Effective Date, or any sooner termination date of the Lease. City Council, acting in its sole discretion, may approve an extension of the Deferral Period for up to one (1) additional year (that is, a total of 60 months from and after the Effective Date), as an amendment to this Lease.

(c) At the expiration of the Deferment Period, Tenant shall make payments of Deferred Rent concurrently with Tenant’s monthly payments of Rent, with the amount of Deferred Rent amortized over a period of fifteen (15) years. Tenant may elect to pay Rent during the Deferment Period; provided, however, the fixed amounts due under the Rent Schedule for Repayment of Deferred Rent shall not be adjusted as a result of Tenant’s early payments, and payments will be applied to the first available Lease Year. The fixed payment amount for the forty-eight (48) month Deferment Period shall be \$58,404.00 per year during Lease Years 5 through 19. If the Deferment Period is extended pursuant to Section 3.5(b), the fixed payment amount for the sixty (60) month Deferment Period shall be \$77,437.00 per year during Lease Years 6 through 20. Tenant may prepay all or any portion of Deferred Rent at any time, without penalty, in its sole discretion.

(d) If the Lease is terminated pursuant to Section 2.3 of this Lease, Deferred Rent shall be paid as set forth in that Section.

(e) If the Lease is terminated pursuant to Section 2.4 of this Lease, Deferred Rent shall be paid or forgiven as set forth in that Section.

3.6 **Remittance.** Rent (including Base Rent, Deferred Rent, and additional Recapture Rent outlined in Section 3.4(e)), will be paid directly to Landlord by Tenant. Rent and all other amounts due will be paid in equal monthly installments in advance on the first day of each month in lawful money of the United States of America without notice or demand. If the Effective Date,

or the termination or expiration date of this Lease, is other than the first day of a month, Tenant shall be required to pay a pro rata portion of the monthly installment of Rent for any partial month. Tenant will pay Rent (including Deferred Rent) to the City of Flagstaff, City Treasurer, 211 W. Aspen Avenue, Flagstaff, Arizona 86001, or to such other persons or at such other addresses as Landlord may designate from time to time in writing to Tenant.

3.7 **Transaction Privilege and Use Taxes.**

(a) This Lease. Tenant shall pay to Landlord all transaction privilege (sales) and use taxes due and owing with respect to Tenant's payments of Rent, at the same time and in the same manner as Tenant's payments of Rent.

(b) Subleases. Tenant shall pay all taxes due and owing with respect to its Sublease payments, and is solely responsible for reporting and remitting such taxes. Tenant acknowledges that Landlord has no responsibility for collecting, remitting, or reporting such taxes, and Landlord disclaims any responsibility for such payments and reports.

3.8 **No Abatement of Rent.** Except as otherwise expressly provided in this Lease, no happening, event, occurrence, or situation during the Term (or any Extended Term), whether foreseen or unforeseen, and however extraordinary, shall relieve Tenant from its obligations in this Lease to pay Rent to Landlord, or entitle Tenant to an abatement or otherwise defer any payments of Rent.

3.9 **Late Charge.** If Tenant fails to pay any Rent on or before the applicable date due for such payment, then Tenant shall pay to Landlord, in addition to the installment of Rent, as applicable, that is in default, one percent (1%) of such installment or amount, as applicable, as a late payment fee, which is owing to Landlord for its additional costs incurred for the administration of this Lease by reason of such late payment, and not as a penalty. The acceptance by Landlord of any late payment fee does not (i) relieve Tenant of its obligation to make timely payments of Rent as required by this Lease nor (ii) constitute a waiver by Landlord of its rights for default by Tenant under this Lease.

ARTICLE 4

Impositions, Utilities, Net Lease

4.1 **Impositions.** "Impositions" shall mean all taxes, assessments, use and occupancy taxes, water and sewer charges, rates and rents, charges for public utilities, excises, levies, license and permit fees and other charges by any public authority, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever, which shall or may during the Term be assessed, levied, charged, confirmed, or imposed by any public authority upon, or accrue, or become a lien on (i) the Land or any part thereof; (ii) the buildings or improvements now or hereafter constructed on the Land; (iii) the appurtenances to the Premises or the sidewalks or streets adjacent to the Premises; (iv) the rent and income received by or for the account of Tenant from any subtenants or for any use or occupation of the Premises; (v) such franchises, licenses, and permits as may be pertinent to the use of the Premises; or (vi) any documents to which the Tenant is a party creating or transferring an interest or estate in the Premises. Impositions shall not include any income tax, capital levy, estate, succession, inheritance, or transfer taxes, or similar tax of Landlord; any franchise tax imposed upon any owner of the fee of the Premises; or any

income, profits, or revenue tax, assessment, or charge imposed upon the rent or other benefit received by Landlord under this Lease by any association having jurisdiction over the Land, any municipality, county, state, the United States of America, or any other governmental body, subdivision, agency, or authority having jurisdiction over the Land or Tenant, including the City (hereinafter all of the foregoing bodies are collectively referred to as “**Governmental Authorities**”).

4.2 **Tenant’s Obligation.** From and after the Base Rent Commencement Date and continuing throughout the remainder of the Term (including any Extended Term), Tenant will pay all Impositions as and when they become due. Notwithstanding the foregoing, Tenant’s obligation to pay all ad valorem taxes and assessments (as part of the Impositions) with respect to the Land or any Building(s) on the Premises shall commence on the Effective Date (or the date of completion of construction as to any Building(s) as determined by the Coconino County Assessor). Impositions that are payable by Tenant for the tax year in which the Term commences, as well as during the year in which the Term ends, shall be apportioned so that Tenant shall pay its proportionate share of the Impositions payable by Tenant for such periods of time. If and as required, Tenant shall pay to Landlord, within thirty (30) days following demand therefore, Tenant’s proportionate share of all Impositions payable by Tenant for the tax year in which the Term ends. Where any Imposition that Tenant is obligated to pay may be paid pursuant to law in installments, Tenant may pay such Imposition in installments as and when such installments become due. Tenant shall, if so requested, deliver to Landlord evidence of due payment of all Impositions Tenant is obligated to pay hereunder, concurrently with the making of such payment.

4.3 **Tax Contest.** Tenant may, at its sole cost and expense, contest the validity or amount of any Imposition for which it is responsible. So long as Tenant diligently pursues the contest, the payment of the Imposition being contested may be deferred, as permitted by law, during the pendency of such contest. Nothing contained in this Lease, however, shall be construed to allow any Imposition to remain unpaid for such length of time as would permit the Premises, or any part thereof, to be sold or seized by any Governmental Authority for the nonpayment of same. Landlord will, at the request of Tenant, cooperate in such contest, provided that Landlord is not required to incur any expense in connection with any such contest.

ARTICLE 5

Landlord’s Warranties and Covenants

5.1 **Warranties of Title and Use.** Landlord warrants and represents to Tenant that it holds fee simple title to the Land and has full right, power, and authority to enter into this Lease, and the consummation of this Lease by City has been duly authorized by all necessary municipal action. Landlord further warrants that: (i) the execution, delivery, and consummation of this Lease is not prohibited by and does not conflict with any other agreements or instruments to which City is a party or is otherwise subject; (ii) City has received no notice as of the Effective Date asserting any noncompliance in any material respect with applicable statutes, rules, and regulations of the United States of America, the State of Arizona, City, or of any other state or municipality or agency having jurisdiction over and with respect to the transactions contemplated in and by this Lease; (iii) City has caused no construction to have been performed on the Land during the ninety (90) day period prior to the execution of this Lease for which payment has not been made; (iv) the uses

described in Section 1.3 are permitted as of right on the Premises by the Flagstaff Zoning Code; and (iv) there are no mortgages or other liens granted by Landlord encumbering the Land.

5.2 **Dedications and Easements.** In order to split or plat the Land or to construct the Public Infrastructure and the Project on the Land, it may be necessary or desirable that street, water, sewer, drainage, gas, power lines, set-back lines, and other easements, dedications, and similar rights be granted or dedicated over or within portions of the Land by plat, replat, grant, deed, or other appropriate instrument. Landlord shall, on written request of Tenant, timely join with Tenant in executing and delivering such documents, in recordable form, from time to time throughout the Term, as may be reasonably appropriate, necessary, or required by any Governmental Authority, public utility, or company for the purpose of granting such easements and dedications. Tenant shall have the right to review and reasonably approve any and all documents regarding declarations, development, and easements affecting the Land, or any portion thereof.

ARTICLE 6

Development Schedule, Pre-Development Analyses, Pre-Construction and Construction of Public Infrastructure

6.1 Definitions.

(a) **“Buildings”** or **“Improvements”** means collectively all buildings, structures, and other improvements constructed on the Premises, except for and expressly excluding the Public Infrastructure dedicated to and accepted by the City of Flagstaff.

(b) **“Pre-Development Analyses”** means those analyses, services, reports, surveys, and studies described in Section 6.2.

(c) **“Public Infrastructure”** means all off-site and on-site improvements and other public infrastructure required by any platting and permitting process for the Project, including, but not limited to, the provision of, or upgrades and additions to, (i) stormwater management/drainage systems; (ii) grading and paving; (iii) water distribution and sanitary sewer systems, including but not limited to reclaimed water lines; (iv) electrical distribution, telecommunications systems, and other public utilities; (v) roadway improvements; (vi) curbs, gutters, and sidewalks; (vii) landscaping within public rights-of-way identified on the subdivision plat; and (viii) easements and other property interests required as part of the City of Flagstaff Community Development review process.

(d) **“Pre-Construction Services”** means those bona fide, Third-Party services, reports, plans, documents, and studies necessary for planning and final approval of the construction of the Public Infrastructure, as described in Section 6.3.

(e) **“Third-Party”** means any person that is not a Party or an Affiliate of a Party, except that Permitted Affiliates shall be considered Third Parties. **“Affiliate”** as applied to any person, means any person directly or indirectly controlling, controlled by, or under common

control with, that person or a blood relative or spouse of such person, if such person is a natural person. “**Permitted Affiliate**” for purposes of this Lease shall mean only Kinney Construction Services, Inc., Kinney Construction, LLC, The Genterra Group, LLC, and Timothy Kinney PLLC that were identified in Tenant’s SOQ as being part of Tenant’s development team, and only with the members existing as of that date, and none other. For the purposes of this definition, (i) “control” (including with correlative meaning, the terms “controlling,” “controlled by,” and “under common control”), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that person, whether through the ownership of voting securities, by contract or otherwise, and (ii) “person” means and includes natural persons, corporations, limited partnerships, general partnerships, joint stock companies, joint ventures associations, limited liability companies, limited liability partnerships, trusts, land trusts, business trusts, or other organizations, whether or not legal entities.

6.2 **Pre-Development Analyses.** Tenant will secure necessary funding, the adequacy of which shall be in its sole but reasonable discretion, no later than twelve (12) months after the Effective Date, and will notify Landlord of the funding date (the “**Funding Date**”). Tenant will complete its Development Plan (as defined in Section 6.2(b)) and Pre-Development Analyses necessary to determine the feasibility and constructability for the Project’s future phases, including the planning and preliminary design of the necessary Public Infrastructure no later than eighteen (18) months after the Funding Date; provided, however, Landlord will provide a reasonable extension of this deadline: (a) if the City does not meet its standard published review time frames for Tenant’s submittals or if Tenant’s submittals are under review by the City at the time the deadline occurs; and/or (b) if a Planning and Zoning Commission Meeting or City Council Meeting where the Tenant’s proposed Development Plan has been scheduled to be considered is cancelled, postponed, or continued; or (c) if the City Mayor and Council otherwise decide to delay or withhold approval of Tenant’s Development Plan (the “**Pre-Development Period**”). Developer will perform pre-development and due diligence services, including but not limited to:

(a) Creation of a commercial and/or industrial research park business plan; review and issuance of necessary title commitments and reports; master planning of the Project including preliminary surveys, preliminary civil engineering, landscaping, and a geotechnical analysis (which may include multiple soils samples, a Phase I Environmental Assessment per the National Environmental Policy Act (NEPA), and a Phase II report, if necessary); construction estimates and budgets; creation of bidding and procurement processes for subcontractors; and financing requirements based on the preliminary estimates and budgets for future phases.

(b) Tenant, in consultation with City, will create and have approved by City (in accordance with City Code and City’s standard procedures) a master Development Plan per City Code Section 11-20.80 Development Master Plans in effect as of the Effective Date of this Agreement or an equivalent instrument for the Project. The Development Plan, or equivalent, at a minimum will identify the internal road layout, any necessary Public Infrastructure, including permitted phasing of the construction of Public Infrastructure by Tenant (the “**Development Plan**”). In the event Tenant is required to seek approval for a Conditional Use Permit (“CUP”) or rezoning, the CUP or rezoning approval shall be considered part of the Development Plan approval for purposes of this Agreement. City will review the proposed Development Plan per its standard City Code requirements and statutory time frames including providing Tenant with comments regarding any required revisions, if applicable or necessary, and will endeavor to review and

provide comments and approvals in a shorter time frame when possible. The City shall provide Tenant the same opportunities to address its review comments and resubmit revised versions of the Development Plan that the City affords all other applicants for development approvals. In the event the City intends to formally reject the Development Plan due to a reason specified in Section 2.4(a) of this Lease, the City shall provide Tenant with a minimum of ninety (90) days' prior written notice of its intention within which Tenant may further attempt to resolve the issue.

(c) Subject to City's approval in accordance with City's standard procedures, Tenant shall plan and have received all necessary land split or subdivision plat approvals needed prior to construction of the Public Infrastructure, which will separate the Public Infrastructure and future non-public areas of the Land. The City will review the applications per its standard Community Development Division standards and statutory time frames, if applicable, and will endeavor to review and provide comments and approvals in a shorter time frame when possible.

(d) Tenant shall create an estimated schedule and timeline for the Pre-Construction and construction of the Project based upon its Pre-Development Analyses. The schedule will be maintained and updated by Tenant showing tasks, deadlines, persons assigned to complete tasks, and current status. Tenant will complete work per the schedule, subject to Force Majeure.

(e) During Tenant's Pre-Development Analyses, the Parties shall negotiate in good faith, draft, agree upon, and have executed and recorded any necessary or desired amendments to or replacement of, the Land's existing Covenants, Conditions, and Restrictions ("CC&Rs"), and subject to any necessary approvals from adjacent property owners having rights to enforce CC&Rs. The CC&Rs may include Building construction and design standards and other terms common for similar business/airport/technology/commerce parks.

(f) Tenant shall create template draft sublease agreements to be used when subleasing future portions of the Premises that will include certain reasonable sublease terms required by the Landlord and that comply with Section 11.2.

6.3 Pre-Construction of Public Infrastructure. Upon the completion and approval of the Development Plan, Tenant shall create and submit to Landlord all necessary civil engineering documents, construction plans, and construction documents for the Public Infrastructure to be completed in phases, each being a "**Public Infrastructure Phase**" (all of which must be approved by the City acting in its regulatory capacity as a municipal corporation in accordance with Applicable Laws).

6.4 Construction of Public Infrastructure. Upon Tenant's obtaining necessary construction approvals and securing funding needed to construct one or more phases of the Public Infrastructure, Tenant will promptly engage a Third-Party contractor and construct the applicable phase or phases of the Public Infrastructure in conformance with the construction standards included below in Section 6.8(a).

(a) Tenant will issue surety bonds for the entire cost of construction of the Public Infrastructure. The bonds (in a form reasonably approved by City of Flagstaff acting in its capacity as a municipal corporation) will be written to protect City's interests in the Land, Tenant's lenders, and all contractors and subcontractors engaged and hired by Tenant to perform work on the Project.

(b) Tenant will complete (or cause the completion of) each approved Public Infrastructure Phase no later than thirty-six (36) months after commencement of construction of each phase. Landlord (acting through its City Council and in the Council's sole and absolute discretion) and Tenant may agree to reasonable extensions of the timeline to complete the Public Infrastructure.

6.5 Ownership, Dedication, Acceptance, and Maintenance of Public Infrastructure.

(a) Public Infrastructure shall be the property of Tenant until such time as it is dedicated to and accepted by City.

(b) Tenant shall convey and transfer the relevant Public Infrastructure Phase to City, in a form reasonably approved by City and free and clear of all liens, claims, and encumbrances. All Public Infrastructure shall be dedicated pursuant to Landlord's standard plat dedication language and other agreements for dedication and acceptance.

(c) City will be responsible for maintenance or repair of the Public Infrastructure upon acceptance by City; provided, however, Tenant or a common area maintenance association controlled by Tenant is required to provide for maintenance of sidewalks in the same manner as a property owner under the Flagstaff City Code. In addition, either Tenant or a common area maintenance association controlled by Tenant, shall be responsible for keeping sidewalks cleared of snow and making any repairs to such sidewalks caused by tree roots or other damages caused by Tenant, its subtenants, or their invitees. Landlord shall maintain and keep in good condition (as required by any then-applicable City Code) all other Public Infrastructure. Tenant may require its subtenants to maintain adjacent sidewalks as condition of a sublease, but such delegation does not relieve Tenant of its obligations under this Lease.

6.6 Funding of Pre-Development Analyses, Pre-Construction, and Construction of Public Infrastructure. Tenant shall be responsible for obtaining necessary funding for its Pre-Development Analyses, services, and the costs of Pre-Construction Services, and of construction of the Public Infrastructure, for construction of the private portions of the Project, and for payment of Deferred Rent. The Parties acknowledge that Tenant may collaterally assign its interest in this Lease to a qualified Lender(s) providing financing for the Public Infrastructure and overall Project. Landlord will reasonably cooperate with Tenant (at no additional cost to Landlord) in Tenant's application for grants to reduce and/or cover the Tenant's costs of Public Infrastructure. Any grants received by Landlord for the planning, design, and/or construction of the Public Infrastructure shall be used for the purposes set forth in the grant. Notwithstanding anything else contained in this Lease, Tenant's obtaining funding for any Pre-Development activities, or for any subsequent design and construction of the Project, whether from lenders, from investors or otherwise, is not a condition to Tenant's performance under this Lease. In the event Tenant is unable to secure necessary funding on acceptable terms, which acceptance shall be in Tenant's sole but reasonable discretion, despite its good faith and diligent efforts to secure such funding, Tenant may request that Landlord consider adjustments to the deadlines, time frames, and schedules contained in this Lease; but City's then-governing City Council acting in its sole discretion has no obligation to make any amendment to this Lease.

Tenant may seek to obtain funding to develop the Project, including the Public Infrastructure, by any means, including but not limited to efforts to: (a) establish and utilize a

Community Facilities District (“**CFD**”), a Municipal Improvement District (“**MID**”), a Revitalization District (“**RD**”), or other financing mechanism or special taxing district; (b) apply for and obtain industrial development authority bonds; (c) apply for and obtain any local, county, state, private, or national bonds, grants, or other sources of financing that may be used to support the development of the Project; (d) apply for and obtain approval of any incentives offered through the Arizona Commerce Authority or other similar economic development agency or organization sponsored by the State of Arizona; (e) obtain any private or publicly subsidized loans; and (f) establish financing for any project or business through the federal programs contained in 8 CFR 204.6 and 8 CFR 216.6, including establishment of a regional center within the Property. If Tenant is able, and chooses to establish a CFD, MID, RD, or any other mechanism or special taxing district, Landlord shall not bear any costs of such financing mechanisms, including any taxes placed on the Property. The failure or inability of Tenant to qualify for or obtain such funding will not be a breach of this Lease by Landlord, or constitute an Event of Default by Landlord.

Upon receipt of Tenant’s written request for assistance, Landlord will endeavor timely to provide information and public records reasonably requested by Tenant to any agency, private institution, or public body in order to permit Tenant to obtain funding for the development of the Project. Landlord shall not be required to make any out-of-pocket expenditure related to Tenant’s efforts. Landlord may provide further support or assistance in its reasonable discretion.

6.7 Recovery of Costs. If a CFD, MID, and/or RD is formed to fund the pre-construction and/or construction of Public Infrastructure, Tenant will be permitted to recover one-hundred percent (100%) of any and all costs that Tenant has expended or will expend in designing, planning, installing, and/or constructing Public Infrastructure to the Project in accordance with this Lease and all applicable laws including those relating to public procurement. Such costs shall also include Tenant’s Third-Party costs and other professional costs as well as any Landlord costs, fees, and/or deposits which may be required related to the establishment of a CFD, MID, RD, and/or other mechanisms or districts. Nothing herein will modify or amend, or will be construed to modify or amend, Tenant’s obligations under this Lease, including but not limited to payment of Rent.

Tenant may apply for the City’s Development Reinvestment Incentive program, or any other economic development programs offered by the City from time to time. Any application by Tenant will be considered by City based on then-current eligibility criteria. Nothing contained in this Lease shall be interpreted to waive or restrict Tenant’s right to seek other means of recovery of its costs to construct Public Infrastructure; and the failure or inability of Tenant to qualify for or participate in any such program will not be a breach of this Lease by Landlord, or constitute an Event of Default by Landlord.

6.8 Construction Standards, Project Completion, and Liens.

(a) **Construction Standards.** The Improvements shall be constructed, and any alteration, renovation, repair, refurbishment, or other work with regard to the Improvements shall be performed, in accordance with the following standards (“**Construction Standards**”):

(1) All such construction or work shall be performed in a good and workmanlike manner in accordance with good industry practice for the type of work in question.

(2) All such construction or work shall be done in compliance with all applicable deed restrictions, building codes, ordinances, and other laws or regulations of Governmental Authorities and in accordance with plans and specifications approved by such Governmental Authorities, including City.

(3) No construction or work shall be commenced until all licenses, permits, and authorizations required of all Governmental Authorities having jurisdiction are obtained.

(4) Tenant shall have obtained and shall maintain in force and effect the insurance coverage required in Article 9 with respect to the type of construction or work in question.

(b) **Completion.** After commencement of the first Building in each phase of the Project, construction of all Buildings and Improvements in the phase will be prosecuted with due diligence to completion and in no event later than thirty-six (36) months after commencement of such phase (the “**Scheduled Completion Date**”), subject to Force Majeure and reasonable extensions as may be requested by Tenant and granted by City in its sole and absolute discretion, if Tenant is proceeding diligently and in good faith. The construction of the Project will be prosecuted with due diligence to its completion and in no event later than twenty-five (25) years after the Effective Date, subject to Force Majeure and reasonable extensions as may be requested by Tenant and granted by City in its sole and absolute discretion, if Tenant has been proceeding diligently and in good faith (the “**Project Completion Date**”).

(c) **Mechanic’s and Materialmen’s Liens.** Tenant shall have no right, authority, or power to bind Landlord or any interest of Landlord in the Land for any claim for labor or for material or for any other charge or expense incurred in constructing any Improvements or performing any alteration, renovation, repair, refurbishment, or other work with regard thereto, nor to render Landlord’s interest in the Premises liable for any lien or right of lien for any labor, materials, or other charge or expense incurred in connection therewith. Tenant shall not be considered the agent of Landlord in the construction, erection, or operation of any such Improvements. If any liens or claims for labor or materials supplied or claimed to have been supplied to the Premises are filed, Tenant shall cause the same to be satisfied, released, discharged, or bonded off within ninety (90) days after Tenant first becomes aware of the filing of such lien or claim.

6.9 **Tenant’s Equipment Defined.** The term “**Tenant’s Equipment**” means all trade fixtures and personal property, including, without limitation, furnishings, furniture, equipment, sign faces, computers, computer-related equipment on property, cabling, security systems, communications equipment, and other equipment or property useful to Tenant in its operations for use in connection with the conduct of Tenant’s business regardless of the manner in which they are installed.

6.10 **Ownership and Removal of Tenant’s Equipment.** Tenant’s Equipment shall be solely the property of Tenant. Within ninety (90) days following the expiration or termination of the Term, Tenant shall remove all Tenant’s Equipment from the Premises, unless Landlord gives prior written approval in its sole discretion to allow abandonment in place. Tenant shall repair any

damage caused by such removal. If Tenant fails to remove all Tenant's Equipment within such ninety (90) day period, all of Tenant's Equipment remaining on the Premises shall become the property of Landlord without any credit or compensation to Tenant, and Landlord may invoice Tenant for, and Tenant shall promptly pay, the reasonable costs of removal or disposal.

ARTICLE 7

Buildings

7.1 Terms Specific to Construction of Individual Buildings; Sustainability.

(a) Upon completion of construction and dedication and acceptance by the City of the Public Infrastructure required by City (acting in its regulatory capacity as a municipal corporation) to serve any particular phase of the Project (or the entire Project if there is no phasing), Tenant will plan, design, and pre-lease Buildings to a minimum of sixty-five percent (65%) occupancy, and then construct individual Buildings for the Project. Commencement of construction of individual Buildings shall be in Tenant's sole discretion and may be completed in multiple phases which may include one or more Buildings. Upon commencement of the planning of an individual Building, Tenant, with City's input and consent and in compliance with existing agreed upon terms and the Project's CC&Rs, will conduct necessary pre-construction services to create construction, engineering, architectural, and landscape plans, as well as construction cost estimates, construction schedules and phases, and draft sublease terms and conditions, and will ensure compliance with all City and FAA regulations.

(b) **Sustainability.** Tenant shall cause the Project to be designed and constructed to meet or exceed adopted sustainability standards of the City, as amended from time to time. Tenant acknowledges that Landlord desires the Project to be a model of sustainability, and the Parties will negotiate in good faith during the Pre-Development Phase to agree upon commercially and economically reasonable sustainability design and construction standards for Buildings based upon the City staff's current recommended sustainability guidelines that have not yet been adopted as City Code and that are above what is required of City Code. Additionally, Tenant shall make good faith efforts to address the City's Carbon Neutrality Plan (CNP) goals throughout the creation of the Development Plan, with an emphasis on Net Zero Energy Development and the creation of a Transportation Demand Management Program. "**Net Zero Energy Development**" means a development that balances its energy needs with energy produced from renewable, zero-emission sources. "**Traffic Demand Management Program**" means a program of information, encouragement, and incentives to encourage the use of transportation options to optimize all modes in the system, including both traditional and innovative technology-based services to help people use transit, ridesharing, walking, biking, and telework.

ARTICLE 8

Use, Maintenance and Repairs

8.1 **Use.** Except for the Permitted Use, Tenant shall not use the Premises for any other use or purpose not permitted by Section 1.3 above without the prior written consent of Landlord,

which consent may be withheld by Landlord in its sole but reasonable discretion. Tenant shall not use or occupy, knowingly permit the Premises to be used or occupied, nor do or knowingly permit anything to be done in or on the Premises in a manner which would (i) in any way make void or voidable any insurance then in force with respect thereto, (ii) make it impossible to obtain the insurance required to be furnished by Tenant hereunder, (iii) constitute a public or private nuisance, or (iv) violate any (A) deed restrictions affecting the Land (other than restrictions which would prohibit or restrict use of the Land for the operation of the contemplated Improvements for the Permitted Use hereunder), or (B) present or future, ordinary or extraordinary, foreseen or unforeseen, laws, regulations, ordinances, or requirements of any Governmental Authority. Tenant, at Tenant's expense, shall at all times cause the Premises and any improvements thereon to be in compliance with the Americans with Disabilities Act.

8.2 **Maintenance and Repairs.** Subject to Tenant's rights under Article 6, Tenant shall take good care of the Premises, and shall maintain and keep the Premises and Buildings in good order, repair, and condition at all times during this Lease. Tenant will not commit, knowingly permit, or suffer any waste, damages, disfigurement, or injury to or upon the Premises or Buildings or any part thereof, but this Section shall not be construed as limiting Tenant's rights under Article 6.

ARTICLE 9

Insurance and Indemnity

9.1 **Liability Insurance.** At all times during the Term, Tenant shall maintain public liability insurance, insuring Landlord against claims for property damage and bodily injury occurring at the Project in accordance with the policy limits and requirements set forth in Exhibit B, and subject to increases in such policy limits as are reasonably required by Landlord to maintain comparable coverage over the lengthy Term of this Lease. In addition, Tenant is responsible for causing contractors and other persons performing services or work on the Premises to comply with City's insurance requirements relating to the design and construction of Public Infrastructure, as set forth in more detail in Exhibit C attached to this Lease, in addition to any applicable surety bond requirements herein.

(a) The insurance certificates submitted by Tenant to City shall indicate that the Commercial General Liability carries an endorsement which names City, and the City Council and its members, and City's employees and agents, as additional insureds. Policies of insurance obtained by Tenant, contractors, and subcontractors shall be primary to any insurance carried by City and any insurance carried by City shall be noncontributing with respect thereto.

(b) If Tenant delegates performance of any of its services, work, obligations, duties, or responsibilities under this Lease to a subcontractor in accordance with the terms thereof, each subcontractor is also required to purchase and maintain insurance coverage that satisfies the requirements of Exhibit C attached to this Lease. The failure of Tenant or any subcontractor to obtain and/or maintain the required coverage will be an event of default if such failure continues for a period of sixty (60) days after written notice from City to Tenant.

(c) Tenant's procuring and maintaining the required insurance shall not relieve, release, or discharge Tenant of any services or work or obligation, duty, responsibility, or liability hereunder, including without limitation, the indemnity obligations of Tenant hereunder. Tenant may carry, at its cost and expense, such additional insurance, as Tenant deems necessary or appropriate. Tenant shall assist and reasonably cooperate with City in connection with the adjustment of any claims arising out of Tenant's services, work, obligations, activities, business, and operations relating to the Project, and shall cooperate in all claims, demands, and proceedings arising therefrom which its insurance carrier or carriers are requested to respond.

9.2 Indemnity.

(a) Tenant shall indemnify, defend, pay, and hold Landlord, its successors and assigns, its elected and appointed officials, employees, agents, boards, commissions, representatives, and attorneys (each, a "**Landlord Party**"; and collectively, "**Landlord Parties**") harmless for, from, and against any and all liabilities, suits, obligations, fines, damages, penalties, claims, costs, charges, and expenses, including property damage, personal injury, and wrongful death, and further including, without limitation, architects' and attorneys' fees and disbursements, which may be imposed upon or incurred by or asserted against Landlord Indemnified Parties by reason of any of the following occurring during the Term unless caused solely by the gross negligence or willful misconduct of the Landlord Indemnified Parties:

(1) Tenant's construction of any Improvements constituting the Project, or any other work done therein, on or about the Premises or any part thereof by Tenant or its agents;

(2) any use, nonuse, possession, occupancy, alteration, repair, condition, operation, maintenance, or management of the Premises or Improvements;

(3) any nuisance made or suffered on the Premises or Improvements;

(4) any failure by Tenant to keep the Premises or Improvements, or any part thereof, in a safe condition;

(5) any acts or omissions of the Tenant or any subtenant or any of its or their respective agents, contractors, employees, licensees, or invitees;

(6) any fire, accident, injury (including death), or damage to any person or property occurring in, on, or about the Premises or any part thereof;

(7) any failure on the part of Tenant to pay rent or to perform or comply with any of the covenants, agreements, terms, or conditions contained in this Lease on its part to be performed or complied with and the exercise by Landlord of any remedy provided in this Lease with respect thereto;

(8) any lien or claim which may be alleged to have arisen against or on the Premises or improvements or any part thereof or any of the assets of, or funds appropriated to, Landlord or any liability which may be asserted against Landlord with respect thereto to the extent arising, in each such case, out of the acts of Tenant, its contractors, agents, or subtenants;

(9) any failure on the part of Tenant to keep, observe, comply with, and perform any of the terms, covenants, agreements, provisions, conditions, or limitations contained in the subleases or other contracts and agreements affecting the Premises or improvements or any part thereof, on Tenant's part to be kept, observed, or performed;

(10) any transaction relating to or arising out of the execution of this Lease or other contracts and agreements affecting the Premises or improvements, the Project, or any part thereof or any activities performed by any Party, person, or entity which are required by the terms of this Lease or such other contracts and agreements; and

(11) any tax, including any tax attributable to the execution, delivery, or recording of this Lease, with respect to events occurring during the term of this Lease.

Any or all of the foregoing obligations may be referred to as an "**Indemnification**" or "**Indemnity**"; and the obligation of Tenant to provide Indemnification of Landlord may be referred to as an obligation to "**Indemnify**."

(b) Tenant will hold all goods, materials, furniture, fixtures, equipment, machinery, and other property whatsoever on the Premises and improvements at the sole risk of Tenant and Indemnify, defend, pay, and hold Landlord harmless for, from, and against any and all loss or damage thereto by any cause whatsoever, other than ordinary wear and tear and repair and replacement arising out of Tenant's maintenance obligations.

(c) The obligations of Tenant under this Section shall not in any way be affected by the absence in any case of covering insurance or by the failure or refusal of any insurance carrier to perform any obligation on its part to be performed under insurance policies affecting the Premises.

(d) If any claim, action, or proceeding is made or brought against Landlord by reason of any event to which reference is made in this Section 9.2, then, upon demand by Landlord, Tenant, at its sole cost and expense, shall resist or defend such claim, action, or proceeding in Landlord's name, if necessary, by the attorneys for Tenant's insurance carrier (if such claim, action, or proceeding is covered by insurance), otherwise by such attorneys as Landlord shall approve, which approval shall not be unreasonably withheld or delayed.

(e) The provisions of this Section 9.2 shall survive the expiration or earlier termination of this Lease for a period of two (2) years or any longer applicable statute of limitations.

ARTICLE 10

Condemnation

10.1 **Total Taking.** Should the entire Premises be taken (which term, as used in this Article, shall include any conveyance in avoidance or settlement of eminent domain, condemnation, or other similar proceedings) by any Governmental Authority, corporation, or other entity under the right of eminent domain, condemnation, or similar action, then Tenant's right of possession under this Lease shall terminate as of the date of taking possession by the condemning

authority, and the entire award will be paid to Landlord and will be distributed by Landlord as follows: (i) first, to reimburse Tenant for all unreimbursed Costs of Public Infrastructure, the repayment of all Tenant's then-outstanding debts incurred developing the Project, (ii) second, to the Parties' reasonable fees and expenses incurred in collecting the award; and (iii) third, the balance of the award to be equitably apportioned between Landlord and Tenant based on the then respective fair market values of Landlord's interest in the Land (appraised as if vacant and available for development according to its highest and best use, with the Public Infrastructure in place as it then exists) and Tenant's interest in the Premises (appraised by reference to all relevant factors, including the future income stream derivable by Tenant from the Premises for the remainder of the Term). If Landlord and Tenant are unable to agree on the respective fair market values of their interest in the Premises, then, at the request of either Party, the matter will be resolved by binding arbitration before a single arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. After the determination and distribution of the condemnation award as provided in this Lease, the Lease shall terminate, and the Parties shall have no further rights, duties, or obligations under the Lease.

10.2 Partial Taking. Should a portion of the Premises be taken by any Governmental Authority, corporation, or other entity under the right of eminent domain, condemnation, or similar action, such that in Landlord's and Tenant's reasonable judgment, so much of the Premises shall be so taken as to make it economically unsound to use the remainder for the uses and purposes contemplated in this Lease, then this Lease shall terminate as of the date of taking of possession by the condemning authority in the same manner as if the whole of the Premises had thus been taken, and the award therefor shall be distributed as provided in Section 10.1. Should any other partial taking of the Premises occur, then this Lease nevertheless shall continue in effect as to the Premises, or the remainder thereof, as the case may be. In the event of a partial taking where this Lease is not terminated, the amounts payable during the remainder of the Term after taking of possession by the condemning authority shall be reduced on a just and proportionate basis having due regard to the relative value and square footage of the portion of the Premises thus taken as compared to the remainder thereof and taking into consideration the extent, if any, to which Tenant's use of the remainder of the Premises shall have been impaired or interfered with by reason of such partial taking. If Landlord and Tenant are unable to agree as to a just reduction in Base Rent, then, at the request of either Party, the matter will be resolved by binding arbitration before a single arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

10.3 Award on Partial Taking. In the event of a partial taking where this Lease is not terminated, and as a result thereof Tenant will need to restore, repair, or refurbish the remainder of the Premises in order to put them in a usable condition, then (i) the award shall first be paid to Tenant for payment of such restoration, repair, and refurbishment in accordance with the Construction Standards and (ii) the remainder, or if no repair or restoration work is required, shall be apportioned and paid as provided in Section 10.1(iii), considering the respective interests of Landlord and Tenant in the portion of the Premises taken.

10.4 Temporary Taking. If the whole or any portion of the Premises is taken for temporary use or occupancy, the Term shall not be reduced or affected, and Tenant shall not be

required to pay Rent until the temporary taking is concluded. Except to the extent Tenant is prevented from so doing pursuant to the terms of the order of the condemning authority, Tenant shall continue to perform and observe all of the other covenants, agreements, terms, and provisions of this Lease. In the event of any temporary taking, Tenant shall be entitled to receive the entire amount of any award therefor unless the period of temporary use or occupancy shall extend beyond the expiration of the Term, in which case such award, after payment to Landlord therefrom for the estimated cost of restoration of the Premises to the extent that any such award is intended to compensate for damage to the Premises, shall be apportioned between Landlord and Tenant as of the day of expiration of the Term in the same ratio that the part of the entire period for such compensation is made falling before the day of expiration and that part falling after, bear to such entire period.

10.5 Notice of Taking, Cooperation. Landlord and Tenant shall immediately notify the other of the commencement of any eminent domain, condemnation, or other similar proceedings with regard to the Premises. Landlord and Tenant covenant and agree to fully cooperate in any condemnation, eminent domain, or similar proceeding in order to maximize the total award receivable in respect thereof. Any termination of this Lease pursuant to this Article 10 shall not affect the rights of Landlord and Tenant to any such award.

10.6 Conflict with Permitted Mortgage. Notwithstanding anything contained in this Lease to the contrary, the requirements in the loan documents of any Permitted Mortgage regarding use of such condemnation award proceeds shall prevail over this Article 10.

10.7 Reservation of Rights and Future Easements Needed by City. Notwithstanding anything in this Article 10 to the contrary, the reservation of rights by City for future easements over the Premises will not be a taking, a condemnation, or an act of eminent domain entitling Tenant to compensation or abatement of Rent; and during the Term, Landlord reserves the right to declare public utility (and similar) easements in favor of City over parking lots and other open and unimproved portions of the Premises which are not proposed for development, with Tenant's consent, which shall not be unreasonably withheld and so long as such easement(s) do not interfere with or alter the approved Development Plan or the usable area of the Premises, without additional compensation to Tenant or Tenant being entitled to any reduction in or abatement of Rent, provided that Landlord restores the Premises to its condition as reasonably existing prior to the installation of all public utility (and related) infrastructure at Landlord's sole cost and expense. Landlord shall provide Tenant not less than ninety (90) days' prior written notice detailing the scope and locations of its proposed easement(s) or public utility work (as applicable) on the Premises.

ARTICLE 11

Assignment and Subletting

11.1 Tenant's Right to Assign. Provided that Tenant is not in default of any term or condition of this Lease, Tenant may assign the entirety of its rights hereunder to any other single person or entity with Landlord's prior written approval, including an assignment contemplated by Subsection 11.1(e), which approval shall not be unreasonably withheld or delayed in any case, and upon such assignee's unconditional assumption of all of Tenant's liabilities under this Lease.

(a) Notwithstanding the foregoing, Tenant has represented to Landlord that it intends to develop the Project through the use of two separate entities: one for the overall Project, including conducting Pre-Development Analyses and the Pre-Construction Services necessary to design and plan the Public Infrastructure and the Buildings and other non-public portions of the Project, and for the construction and operation of the non-public portions of the Project (“**Entity One**”); and the second specifically for the construction of the Public Infrastructure when such plans are approved and the Public Infrastructure areas of the Land have been identified, and if deemed necessary by Tenant (“**Entity Two**”). In such event, and subject to Landlord’s right to approve all assignments of this Lease, Landlord will reasonably consider an assignment in which Tenant assigns this Lease in its entirety to Entity One for the purposes and uses described in the foregoing sentence. Additionally, Landlord will reasonably consider an assignment in which Entity One assigns to Entity Two its specific and limited interest of solely the right to construct and dedicate the Public Infrastructure. Such assignment from Entity One to Entity Two for the construction and dedication of the Public Infrastructure may occur upon the following: (i) Tenant’s Pre-Development Analyses are completed or near completion, (ii) the Development Plan has been approved, (iii) plans for Public Infrastructure have been approved (including the severance of the Public Infrastructure from the future non-public areas of the Land), and (iv) Tenant has secured funding for the construction of the Public Infrastructure. Upon the completion, dedication, and acceptance of the Public Infrastructure as required by this Lease, Entity Two’s rights in the assigned portions of this Lease shall terminate, and Entity Two shall re-assign its rights in this Lease to Entity One.

(b) Upon Landlord’s written approval of any proposed assignment of all or some of Tenant’s rights under this Lease, Genterra shall be released from liability under this Lease (except for obligations of indemnity that expressly survive termination or assignment), and Tenant’s assignee shall become the new Tenant.

(c) Landlord shall indicate its written approval or disapproval of any proposed assignee within sixty (60) days after Tenant gives to Landlord notice of the proposed assignment, including the identity of the proposed assignee and reasonably sufficient information as to the proposed assignee and proposed use to enable Landlord to evaluate such assignee. Landlord acknowledges Entity One and Entity Two will be created for the specific purposes described herein and therefore will have no history at the time of Tenant’s requested assignment. Landlord shall therefore not withhold its consent to an assignment based upon Entity One or Entity Two’s lack of history alone. If Landlord fails to indicate its approval or disapproval within such sixty (60) day period, Landlord shall be deemed to have approved the requested assignment. Any assignment of Tenant’s rights under this Lease that are not in accordance with this Section shall be void, and not voidable.

(d) In the event of an approved assignment under Section 11.1(a), the obligations of Entity One and Entity Two shall be cross-defaulted, so that a default by Entity One will be a default of Entity Two that entitles Landlord to exercise all of its rights for a default by Tenant under this Lease, and a default by Entity Two will be a default of Entity One that entitles Landlord to exercise all of its rights for a default by Tenant under this Lease.

(e) The transfer of the controlling interest in Tenant shall be deemed an assignment within the meaning of this Section 11.1. As used in this Section 11.1, the definition of term “control” or “controlling interest” shall mean (i) direct or indirect ownership of more than

fifty (50%) percent of the voting rights associated with the ownership of the Tenant, or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the business, management, or policies of the Tenant, through the power of being the manager of the Tenant or having the power to vote for a majority of the representatives to serve on a board of managers, or a board of directors. Provided control or a controlling interest is retained by Tenant under either subsection (i) or (ii) in the preceding sentence, there shall not be deemed a transfer of a controlling interest in Tenant for the purposes of this Section 11.1. Any transaction by which Tenant or any manager, majority shareholder, or general partner of Tenant undergoes a merger or other reorganization, including, without limitation, a sale of all or substantially all of its assets, wherein the stakeholders of Tenant or of Tenant's member, majority shareholder, or general partner, as applicable, immediately before the merger or reorganization do not retain control of the surviving corporation, limited partnership, limited liability company, or other entity, shall be deemed a transfer of this Lease for purposes of this Section 11.1. Notwithstanding anything to the contrary in this Lease, if Tenant is a publicly traded company, any sale or other transfer of any of the stock of, or other ownership interests in, Tenant shall not be deemed an assignment within the meaning of this Section 11.1 unless said sale or other transfer is made by a person or entity (or related groups of persons or entities) owning a controlling interest in Tenant and results in a change in the person(s) or entity/entities having control of Tenant.

11.2 Tenant's Right to Sublease.

(a) Tenant may enter into subleases, licenses, or otherwise permit the occupancy or use of all or any portion of the non-public portions of the Premises, and may keep the revenue therefrom, provided that (i) the lease term of each such sublease, license, or right of occupancy (including all renewal and extension rights of any kind or type) shall not extend past the stated expiration date of the Term, unless Landlord consents in writing thereto, which consent may be granted or withheld in Landlord's sole and reasonable discretion, and (ii) the intended use by the subtenant, licensee, or occupant is consistent with the Permitted Uses.

(b) Subject to Section 11.2(a) above, each sublease, license, or right of occupancy for space in the Improvements shall specifically provide that the subtenant's, licensee's, or occupant's rights thereunder are subject to Landlord's rights under this Lease and shall provide that upon a termination of this Lease or of Tenant's right to possession of the Premises, such sublease, license, or right of occupancy shall continue in effect as a lease or license directly between Landlord and the subtenant or licensee thereunder, provided that (i) the subtenant or licensee attorns to Landlord, (ii) Landlord shall not be responsible for the return or repayment of any security or other deposits made by such subtenant or licensee with Tenant unless Tenant has turned the same over to Landlord, and (iii) Landlord shall not be liable or responsible for the cure or remedy of any breach, violation, or default on the part of Tenant under subleases or licenses occurring prior to termination of this Lease or of Tenant's right to possession of the Premises. Tenant shall give a copy of each sublease or license to Landlord upon request therefor by Landlord from time to time. During the term of any sublease or license, Tenant shall remain primarily liable for all obligations of "Tenant" hereunder.

(c) Subject to Section 11.2(a) above, if for any reason this Lease or Tenant's right to possession of the Premises is terminated by Landlord in accordance with the terms of this Lease, such termination shall not result in the termination of any subleases or licenses

affecting the Premises whose subtenants or licensees have previously entered into subordination, non-disturbance, and attornment agreements with Landlord in a form approved by Landlord.

(d) As used in this Lease, the term “sublease” shall include any leases, licenses, occupancy agreements, franchise, or other similar rights, agreements, or arrangements of whatever nature relating to the use or occupancy of any part of the Premises.

11.3 Collateral Assignment of Reimbursement Obligations. Tenant may collaterally assign to its construction lender Landlord’s obligations of reimbursement described in this Agreement, if any; provided that (i) promptly upon such collateral assignment Tenant must provide Landlord with a true, correct and complete copy of such assignment; and (ii) nothing in such collateral assignment will modify any of Landlord’s rights and obligations described in this Agreement.

11.4 Landlord’s Right to Assign. Landlord may not assign its interest in this Lease except with the written consent of Tenant, which shall not be unreasonably withheld.

ARTICLE 12

Copyrights, Licenses, and Confidentiality of Work Product

12.1 Confidentiality of Tenant’s Work Product. The Parties shall continue to be bound by the terms of that certain Pre-Development Engagement Agreement entered into April 29, 2021, regarding terms related to Confidentiality of Proprietary Information.

12.2 Copyrights and Licenses. The Parties agree that in transmitting and sharing Work Product, including but not limited to reports, analyses, findings, opinions, financial information, strategies, designs, plan, drawings, schematics, or any other information (collectively “**Work Product**”), the transmitting or sharing Party is the copyright owner of such information or has permission from the copyright owner to transmit or share such information. Tenant and/or its consultants shall be deemed the creator, author, and owner of its respective Work Product, and shall retain all common law, statutory, and other reserved rights, including copyrights. Submission or distribution of Work Product to meet City or other regulatory requirements or requests or for similar purposes in connection with the Project is not to be construed as publication in derogation of the reserved rights of Tenant or its consultants.

Tenant grants to City a non-exclusive license to use Tenant’s Work Product solely and exclusively for purposes of furthering the Project, provided that City substantially performs its obligations under this Lease. Upon the termination of this Lease, the license granted in this Section shall also terminate automatically. City shall not assign, delegate, sublicense, pledge, or otherwise transfer the license granted in this Lease to another party without the prior written consent of Tenant. Any unauthorized use of Tenant’s Work Product shall be at City’s sole risk and without liability to the Tenant or its consultants.

A breach by either Party of any of the promises or agreements contained in this Article 12 may result in irreparable and continuing damage to the other Party for which there will be no

adequate remedy at law, and such other Party shall be entitled to injunctive relief and/or decree for specific performance as its sole remedy.

ARTICLE 13

Environmental Provisions

13.1 **Definitions.** For purposes of this Lease, the following terms shall have the following meanings:

(a) **“Environmental Law”** or **“Environmental Laws”** shall mean each and every applicable federal, state, regional, county, or municipal statute, ordinance, rule, regulation, order, code, directive, or requirement, relating to the environment or Hazardous Materials, including without limitation the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §6901 et seq.; the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. §9601 et seq.; the Federal Water Pollution and Control Act, 33 U.S.C. §1251 et seq.; the Toxic Substances Control Act, 15 U.S.C. §2601 et seq.; the Clean Air Act, 42 U.S.C. §7401 et seq.; Title 49, Arizona Revised Statutes (**“A.R.S.”**); and the Tank Laws (as defined below), now or hereafter existing, together with all successor statutes, ordinances, rules, regulations, orders, directives, or requirements now or hereafter existing.

(b) **“Hazardous Material”** or **“Hazardous Materials”** shall mean any substance, material, waste, pollutant, irritant, or contaminant defined, listed, or referred to in any Environmental Law (together with any amendments thereto, regulations promulgated thereunder and all substitutions thereof) as being either hazardous or toxic, including without limitation, petroleum, petroleum byproducts or derivatives, asbestos, polychlorinated byphenyls, and medical biohazards.

(c) **“Release”** means depositing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing.

(d) **“Tank Laws”** shall mean all federal, state, regional, county, or municipal environmental statutes, ordinances, rules, or regulations relating to underground storage tanks, including, without limitation, the Federal Underground Storage Law, Subtitle I of the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901 et seq.; A.R.S. §49-1001 et seq.; and all amendments thereto, regulations promulgated thereunder and all substitutions thereof, and any successor legislation and regulations.

(e) **“Remediate”** or **“Remediation”** shall mean the necessary actions to comply with applicable Environmental Law with respect to the unlawful presence of, or suspected discharge of, a Hazardous Material. Remediation may include, without limitation: environmental investigation, monitoring, and sampling; installation, maintenance, and removal of monitoring wells; removal, treatment, neutralization, or containment of any Hazardous Material; storage of excavated materials; and installation, maintenance, storage, and removal of machinery and equipment used in connection with the Remediation.

13.2 **Tenant's Representations, Warranties, and Covenants.** Tenant hereby represents, warrants, and covenants that:

(a) Tenant will not Release, or allow its agents, consultants, contractors, invitees, subtenants, licensees, or other persons claiming by or through Tenant to Release, any Hazardous Material on, onto, or from the Premises that could result in a violation of any Environmental Law or in the creation of liability or obligations, including, without limitation, notification, deed recordation, or remediation, under any Environmental Law.

(b) Tenant agrees that it will not use, handle, generate, treat, store, or dispose of, or allow the use, handling, generation, treatment, storage, or disposal by its agents, consultants, contractors, invitees, subtenants, licensees, or other persons claiming by or through Tenant of, any Hazardous Materials (other than those types and quantities contained in normal office products and environments, which shall be used, handled, generated, treated, stored, and disposed of by Tenant in compliance with all Environmental Laws) in, on, under, around, or above the Premises now or at any future time (except in quantities permitted by applicable laws and used, handled, generated, treated, stored, and disposed of in compliance with all Environmental Laws).

(c) If Tenant is in breach of any of its agreements set forth in this Section, Tenant, at its sole expense, shall take all action required, including environmental cleanup of the Premises, to comply with the covenants in this Lease or applicable legal requirements and, in any event, shall take all action deemed necessary under all applicable Environmental Laws.

(d) Tenant agrees to indemnify, defend, pay, and hold Landlord Parties harmless from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, judgments, administrative orders, remediation requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, reasonable attorneys' fees and expenses), arising out of any breach by Tenant of its obligations under this Section.

(e) Notwithstanding any provision in this Lease to the contrary, Tenant shall not be responsible for, shall have no liability or obligations with respect to, and shall not be obligated to pay for or take any action with respect to the existence of any Hazardous Material on the Premises which occurred or existed prior to the date of the Lease, unless caused or knowingly permitted by Tenant, its agents, consultants, contractors, or invitees (the "**Environmental Exclusions**"). Notwithstanding anything in this Lease to the contrary, in the event any Hazardous Materials are discovered on (or migrate to) the Premises which Hazardous Materials arise solely from the Environmental Exclusions, then Landlord shall be obligated to remove and dispose of such Hazardous Materials at its sole cost and expense, in accordance with applicable Environmental Laws and otherwise in a manner that will not materially interfere with or impair Tenant's use of the Premises. In the event the presence of such Hazardous Materials are such that Tenant cannot operate at the Premises for the uses permitted hereunder, then Tenant shall have the right to abate Rent until such time as the Landlord removes or causes such Hazardous Materials to be removed from the Premises and Landlord's consultant provides Tenant written evidence of such removal. In addition, in the event any Hazardous Materials are discovered on (or migrate to) the Premises which Hazardous Materials arise from any of the Environmental Exclusions, and Landlord is obligated to remove and dispose of such Hazardous Materials at its sole cost and

expense, then provided such discovery occurs prior to the Scheduled Completion Date, as may be extended pursuant to the terms hereof, then the Scheduled Completion Date, as may be extended pursuant to the terms hereof, shall be extended for the period of time necessary to have the Hazardous Materials removed from the Premises.

ARTICLE 14

Warranty of Peaceful Possession

14.1 **Peaceful Possession.** Landlord covenants that Tenant, on timely paying Rent and performing and observing the covenants and agreements required to be performed by Tenant, shall and may peaceably and quietly have, hold, occupy, use, and enjoy the Premises during the Term and may exercise all of its rights hereunder, subject only to the provisions of this Lease and applicable governmental laws, rules, and regulations. Landlord agrees to warrant and forever defend Tenant's right to such occupancy, use, and enjoyment and the title to the Premises against the claims of any and all persons whomsoever lawfully claiming the same, or any part thereof, by, through, or under Landlord, but not otherwise, subject only to provisions of this Lease and all applicable governmental laws, rules, and regulations.

ARTICLE 15

Surrender

15.1 **Surrender of Premises.** On the last day of the Term, or upon any earlier termination of this Lease, Tenant shall surrender and deliver up the Premises to the possession and use of Landlord without delay and with the Improvements in their then "as is" condition. Tenant shall take reasonable steps to ensure the safety, security, and integrity of the Premises and Improvements, and shall be obligated to reasonably cooperate with Landlord in the transition of the surrender of same. Within ten (10) years prior to the expiration of the Term or Renewal Term(s) of this Lease, the Parties shall agree upon terms and conditions for any necessary demolition, removal, or rehabilitation of Buildings or Improvements upon Tenant's surrender of the Premises at the expiration of the Lease.

15.2 **Removal of Personal Property.** Where furnished by or at the expense of Tenant or secured by a lien held by either the owner or a Lender financing same (or otherwise owned by Tenant or any Subtenant), signs, furniture, furnishings, movable trade fixtures, business equipment, and alterations, and/or other similar items, may be removed by Tenant, or, if approved by Tenant, any lienholder at, or prior to, the termination or expiration of this Lease; provided, however, that if the removal thereof will damage a Building or Improvement or necessitate changes in or repairs to a Building or Improvement, Tenant shall, prior to the expiration or termination of this Lease, repair or restore (or cause to be repaired or restored) the Building or Improvement to a condition substantially similar to its condition immediately preceding the removal of such furniture, furnishings, movable trade fixtures, and business equipment, or pay or cause to be paid to Landlord, prior to the expiration or termination date, the reasonable cost of repairing any damage arising from such removal.

15.3 **Rights to Personal Property after Termination or Surrender.** Any personal property of Tenant which shall remain in the Premises after three (3) months following the termination or expiration of this Lease, may, at the option of Landlord, be deemed to have been abandoned by Tenant, and said personal property may be retained by Landlord as its property or be disposed of, without accountability, in such manner as Landlord may see fit.

ARTICLE 16

Miscellaneous

16.1 **Notices.** Any notice provided for or permitted to be given in this Lease (each, a “**Notice**”) must be in writing and may be given (i) by depositing the same with a reputable nationwide delivery service for next business day delivery, addressed to the Party to be notified, or (ii) by delivering the same in person to such Party. Notice given in accordance herewith shall be effective upon receipt at the address of the addressee, as evidenced by the executed postal receipt or other receipt for delivery as follows:

- (i) To City:

City of Flagstaff
Attention: Economic Vitality Director
211 W. Aspen Avenue
Flagstaff, Arizona 86001

With a copy to:
City of Flagstaff
Attention: Grants and Contracts Manager
211 W. Aspen Avenue
Flagstaff, Arizona 86001

With a required copy to:
City of Flagstaff
Attention: City Attorney
211 W. Aspen Avenue
Flagstaff, Arizona 86001

- (ii) To the Tenant:

Genterra Enterprises, LLC
Attn: Tim Kinney
121 E. Birch Ave. Suite 503
Flagstaff, AZ 86001
tk@kinneyconstructionservices.net

With a copy to:

Timothy Kinney PLLC
Timothy Kinney, Esq.
319 W. Simpson St. Suite 103
Tucson, AZ 85701
Tim@kinneylawaz.com

The Parties have the right from time to time to change their respective addresses for purposes of receiving a Notice to any other location within the United States by giving Notice to such effect in accordance with the provisions of this Section. Communications sent by telefacsimile or electronically (e.g., electronic or e-mail) will be considered “courtesy” notices, but will not constitute “Notice” as required by this Lease unless the Parties specifically agree to accept such communications as Notice.

16.2 **Project Team.** Tenant shall have the right in its sole discretion, and at its sole cost and expense, to hire and contract with Third Party firms and consultants to develop the Project. In addition, Tenant shall:

(a) Employ qualified development staff and engage qualified consultants to perform all of the Tenant’s responsibilities and obligations under this Agreement in a prompt and timely manner.

(b) Comply in all material aspects with all applicable laws and regulations, including those affecting employees and all applicable City regulations and policies.

(c) Ensure that the Tenant and its principal consultants shall obtain, have, and keep all required licenses, permits, and insurance coverages necessary for the Project.

(d) Tenant shall have the right to select and or replace its team members with or without cause to protect the interest of its lenders, City, and/or Tenant.

16.3 **Defaults.**

(a) Default By Tenant.

(1) Events of Default. The happening of any one of the following events (each, an “**Event of Default**”) shall be considered a material breach and default by Tenant under this Lease:

(i) Monetary Default. After the Deferment Period, if Tenant fails to pay any Rent or other payment when due (a “**Monetary Default**”) within ninety (90) days after written notice thereof to Tenant; or

(ii) Non-Monetary Default. If Tenant fails to perform or comply with any of the covenants, agreements, terms, limitations, or conditions of this Lease other than a Monetary Default or the Events of Default specified in Section 16.3(a)(1)(iii), Section 16.3(a)(1)(iv), or Section 16.3(a)(1)(v) below, but including a failure by Tenant to complete construction of all or any portion of the Improvements as required in Section 6.8(b) (each, a “**Non-Monetary Default**”), and such Non-Monetary Default shall continue after written notice by

Landlord to Tenant and reasonable opportunity to cure not to exceed ninety (90) days; provided, that if Tenant proceeds with due diligence upon receipt of such written notice to substantially cure such Non-Monetary Default and is unable by reason of the nature of the work involved, to cure the same within the required ninety (90) days, its time to do so shall be extended by the time reasonably necessary to cure the same (but in no event exceeding one hundred twenty (120) days); or

(iii) Bankruptcy -- Voluntary. If Tenant shall file a voluntary petition in bankruptcy or take the benefit of any relevant legislation that may be in force for bankrupt or insolvent debtors or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief for itself under any present or future federal, state, or other statute, law, or regulation, or if Tenant shall seek or consent to or acquiesce in the appointment of any trustee, receiver, or liquidator of Tenant or of all or any substantial part of its properties, or shall make any general assignment for the benefit of creditors and not dismiss such actions within ninety (90) days; or

(iv) Bankruptcy -- Involuntary. If a petition shall be filed against Tenant seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future federal, state, or other statute, law, or regulation, and has not been dismissed, vacated, or stayed for ninety (90) days, or if any trustee, receiver, or liquidator of Tenant, or of all or substantial part of its properties, shall be appointed without the consent or acquiescence of Tenant and such appointment has not been dismissed, vacated, or stayed for ninety (90) days; or

(v) Insurance. The lapse, termination, or cancellation of any policy of insurance required in this Lease, in whole or in part for the benefit of Landlord, shall be an event of default absent being cured within ninety (90) days of such lapse. No cure of such default can be accomplished unless a new or renewed policy is issued which specifically provides the required coverage to the Landlord for any liability arising during the lapsed or previously uncovered period.

(2) Tenant Liability Continues. No such expiration or termination of this Lease shall relieve Tenant of its obligations of Indemnity under this Lease, and all such obligations of Indemnity arising prior to the Lease expiration or termination shall survive any such expiration or termination of this Lease for a period of two (2) years and shall apply to any claim or action that is commenced within such two (2) year period.

(3) No Implied Waivers. No failure by Landlord to insist upon the strict performance of any covenant, agreement, term, or condition hereof, or to exercise any right or remedy consequent upon a breach hereof, and no acceptance of full or partial rent during the continuance of any such breach, shall constitute a waiver of any such breach or of such covenant, agreement, term, or condition. No covenant, agreement, term, or condition hereof to be performed or complied with by Landlord or Tenant, and no breach thereof, shall be waived, altered, or modified, except by a written instrument executed by the Party to be charged therewith. No waiver of any breach shall affect or alter this Lease, but each and every covenant, agreement, term, limitation, and condition hereof shall continue in full force and effect with respect to any other then existing or subsequent breach hereof.

(4) Remedies Cumulative. Except as otherwise stated herein, in the event of any breach by Tenant of any of the covenants, agreements, terms, or conditions hereof, Landlord, in addition to any and all other rights, shall be entitled to enjoin such breach and shall have the right to invoke any right and remedy allowed at law or in equity, by statute or by this Lease for such breach. In the event of Tenant's failure to pay Rent or any other payment on the date when due, Tenant shall pay Landlord interest on any such overdue payments and associated late charges at the Default Rate, but in no event an amount greater than permitted by law, but this shall in no way limit any claim for damages for Landlord for any breach or default by Tenant, except that Landlord shall not be entitled to special, exemplary, consequential, multiple, or punitive damages including for lost profits. "**Default Rate**" shall mean a rate of interest equal to two percent (2%) per annum in excess of the so-called "prime interest rate" then in effect as published in the Wall Street Journal (or comparable publication reasonably selected by Landlord, if the Wall Street Journal is not then being published, or does not regularly publish "prime rate" information) compounded monthly from the date of the act, event, omission, or default giving rise to Landlord's right to receive such interest payment.

(5) Termination of Lease. If an Event of Default is not cured within any applicable time period after service of Notice of the default, Landlord, may, at its option and with no further Notice to Tenant required, terminate this Lease; provided, however, that the termination of this Lease will not terminate or otherwise restrict Tenant's obligations to Indemnify Landlord as required in this Lease. During the Pre-Development phase contemplated in this Lease, the Parties and Tenant's lender(s) shall confer regarding Default cure periods and penalties, including termination of the Lease, and may elect (in their sole and absolute discretion) to amend the Lease.

(b) Default by Landlord. In the event of any breach by Landlord of any of the covenants, agreements, terms, or conditions hereof, Tenant, as its sole and exclusive remedy, may or may commence a special action to enforce Landlord's obligations under this Lease, or may seek its direct and actual damages incurred by Landlord's default, if any.

16.4 Waiver of Consequential Damages. Notwithstanding anything to the contrary in this Lease, both Parties hereby waive and release all rights of recovery against the other Party, including their employees, members, managers, managing members, officers, directors, and agents for consequential, indirect, special, exemplary, multiple, or punitive damages arising out of or relating to this Lease, except to the extent that such loss or damage is caused by the willful misconduct or grossly negligent acts or omissions of the other Party, or its employees, members, managers, managing members, officers, directors, or agents.

16.5 Modification and Non-Waiver. No variations, modifications, or changes to this Lease shall be binding upon any Party unless set forth in writing executed by both Parties. No waiver by either Party of any breach or default of any term, condition, or provision hereof, including without limitation the acceptance by Landlord of any Rent at any time or in any manner other than as provided in this Lease, shall be deemed a waiver of any other or subsequent breaches or defaults of any kind, character, or description under any circumstance. No waiver of any breach or default of any term, condition, or provision hereof shall be implied from any action of any Party, and any such waiver, to be effective, shall be set out in a written instrument signed by the waiving Party.

16.6 **Governing Law; Venue.** This Lease shall be construed and enforced in accordance with the laws of the State of Arizona. The Parties agree, on behalf of themselves and their successors and assigns (and notwithstanding the domicile of any such successor or assign), that venue for any judicial proceeding shall be exclusively in Coconino County Superior Court, or the United States District Court for the District of Arizona.

16.7 **Number and Gender; Caption; References.** Pronouns, wherever used in this Lease, and of whatever gender, shall include natural persons and corporations and associations of every kind and character, and the singular shall include the plural wherever and as often as may be appropriate. Article and section headings in this Lease are for convenience of reference and shall not affect the construction or interpretation of this Lease. Whenever the terms “hereof,” “hereby,” “herein,” or words of similar import are used in this Lease, they shall be construed as referring to this Lease in its entirety rather than to a particular section or provision, unless the context specifically indicates to the contrary. Any reference to a particular “Article” or “Section” shall be construed as referring to the indicated article or section of this Lease. Whenever placed before one or more items, the words “include,” “includes,” and “including” shall mean considered as part of a larger group, and not limited to the item(s) recited.

16.8 **Estoppel Certificate.** Landlord and Tenant shall execute and deliver to each other, within a reasonable time following written request therefor by the other Party, but no longer than ten (10) business days from receipt of such request, and not more frequently than once in any twelve-month period, a certificate addressed as indicated by the requesting Party and stating to the best of its actual knowledge:

- (a) whether or not this Lease is in full force and effect;
- (b) whether or not this Lease has been modified or amended in any respect, and submitting copies of such modifications or amendment;
- (c) whether or not there are any existing defaults hereunder known to the Party executing the certificate, and specifying the nature thereof;
- (d) whether or not (to the extent known by the Party executing the certificate) any particular article, section, or provision of this Lease has been complied with; and
- (e) such other matters as may be reasonably requested.

16.9 **Leasehold Mortgage.** Tenant may encumber its leasehold interest in the Premises to obtain a collateral loan, permanent financing, or refinancing for the Project (each such leasehold mortgage, a “**Permitted Mortgage**”), subject to the following:

- (a) Tenant may encumber its interest in this Lease and Premises only if Tenant is not then in default of any of its obligations under this Lease beyond any applicable cure period. Tenant may encumber its interest in this Lease and Premises for development of the Premises as described in this Lease, as well as for construction of the Public Infrastructure in which case such encumbrance shall only encumber Tenant’s interest in the Premises as adjusted pursuant to Section 1.2 of this Lease. The holder of a Permitted Mortgage shall be a “**Permitted Mortgagee.**”

(b) With respect to each such Permitted Mortgage, Landlord will agree to a form of commercially reasonable non-disturbance and recognition agreement with a recognized lender that is a Permitted Mortgagee. In no event will Landlord subordinate its interest in the Land or the Premises to such leasehold financing.

(c) A Permitted Mortgage cannot secure obligations other than costs, obligations, and expenses in connection with the Project or a portion of the Project or obligations of any person other than Tenant (or the permitted assignee under any severed leasehold interest).

(d) A Permitted Mortgage shall cover no interest in the Land.

(e) Tenant or the holder of a Permitted Mortgage shall promptly deliver to Landlord in the manner provided in this Lease for the giving of notice to Landlord, a true copy of the Permitted Mortgage(s), of any assignment of a Permitted Mortgage, and of the satisfaction of any Permitted Mortgage.

For the purpose of this Section 16.9, the making of a Permitted Mortgage shall not be deemed to constitute an assignment or transfer of this Lease, nor shall any holder of a Permitted Mortgage, as such, be deemed an assignee or transferee of this Lease or of the leasehold estate hereby created so as to require such holder of a Permitted Mortgage, as such, to assume the performance of any of the terms, covenants, or conditions on the part of Tenant to be performed hereunder.

16.10 **Exhibits.** All exhibits and addenda attached to this Lease are incorporated in this Lease for all purposes. Such Exhibits including the following:

Exhibit A: Legal Description of Land or Premises

Exhibit B: Rent Schedule

Exhibit C: City of Flagstaff Insurance Requirements

16.11 **Severability.** If any provision of this Lease or the application thereof to any person or circumstance shall, at any time or to any extent, be invalid or unenforceable, and the basis of the bargain between the Parties is not destroyed or rendered ineffective thereby, the remainder of this Lease, or the application of such provisions to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby.

16.12 **Relation of Parties.** The Parties agree that the relationship of the Tenant to City is that of landlord and tenant and as an independent developer engaged for the purpose of developing the Project. Nothing in this Lease shall create between Tenant and City the relationship of principal and agent (other than as expressly set forth in this Lease), joint venturers, partners, or any other similar or representative relationship, and the Tenant shall not hold itself out as an agent (except as expressly provided in this Lease), representative, partner, member, or joint venturer of City. Neither Party shall make for or on behalf of the other, or subject the other to, any contract, agreement, warranty, guaranty, representation, assurance, or other obligation, which has not been approved in advance in writing by the Party.

16.13 **Force Majeure.** As used in this Lease “**Force Majeure**” shall mean the occurrence of any event, including global pandemic (other than failure to obtain financing for, failure to refinance or cessation of disbursements under existing financing for, the purchase, construction, demolition, repair, or ownership of the Land or Improvements) which prevents or delays the performance by Landlord or Tenant of any obligation imposed upon it hereunder (other than payment of Rent or any other payment required to be made by Tenant) and the prevention or cessation of which event is beyond the reasonable control of the obligor. If Tenant shall be delayed, hindered, or prevented from performance of any of its obligations (other than to pay Rent) by reason of Force Majeure (and Tenant shall not otherwise be in default hereunder), the time for performance of such obligation shall be extended for the period of such delay (but not to exceed one hundred and twenty (120) days for any single event of Force Majeure), provided that the following requirements are complied with by Tenant: (i) Tenant shall give prompt written notice of such occurrence to Landlord and (ii) Tenant shall diligently attempt to remove, resolve, or otherwise eliminate such event, keep Landlord advised with respect thereto, and commence performance of its obligations hereunder immediately upon such removal, resolution, or elimination. Anything contained in or inferable from this Lease to the contrary notwithstanding, Tenant shall not be relieved by any event of Force Majeure from Tenant’s obligations (a) to pay Rent or any other payment required to be made by Tenant hereunder, (b) to provide insurance as required by Article 9, (c) to comply with the Environmental Provisions of Article 13, and (d) to indemnify Landlord Parties; nor shall the Term of this Lease be extended by reason of any event of Force Majeure.

16.14 **Entire Agreement.** Notwithstanding the previously-entered into agreements between the Tenant and City regarding the Project including the Pre-Development Engagement Agreement, this Lease constitutes the entire agreement of the Parties with respect to its subject matter, and all prior agreements with respect thereto are merged into this Lease. Any agreements entered into between Landlord and Tenant of even date herewith are not, however, merged into this Lease. In the event of a conflict between this Lease and the Pre-Development Agreement, this Lease will prevail.

16.15 **Incorporation of Recitals.** The Recitals set forth in this Lease are deemed to be true and accurate in all respects and are incorporated into this Lease.

16.16 **Recordation.** This Lease shall be recorded in the office of the Coconino County Recorder in accordance with A.R.S. § 9-500.05.

16.17 Special Provisions Regarding Contracts with Municipalities.

(a) Landlord’s Right of Cancellation. All Parties acknowledge that this Lease is subject to cancellation by the City of Flagstaff for a conflict of interest pursuant to the provisions of A.R.S. § 38-511.

(b) Immigration Reform and Control Act of 1986 (IRCA). Tenant understands and acknowledges the applicability of the IRCA to it and agrees to comply with the IRCA for all activities undertaken under this Lease and agrees to permit Landlord to inspect its personnel records to verify such compliance.

(c) No Boycott of Israel. Tenant certifies pursuant to A.R.S. § 35-393.01 that it is not currently engaged in, and for the Term of this Lease will not engage in, a boycott of Israel.

(d) Preserve State Shared Revenue. Notwithstanding any other provision of, or limitation in, this Lease to the contrary, if pursuant to A.R.S. § 41-194.01 the Attorney General determines that this Lease violates any provision of state law or the Constitution of Arizona, Landlord and Tenant are not able (after good faith attempts) to modify the Lease so as to resolve the violation with the Attorney General within thirty days of notice from the Attorney General pursuant to and under the provisions of A.R.S. § 41-194.01(B)(1), this Lease shall automatically terminate at midnight on the thirtieth day after receiving such notice from the Attorney General, and upon such termination, the Parties shall have no further obligations under this Lease. Additionally, if the Attorney General determines that this Lease may violate a provision of state law or the Constitution of Arizona under A.R.S. § 41-194.01(B)(2), and (to the extent permitted by statute) the Parties are unable to amend the Lease to correct the alleged violation within any applicable 30-day period, the City shall be entitled to terminate this Lease, except if Tenant timely posts such bond, if required; and provided further, that if the Arizona Supreme Court determines that this Lease violates any provision of state law or the Constitution of Arizona, City may terminate this Lease and convey or quitclaim the Land and Improvements to Tenant; and the Parties shall have no further obligations hereunder.

16.18 Successors and Assigns. This Lease shall constitute a real right and covenant running with the Premises, and, subject to the provisions of this Lease pertaining to Tenant's rights to assign, sublet, or encumber, this Lease shall be binding upon and inure to the benefit of the Parties and their respective (permitted, if applicable) successors and assigns. Whenever a reference is made in this Lease to either Party, such reference shall include the Party's permitted successors and assigns.

16.19 Landlord's Joinder. Landlord agrees to join with Tenant in the execution of statutory notices of commencement and such applications for permits and licenses from any Governmental Authority as may be reasonably necessary or appropriate to effectuate the intent and purposes of this Lease, provided that no such application shall constitute an encumbrance of Landlord's fee simple interest in the Land, and Landlord shall not incur or become liable for any payment or other obligation as a result thereof.

16.20 No Third Parties Benefitted. The terms and provisions of this Lease are for the sole benefit of Landlord and Tenant, and no third party is intended to benefit herefrom.

16.21 Survival. Any terms and provisions of this Lease pertaining to indemnification obligations, repair obligations, and rights, duties, or liabilities extending beyond the expiration or termination of this Lease shall survive the expiration or earlier termination of the Term.

16.22 Landlord's Lien. Landlord hereby waives and releases any statutory or contractual landlord's lien with respect to the property of Tenant now or hereafter located in the Premises.

16.23 Transfer of Landlord's Interest. Landlord may transfer its interest in the Land and under this Lease from time to time and at any time, provided that any such transfer is expressly

made subject to the terms, provisions, and conditions of this Lease, including Section 3.6 and Section 11.4, and the transferee agrees to be bound by the provisions hereof.

16.24 **Landlord and Tenant Defined.** The word “Landlord” as used in this Lease shall include the original Landlord named in this Lease and all persons, natural or artificial, who at any time or from time to time during the Term of this Lease succeed to the estate of Landlord in the Land and the interest of Landlord under this Lease. The word “Tenant” as used in this Lease shall mean Genterra and thereafter any permitted assignee or assignees.

16.25 **Commissions.** Each Party hereby warrants and represents to the other Party that it has not dealt with any broker in the negotiation of this Lease. Each Party hereby agrees to indemnify, defend, pay, and hold harmless the other Party for, from, and against any and all other commissions or finder’s fees due by virtue of the negotiation, execution, and performance of this Lease, the obligation or asserted claim for which arises from actions taken or claimed to be taken by the indemnifying Party.

16.26 **Authority.** Landlord and Tenant represent, each as to the other, that: (i) Landlord is a duly authorized and existing Arizona municipality and Tenant is a duly authorized and existing Arizona limited liability company, and each is qualified to do business in the State of Arizona, (ii) each has full right and authority to enter into this Lease, (iii) each person signing on behalf of the Landlord and Tenant are authorized to do so, and (iv) the execution and delivery of this Lease by Landlord and Tenant will not result in any breach of, or constitute a default under any mortgage, deed of trust, lease, loan, credit agreement, partnership agreement, or other contract or instrument to which either Landlord or Tenant is a party or by which either such Party may be bound.

16.27 **City Manager’s Power to Consent.** Landlord hereby authorizes and empowers the City Manager to consent to any and all requests of Tenant requiring consent of the Landlord hereunder; except City Council approval is required for any actions required as a matter of law, amendments, and assignments of this Lease.

16.28 **Time of Essence.** Time is of the essence of this Lease and each and all of its provisions in which performance is a factor.

16.29 **Holidays.** If a date for performance by either Party falls on a Saturday, Sunday, or on a legal holiday, such date for performance shall instead be the next following business day.

16.30 **Waiver of Jury Trial. LANDLORD AND TENANT HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY EITHER OF THEM AGAINST THE OTHER ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT’S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM OF INJURY OR DAMAGE.** The waiver of trial by jury in the immediately preceding sentence is voluntarily and intentionally made by Landlord and Tenant.

16.31 **Attorneys’ Fees.** In the event that any action, suit, or other proceeding is initiated concerning or arising out of this Lease, the prevailing Party shall recover all of such Party’s costs

and attorneys' fees incurred in each and every action, suit, or other proceeding, including any and all appeals or petitions therefrom from the non-prevailing Party.

16.32 **Limitation of Liability.** Notwithstanding anything to the contrary in this Lease, there shall be no personal liability on persons, firms, or entities who constitute Landlord with respect to any of the terms, covenants, conditions, and provisions of this Lease, and Tenant shall look solely to the interest of Landlord, its successors, and assigns in the Premises for the satisfaction of each and every remedy of Tenant in the event of default by Landlord hereunder. Such exculpation of personal liability is absolute and without any exception whatsoever. The foregoing provisions are not intended to relieve Landlord from the performance of any of Landlord's obligations under this Lease, but only to limit the personal liability of the owners of Landlord in the event of recovery against Landlord; nor shall the foregoing be deemed to limit Tenant's rights to obtain injunctive relief or specific performance or to avail itself of any other right or remedy which may be awarded Tenant under this Lease.

16.33 **Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument. The signature pages from one or more counterparts may be removed from such counterparts and such signature pages all attached to a single instrument so that the signatures of all Parties may be physically attached to a single document.

[THE BALANCE OF THIS PAGE INTENTIONALLY LEFT BLANK;
SIGNATURES ARE ON THE FOLLOWING PAGE]

The Parties have executed and delivered this Lease as of the Effective Date set forth in the first grammatical paragraph of this Lease.

LANDLORD:

CITY OF FLAGSTAFF

By: _____
Its: Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

TENANT:

GENTERRA ENTERPRISES, LLC,
an Arizona limited liability company

By: _____
Printed Name: Timothy Kinney
Its: Manager

State of Arizona)
)
County of Coconino)

The foregoing Ground Lease and Master Development Services Agreement was acknowledged before me on _____, 2024, by Timothy Kinney, the Manager of Genterra Enterprises, LLC, an Arizona limited liability company, for and on behalf of the Tenant named in this instrument.

Notary Public

[Notarial seal]

EXHIBIT A

Legal Description of the Premises

A portion of 'Tract 4' according to the Final Plat of Pulliam Airpark Tracts 4 & 6 Unit 3 Amended, Case 8, Map 19, Official Records of Coconino County (herein referred to as R1), lying within the southwest quarter of Section 5, Township 20 North, Range 7 East, of the Gila and Salt River Meridian, Coconino County, Arizona, described as follows:

Commencing at the northwest corner of said 'Tract4' and the **TRUE POINT OF BEGINNING**;

Thence along the north line of said 'Tract 4', North 89°43'16" East, 775.85 feet (Basis of Bearing, North 89°32'07" East, 776.00 feet per R1) to a point on the westerly Right-of-Way line of Pulliam Drive as shown on R1, and the beginning of a non-tangent curve concave to the northeast having a radius of 1277 14 feet and being subtended by a chord which bears South 33°34'25" East 671.08 feet;

Thence along said Right-of-Way line, and southeasterly along said curve, 679.05 feet through a central angle of 30°27'49";

Thence continuing along said Right-of-Way line, South 48°59'46" East, 35.00 feet,

Thence continuing along said Right-of-Way line, South 03°59'46" East, 8.45 feet;

Thence South 41°12'04" West, 1155.66 feet to the beginning of a non-tangent curve concave to the northwest having a radius of 591.00 feet and being subtended by a chord which bears South 43°52'54" West 55.27 feet;

Thence southwesterly along said curve, 55.29 feet through a central angle of 5°21'38" to the beginning of a non-tangent curve concave to the north having a radius of 49.89 feet and being subtended by a chord which bears North 74°44'57" West 85.08 feet;

Thence northwesterly along said curve, 101.87 feet through a central angle of 116°59'40";

Thence South 73°22'31" West, 95.02 feet;

Thence South 16°37'29" East, 37.77 feet to the beginning of a tangent curve concave to the northwest having a radius of 70.80 feet;

Thence southwesterly along said curve, 107.50 feet through a central angle of 86°59'55" to the beginning of a tangent curve concave to the north, having a radius of 597.91 feet;

Thence westerly along said curve, 88.38 feet through a central angle of 8°28'10" to a point on the

westerly property line of said 'Tract 4';

Thence along said property line, North 44°06'49" West, 39.92 feet;

Thence continuing along said property line, North 03°16'48" West, 201.43 feet;

Thence continuing along said property line, North 16°30'37" West, 391.18 feet;

Thence continuing along said property line, North 06°53'45" West, 564.89 feet to the beginning of a non-tangent curve concave to the east having a radius of 5756.59 feet and being subtended by a chord which bears North 15°16'07" East 389.92 feet;

Thence continuing along said property line, and northerly along said curve, 390.00 feet through a central angle of 3°52'54";

Thence continuing along said property line, North 17°12'28" East, 110.64 feet to the **TRUE POINT OF BEGINNING**;

Containing 31.468 Acres, more or less.

EXHIBIT B
Rent Schedule

Lease Year	Rent Payment (Base Rent is increased 2% annually and will be adjusted at other times per Article 3)	<i>Plus</i> Deferred Rent (Annual amount, to be paid in 12 equal monthly installments, in the years noted below)	<i>Plus</i> Recapture Rent (Annual amount, to be paid in 12 equal monthly installments, in the years noted below)
1 *	10% of Base Rent		
2	50% of Base Rent		
3	50% of Base Rent		
4	50% of Base Rent		
5	50% of Base Rent	\$58,404.00	
6	75% of Base Rent	\$58,404.00	
7	75% of Base Rent	\$58,404.00	
8	75% of Base Rent	\$58,404.00	
9	75% of Base Rent	\$58,404.00	
10	100% of Base Rent	\$58,404.00	\$243,650.00
11	100% of Base Rent	\$58,404.00	\$243,650.00
12	100% of Base Rent	\$58,404.00	\$243,650.00
13	100% of Base Rent	\$58,404.00	\$243,650.00
14	100% of Base Rent	\$58,404.00	\$243,650.00
15	100% of Base Rent	\$58,404.00	\$243,650.00
16	100% of Base Rent	\$58,404.00	\$243,650.00
17	100% of Base Rent	\$58,404.00	\$243,650.00
18	100% of Base Rent	\$58,404.00	
19	100% of Base Rent	\$58,404.00	
20	100% of Base Rent	\$58,404.00	
21 through 40	100% of Base Rent		
Renewal Term**	100% of Base Rent		

* City Reserved Use Term

** If applicable

EXHIBIT C
City of Flagstaff
INSURANCE REQUIREMENTS

1. In General. Tenant shall maintain insurance against claims for injury to persons or damage to property, arising from performance of or in connection with this Contract by the Tenant, its agents, representatives, employees, contractors, or subtenants.
2. Requirement to Procure and Maintain. Each insurance policy required by this Contract shall be in effect at, or before, commencement of work under this Contract and shall remain in effect until all Tenant's obligations under this Contract have been met, including any warranty periods. The Tenant's failure to maintain the insurance policies as required by this Contract or to provide timely evidence of renewal will be considered a material breach of this Contract.
3. Minimum Scope and Limits of Insurance. The following insurance requirements are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The City does not represent or warrant that the minimum limits set forth in this Contract are sufficient to protect the Tenant from liabilities that might arise out of this Contract, and Tenant is free to purchase such additional insurance as Tenant may determine is necessary.

Tenant shall provide coverage at least as broad and with limits not less than those stated below.

a. Commercial General Liability - Occurrence Form

General Aggregate	\$2,000,000
Products/Completed Operations	\$1,000,000
Each Occurrence	\$1,000,000

b. Umbrella Coverage \$2,000,000

c. Automobile Liability –
Any Automobile or Owned, Hired
and Non-owned Vehicles
Combined Single Limit Per Accident
for Bodily Injury & Property Damage \$1,000,000

d. Workers' Compensation and Employer's Liability

Workers' Compensation	Statutory
Employer's Liability: Each Accident	\$500,000
Disease - Each Employee	\$500,000
Disease - Policy Limit	\$500,000

4. Self-Insured Retention. Any self-insured retentions must be declared to and approved by the City. If not approved, the City may require that the insurer reduce or eliminate such self-insured retentions with respect to the City, its officers, agents, employees, and volunteers.

Tenant shall be solely responsible for any self-insured retention amounts. City at its option may require Tenant to secure payment of such self-insured retention by a surety bond or irrevocable and unconditional letter of credit.

5. Other Insurance Requirements. The policies shall contain, or be endorsed to contain, the following provisions:
 - a. Additional Insured. In Commercial General Liability and Automobile Liability Coverages, the City of Flagstaff, its officers, officials, agents, and employees shall be named and endorsed as additional insureds with respect to liability arising out of this Contract and activities performed by or on behalf of the Tenant, including products and completed operations of the Tenant, and automobiles owned, leased, hired, or borrowed by the Tenant. Tenant shall provide insurance language and/or proper additional insured endorsements, which shall be subject to approval of the City Risk Management.
 - b. Broad Form. The Tenant's insurance shall contain broad form contractual liability coverage.
 - c. Primary Insurance. The Tenant's insurance coverage shall be primary insurance with respect to the City, its officers, officials, agents, employees, and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, agents, and employees, shall be in excess of the coverage of the Tenant's insurance and shall not contribute to it.
 - d. Each Insured. The Tenant's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.
 - e. Not Limited. Coverage provided by the Tenant shall not be limited to the liability assumed under the indemnification provisions of this Contract.
 - f. Waiver of Subrogation. The policies shall contain a waiver of subrogation against the City, its officers, officials, agents, and employees for losses arising from work performed by Tenant for the City.
6. Notice of Cancellation. Each insurance policy required by the insurance provisions of this Contract shall provide the required coverage and shall not be suspended, voided, cancelled, or reduced in coverage or in limits unless prior written notice has been given to the City. Notices required by this section shall reference the Contract Name and Number and be sent directly to:

Attention: Real Estate Manager
City of Flagstaff
211 W. Aspen Avenue
Flagstaff, Arizona 86001

7. Acceptability of Insurers. Tenant shall place insurance hereunder with insurers duly licensed or approved unlicensed companies in the State of Arizona and with a "Best's" rating of not

less than A-: VII. The City does not represent or warrant that the above required minimum insurer rating is sufficient to protect the Tenant from potential insurer insolvency.

8. Certificates of Insurance. The Tenant shall furnish the City with certificates of insurance (ACORD form) as required by this Contract. The certificates for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf. The City project/contract number and project description shall be noted on the certificates of insurance. The City must receive and approve all certificates of insurance and endorsements before the Tenant commences work.
9. Policies. The City reserves the right to require, and receive within ten (10) days, complete, certified copies of all insurance policies and endorsements required by this Contract at any time. The City shall not be obligated, however, to review any insurance policies or to advise Tenant of any deficiencies in such policies and endorsements. The City's receipt of Tenant's policies or endorsements shall not relieve Tenant from, or be deemed a waiver of, the City's right to insist on strict fulfillment of Tenant's obligations under this Contract.
10. Modifications. Any modification or variation from the insurance requirements in this Contract must have the prior approval of the City's Attorney's Office in consultation with the City's Risk Manager, whose decision shall be final. Such action will not require a formal Contract amendment but may be made by their handwritten revision and notation to the foregoing insurance requirements.

Airport Parcel Ground Lease and Development





Vicinity Map

TEAM FLAGSTAFF
WE MAKE THE CITY BETTER

Fort Tuthill

I-17





Subject Site Information

- Parcel Number: 116-61-006A
- Cross Streets: South Pulliam Dr. / West JW Powell Blvd.
- Size: 31.468 acres
- Zoned Highway Commercial
- Property History
 - 1948 Deed transfer from Forest Service
 - 1988 Deed release by FAA for Airpark Development
- Federal Aviation Administration Relationship



Background/History

- Site use assessment and concept plan
- No residential allowed
- Request for Statement of Qualifications
- Goals: Airport revenue & activation; jobs/economic development
- Selection of the successful firm - Genterra
- Negotiations



Previous Conceptual Site Uses



KEY:

- Ultimate Roadway
- Retail/Services/Residential
- Flex Industrial
- Homebased Business
- Developable Parcels
- Medical Office
- Open Space/Water Line Easement
- Open Space
- Developable Parcels



Key Terms of Agreement



- 40-year term with option to renew for two additional 25-year terms
- Lessee will pay Fair Rental Value for lease term (appraisal based with escalation built in)
- Fair Rental Value at outset is \$527,500
- Rent increases by 2% annually



Key Terms of Agreement



- Rent is deferred in years 1-4
- Deferred Rent is recovered over 15-year amortization period with 2.65% interest
(Rate based on historical earnings of City reserves)
- Rent is variable in years 1-9 with Recapture Rent in years 10-17



Key Terms of Agreement



- Lessee will construct public infrastructure
- Lessee will complete the Development Plan within 30 months
- Lessee may build the project in phases and will complete within 25 years
- No more than 50% of property may be used for short-term lodging, retail or restaurant uses
(remainder will be research and development, manufacturing, logistics, etc)



Key Terms of Agreement



- Buildings will meet or exceed sustainability standards adopted by the City
- Constructed buildings will be privately owned and subject to property tax
- At end of lease, ownership will revert to the City





QUESTIONS?



**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Stacy Saltzburg, City Clerk
Date: 03/12/2024
Meeting Date: 03/19/2024



TITLE

Future Agenda Item Request (F.A.I.R.): A Citizens' Petition titled Permanent Cease-fire Resolution

STAFF RECOMMENDED ACTION:

Council Direction

Executive Summary:

In accordance with Art. II, Sect. 17 of the Flagstaff City Charter, any citizen may present a written petition to the City Manager, signed by a minimum of 25 citizens from the City...who shall present it to the Council at its next regular meeting. The attached petition was filed with the City Clerk's Office on March 1, 2024, requesting that the City Council pass a resolution calling for an immediate de-escalation and permanent cease-fire in Israel and the occupied Palestinian territories and a just resolution of the Palestinian-Israeli conflict.

Information:

Chapter 1-12 of the Flagstaff City Code formalizes the information to be required, and the attached petition conforms to those requirements. As outlined in this chapter, the petition is to be submitted to the Council under Future Agenda Item Request (F.A.I.R.) to determine if there is Council interest in placing the item on a future agenda for consideration.

Attachments: Petition #2024-01

#2024-01



PETITION TO FLAGSTAFF CITY COUNCIL
Pursuant to Flagstaff City Charter Article II Section 17
and Flagstaff City Code Title I Chapter 12

Pursuant to the Flagstaff City Charter and the City Code, any citizen (resident) of the City may present a written petition to the City Manager, signed by a minimum of 25 citizens from the City of Flagstaff, which shall be presented to the City Council.

Title of Issue: A permanent cease-fire resolution

Action Requested: Pass the attached resolution CALLING FOR AN IMMEDIATE DE-ESCALATION AND PERMANENT CEASE-FIRE IN ISRAEL AND THE OCCUPIED PALESTINIAN TERRITORIES AND A JUST RESOLUTION OF THE PALESTINIAN-ISRAELI CONFLICT.

Printed Name of Submitter: Eva Putzova

(Submitter must also sign below and complete information)

Contact Information: eva@catchfiremovement.org / 928-225-0170

(Phone Number and/or e-mail address)

PETITION SIGNATURES

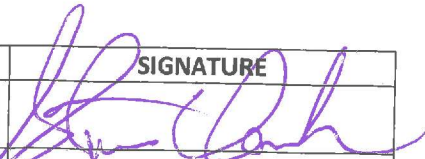
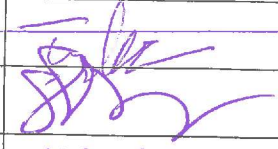

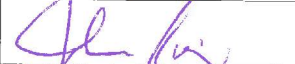



DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
2/27/2024	EVA PUTZOVA		<i>Eva Putzova</i>
2/27/2024	Joseph Bader		<i>Joe Bader</i>
2/27/2024	MARILYN WEISSMAN		<i>Marilyn Weissman</i>
28 Feb 2024	DAVID Ruckewich		<i>David Ruckewich</i>
28 FEB 24	DEBRA BLOCK		<i>Debra Block</i>
28 Feb 2024	MARCUS FORD		<i>Marcus Ford</i>
Feb. 28, 2024	Sandra Lubarsky		<i>Sandra Lubarsky</i>
Feb. 28, 2024	Celia Baratz		<i>Celia Baratz</i>
2/28/24	EVA SIGERSTED		<i>Eva Sigersted</i>
2/28/24	Kim Curtis		<i>Kim Curtis</i>

RECEIVED BY CITY OF FLAGSTAFF

DATE RECEIVED	BY	COUNCIL MEETING DATE
3/1/24	Stacy Fobar	3/19/24

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE: _____ A permanent cease-fire resolution _____ PAGE 2 OF 7

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
2/28/2024	Stanley Clark		
2/28/2024	Kathy Keays		Kathy Keays
2/28/2024	Tommy Rock		_____
2/28/2024	Tommy Rock		_____
2/28/24	Shauna Beyan		
2/28/24	Kyle Nitschke		Kyle Nitschke
2/28/24	Michael Caultkins		Michael Caultkins
2/28/24	Jeremy Russ		
2/28/24	JOHN RUIZ		
2/28/24	BYLAN KOZAK		
2/28/24	Richard Kozak		Richard Kozak
2/28/24	Kathryn Kozak		Kathryn Kozak
2/28/24	Nora Timmerman		
2/28/24	Rodger Scurlock		Rodger Scurlock
2/28/24	Nina Porter		Nina Porter
2/28/24	JON KELLER		Jon Keller
2/28/24	Elaine Dillingham		Elaine Dillingham
2/28/24	Thomas Dillingham		Thomas Dillingham
2/29/24	Claire Johnson		Claire Johnson
2/29/24	John Lynch		
2/29/24	Mohamed Mohamed		Mohamed Mohamed
2/29/24	Brandon Cote		Brandon Cote
2/29/24	Ahmed Lund		Ahmed Lund

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE: A permanent cease-fire resolution PAGE 3 OF 7

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
2-28-24	Kelly Cederberg		Kelly Cederberg
2-28-24	Laura Franke		Laura Franke
2-28-24	Michael J. Karberg		Michael J. Karberg
2-28-24	Michelle Pappas		Michelle Pappas
2-28-24	Andrés Adauto		Andrés Adauto
2-28-24	JASON HASENBANK		Jason Hasebank
2-29-24	REBEKAH HOGESTROM		Rebekah Hogstrom
2/29/2024	ALEX KOSS		Alex Koss
2/29/2024	EMMA GARDNER		Emma Gardner
2/29/2024	Julia Bianconi		Julia Bianconi
2/29/2024	Dennis Givens		Dennis Givens
2/29/2024	DAWN KISHPAUGH		Dawn Kishpaugh
2/29/2024	Mary Knoles		Mary Knoles
2/29/2024	Paul Lente		Paul Lente
2/29/2024	Don Framing		Don Framing
2/29/2024	Paul Deary		Paul Deary
02/29/2024	Erika Hess		Erika Hess
02/29/2024	Robert Neustadt		Robert Neustadt
3/1/24	ROBERT SCHERR		Robert Scherr
3/1/24	Lynn Spence		Lynn Spence
3/1/24	Eric Descheenie		Eric Descheenie
3/1/24	Lovenia Libby		Lovenia Libby



PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE: _____ A permanent cease-fire resolution _____ PAGE 4 OF 7

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
2/28/24	Emma Baton		Emma Baton
2/28/24	Arina Boiko		Arina Boiko
02/28/24	Gianna Perata		Gianna Perata
02/28/24	Sanjama Ahmudali		Sanjama
2/28/24	Adam Rolando		Rolando
2/28/24	Rasheera Dopsan		Rasheera Dopsan
2/29/24	Isabella Cass		Isabella Cass
2/29/24	Jeremy Vandenberg		Jeremy Vandenberg
2/29/24	Kennedy Malone		Kennedy Malone
2/24/24	Robert Cotes		Robert Cotes
2/29/2024	Nataniel Darston		Nataniel Darston
2/29/2024	Haeli Hassani		Haeli Hassani
2024 February 29	Victoria Ramos		Victoria Ramos
2/29/24	Elaina Sajadea		Elaina Sajadea

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE: A permanent cease-fire resolution PAGE 5 OF 7

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
2.29.24	IBRAHIM LUND	[REDACTED]	
2.29.24	Emily Schneider	[REDACTED]	

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE: A permanent cease-fire resolution PAGE 6 OF 7

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
2-28-24	Michael Hucks	[REDACTED]	
2-29-24	Michael Schroll		

PETITION TO FLAGSTAFF CITY COUNCIL (Continued)

TITLE OF ISSUE: A permanent cease-fire resolution PAGE 7 OF 7

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
2/28/2024	M. Peggy Sheldon-Scurlock		M. Sheldon-Scurlock

RESOLUTION NO...

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL CALLING FOR AN IMMEDIATE DE-ESCALATION AND PERMANENT CEASE-FIRE IN ISRAEL AND THE OCCUPIED PALESTINIAN TERRITORIES AND A JUST RESOLUTION OF THE PALESTINIAN-ISRAELI CONFLICT.

RECITALS:

WHEREAS, all human life is precious, and the targeting of civilians, no matter their faith or ethnicity, is a violation of international humanitarian law;

WHEREAS, *between* October 7 and today, armed violence has

- claimed lives of about 1,440 Israelis, including 580 soldiers and over 800 civilians, and wounded about 5,500; and
- claimed lives of nearly 30,000 Palestinians, 70 percent of them women and children, and wounded almost 70,000 more; and
- claimed lives of 88 journalists, including 83 Palestinian, 2 Israeli, and 3 Lebanese

WHEREAS, hundreds of thousands of additional lives in Gaza are at imminent risk of death due to starvation, disease, and lack of medical care if a cease-fire is not achieved, and humanitarian aid is not delivered without delay; and

WHEREAS, on January 26, 2024, the International Court of Justice (ICJ) ordered Israel to take action to prevent acts of genocide in its war in Gaza, to take steps to improve the humanitarian crisis for Palestinian civilians in Gaza, and to prevent and punish any public incitement to commit genocide against Palestinians in Gaza and ordered Hamas and other armed groups to release the hostages without conditions; and

WHEREAS, the United States Government holds immense diplomatic and appropriations powers to save Palestinian and Israeli lives by compelling an end to the senseless killing.

ENACTMENTS:

NOW, THEREFORE BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. The City of Flagstaff calls upon our US Congressional delegation in the Senate and House of Representatives, to join us in urging the Biden administration to immediately call for and facilitate de-escalation and a permanent cease-fire to end the violence.

SECTION 2. The City of Flagstaff calls upon the Biden administration to promptly send and facilitate the entry of humanitarian assistance into Gaza at the scale needed to provide for all the needs of those living there.

SECTION 3. The City of Flagstaff calls upon the Biden administration to support and ensure a just resolution of the Palestinian-Israeli conflict that guarantees the safety, security, property, and human rights of all parties to the conflict.

SECTION 3. The City of Flagstaff supports all of its Jewish, Muslim, and Arab residents and condemns Islamophobia, antisemitism, racism, and xenophobia.

SECTION 4. The City of Flagstaff will send copies of this resolution to the President of the United States and Flagstaff's Congressional Delegation.