



The
Budget Team
CITY OF FLAGSTAFF



**Council Budget
Retreat
February 1 - 2, 2024**



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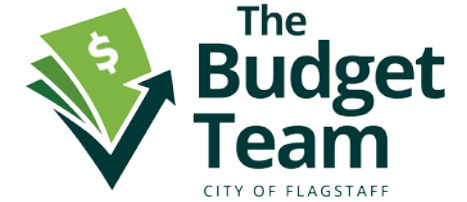
Welcome and Objectives

Welcome

- Welcome
- Objectives
- Meeting Protocol



Agenda



- Budget Timeline/ Color of Money
- December Retreat Follow-up
- Revenue Updates
- Available Resources and Fixed Costs
- Investing in Employees Update
- Refresher for Council/Staff Relations
- Bond Project Updates
- Resource Allocations and Priorities
- Resource Needs
- Council Forum/ Budget Expectations



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Budget Timeline/ Color of Money

Budget Timeline



- February 1 & 2, 2024 – 2nd Council Budget Retreat
- Capital Improvement Program (CIP) Retreat March 28, 2024
- April 25 & 26, 2024 – City Manager Recommended Budget Retreat
- June 4, 2024 – Tentative Budget Adoption
- June 18, 2024
 - Property Tax Levy Hearing
 - 1st Reading of Property Tax Adoption
 - Final Budget Adoption
- July 2, 2024 – Final Reading of Property Tax Adoption

Color of Money



Color of Money – Fund Accounting

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

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

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

Special Revenue Funds

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

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

Enterprise Funds

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

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

Capital Project Funds

Used to account for major capital acquisition separate from ongoing operations

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



Continued ... Color of Money – Fund Accounting

Debt Service Funds

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

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

General Fund

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

- In other words...everything else

General Fund Revenues include:

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

Fund Types

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



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December Retreat Follow-up

Downtown Business Alliance



Downtown Business Alliance (DBA) City Investment

The DBA receives assistance from several City divisions throughout the year in the form of ongoing and one-time items



DBA City Investment

Tourism:

- Clean Team - \$45,000
- Holiday Lights - \$49,500
- Sponsorships - \$14,000
- 4th of July, New Year's Eve, etc. - \$25,000 +
- FAM Tours (journalists/tour operators) - \$3,000 +
- Marketing and Media - specific marketing to downtown events, on-air news spots, and social media - cost varies
- Heritage Square Christmas Tree - \$20,000 (one-time)
- Gazebos - \$7,500 (one-time)
- Planter Boxes - \$5,000 + (one-time)



DBA City Investment

Community Investment:

- Flowers (planters/hanging) - \$100,000 +
- Downtown Green - \$200,000
- EUROW (parklets, etc.) - \$40,000
- Holiday Wreaths and Replacement - \$40,000
- Downtown Tree Wells - \$50,000
- Curbside Signage/Replacement - \$5,000
- Sponsorships and Outreach - \$6,200
- Electric Box at Leroux Alley - \$4,500 (one-time)
- Aspen Niche - \$110,000 (one-time)
- Courthouse Art Piece - \$50,000 (one-time)
- Pressure Washer - \$5,000 (one-time)



DBA City Investment

PROSE:

- Heritage Square maintenance - \$45,000
- Downtown services (trash and recycling) - \$31,000
- Snow operations - \$38,000
- Street tree maintenance for 277 trees - \$15,000
- Events – 65 days of programming, \$12,000 value
- Permit Management of 225 plus permits per year



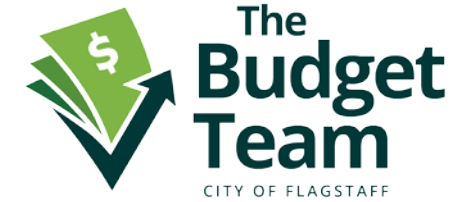
DBA City Investment

Public Works:

- **Focus on infrastructure and continued maintenance**
 - Aspen Avenue pavement project next year
 - Focused effort on general maintenance (lighting, concrete, sweeping, increased solid waste collections, quarterly cleanups, additional snow operations and overall appearance projects)
 - Events support and in-kind assistance as requested
 - Special project support (planter boxes, traffic control, EUROW)
 - Longer term pilots and future implantation of larger capital projects and coordination with private redevelopment



DBA City Investment



Capital Projects Related to Downtown:

- Mountain Line Downtown Connection Center
 - \$500,000 from Beautification alone
- Lone Tree Overpass
 - Beautification offering services as are other divisions
- Downtown Mile
 - Several divisions involved

DBA City Investment



Questions?
and
Council
Discussion



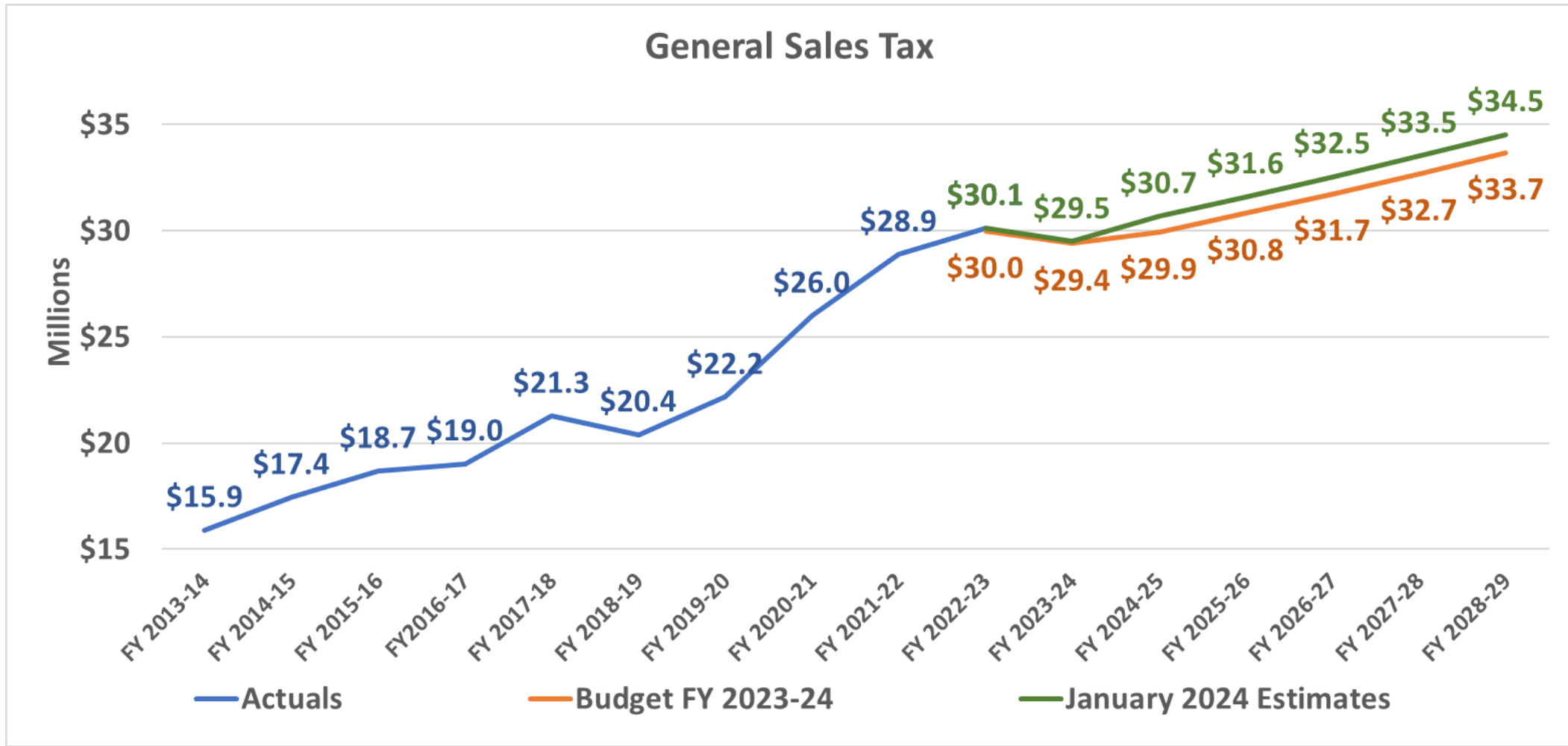


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Revenue Update

General Fund

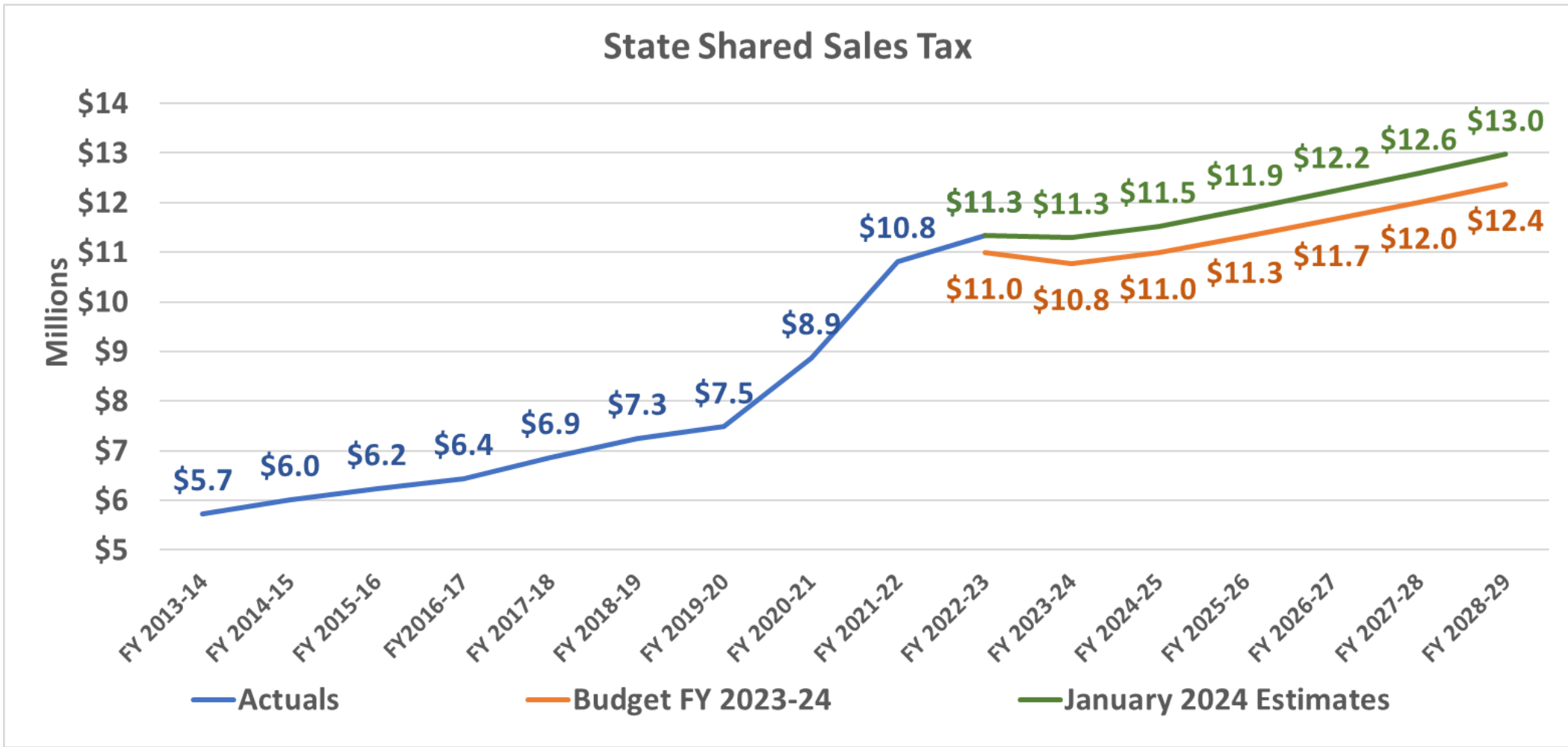


General Fund

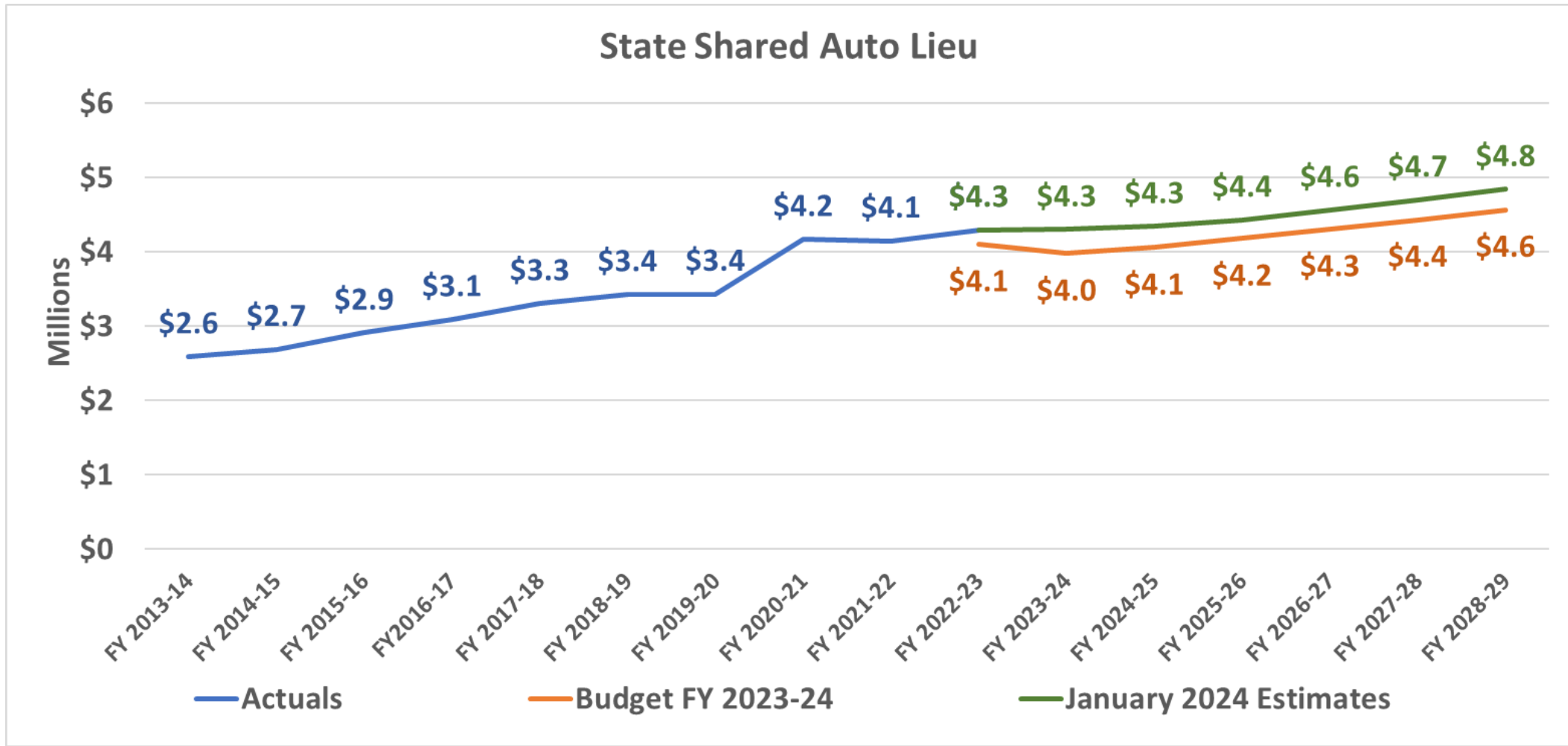


Category	FY 2022-23 Estimate	FY 2022-23 Actual	Estimate vs Actual	FY 2023-24 Budget	FY 2023-24 Estimate	Estimate vs Budget
Sales Taxes						
Utilities	\$ 1,160,000	\$ 1,252,283	\$ 92,283	\$ 1,136,800	\$ 1,220,000	\$ 83,200
Telecommunications	130,000	154,137	24,137	127,400	170,000	42,600
Restaurant/Bars	3,800,000	3,903,637	103,637	3,724,000	3,960,000	236,000
Amusements	100,000	96,555	(3,445)	102,000	107,000	5,000
Commercial Rental	1,280,000	1,327,186	47,186	1,254,400	1,300,000	45,600
Personal Property Rental	890,000	883,321	(6,679)	872,200	870,000	(2,200)
Contracting	2,850,000	2,658,978	(191,022)	2,793,000	2,800,000	7,000
Retail	14,400,000	14,457,251	57,251	14,112,000	14,500,000	388,000
Marketplace Retail	1,160,000	1,183,819	23,819	1,136,800	1,190,000	53,200
Hotel/Motel/STR	2,090,000	2,167,408	77,408	2,048,200	2,160,000	111,800
Miscellaneous	103,000	115,657	12,657	100,900	107,500	6,600
Use Tax	2,020,000	1,914,953	(105,047)	1,979,600	1,100,000	(879,600)
Sales Taxes Total	\$ 29,983,000	\$ 30,115,185	\$ 132,185	\$ 29,387,300	\$ 29,484,500	\$ 97,200

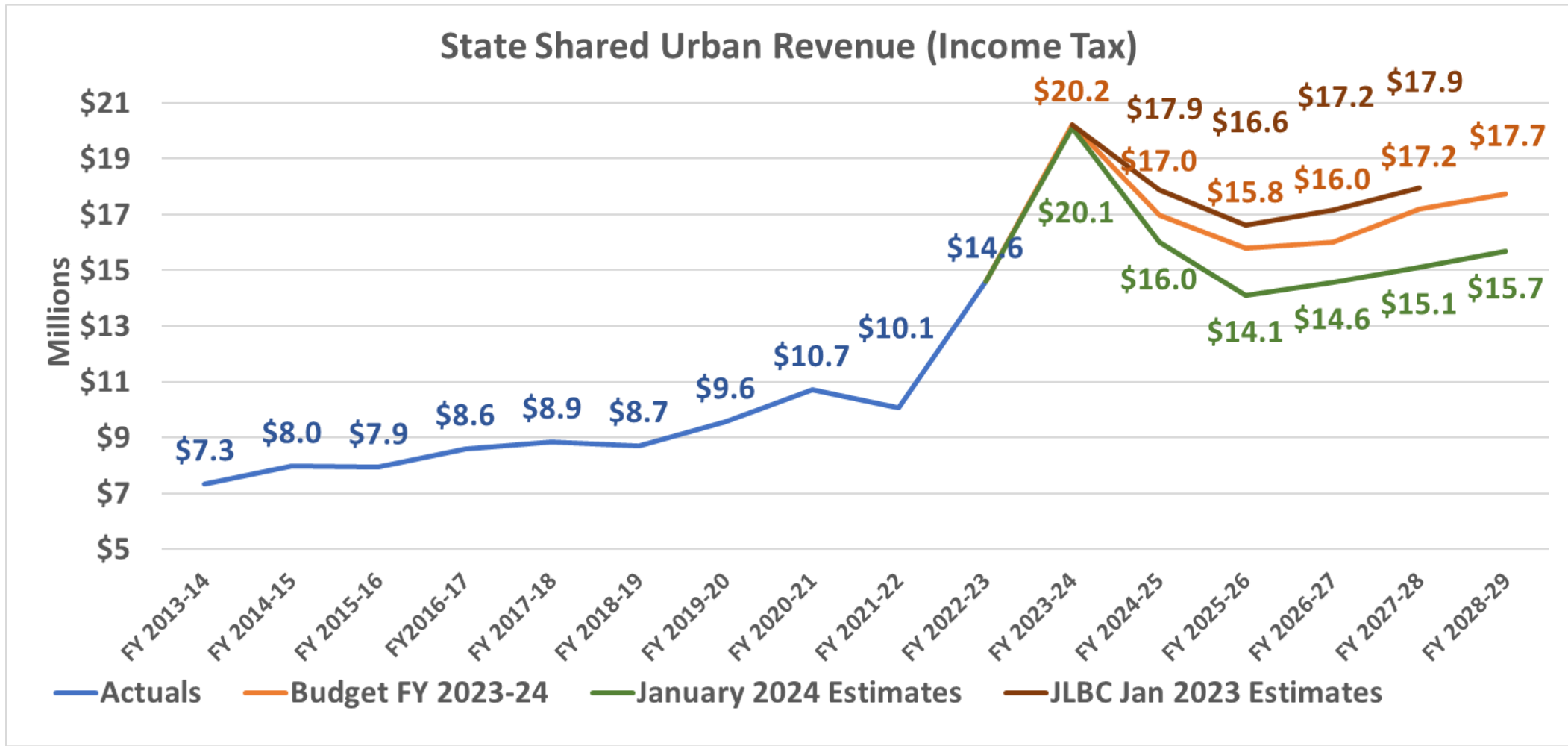
General Fund



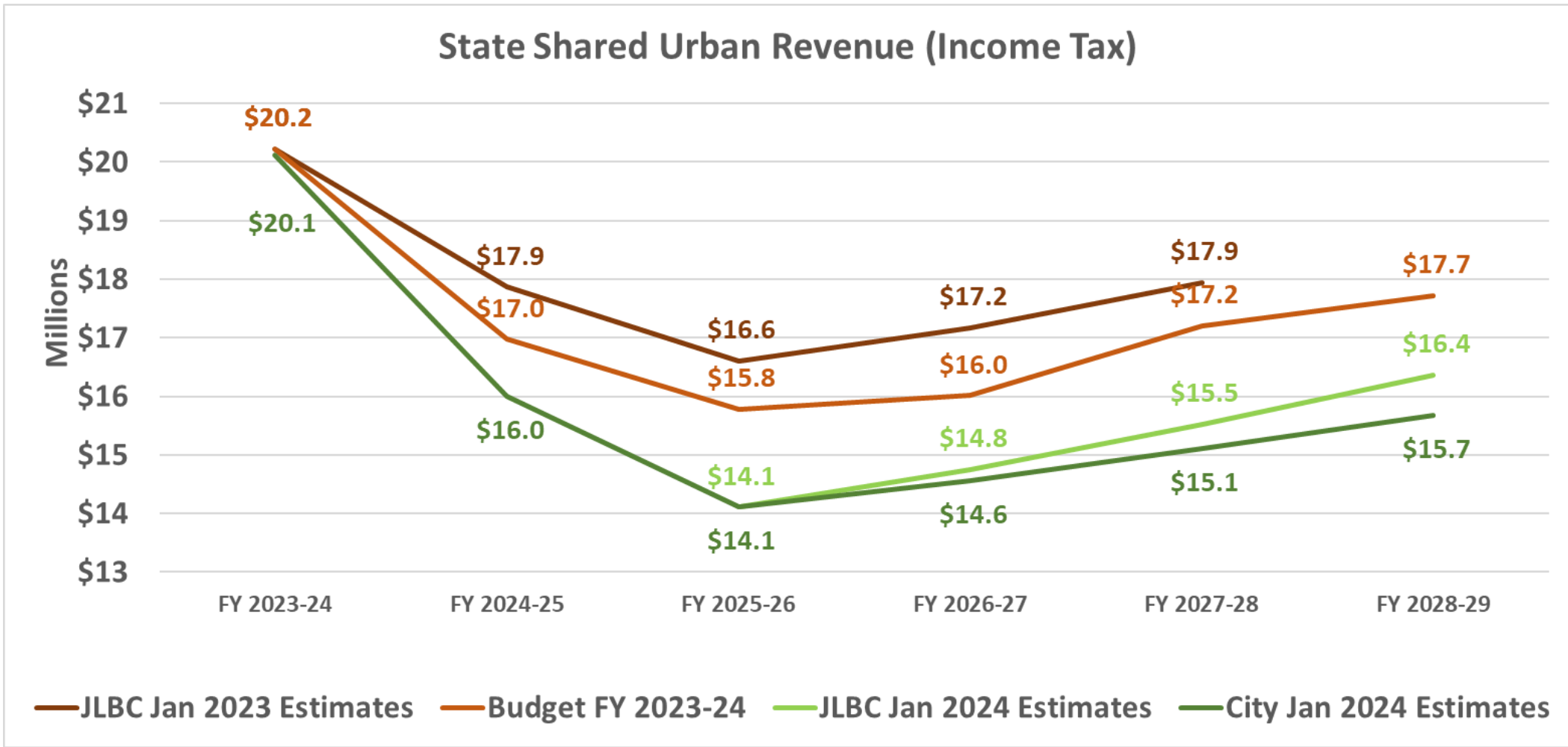
General Fund



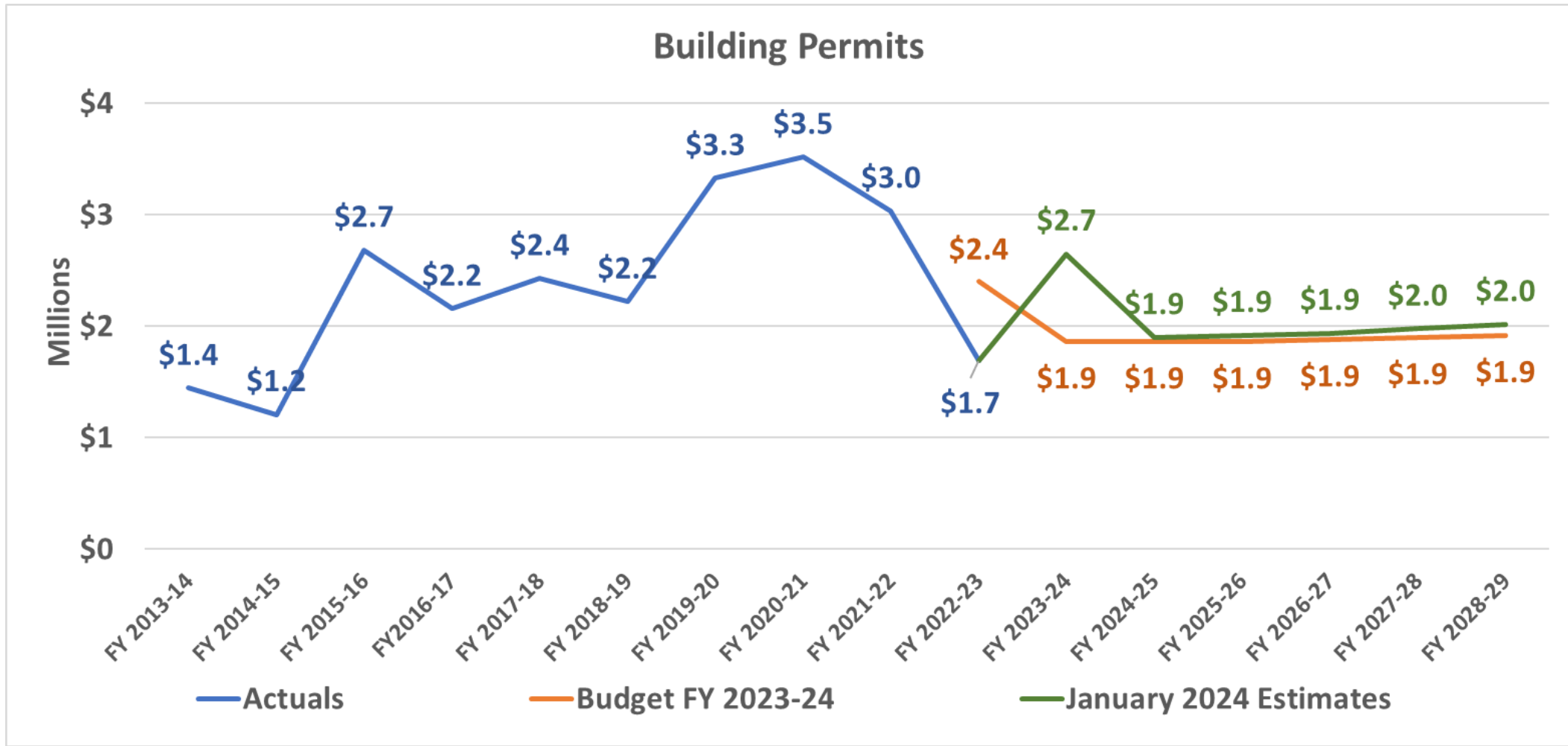
General Fund



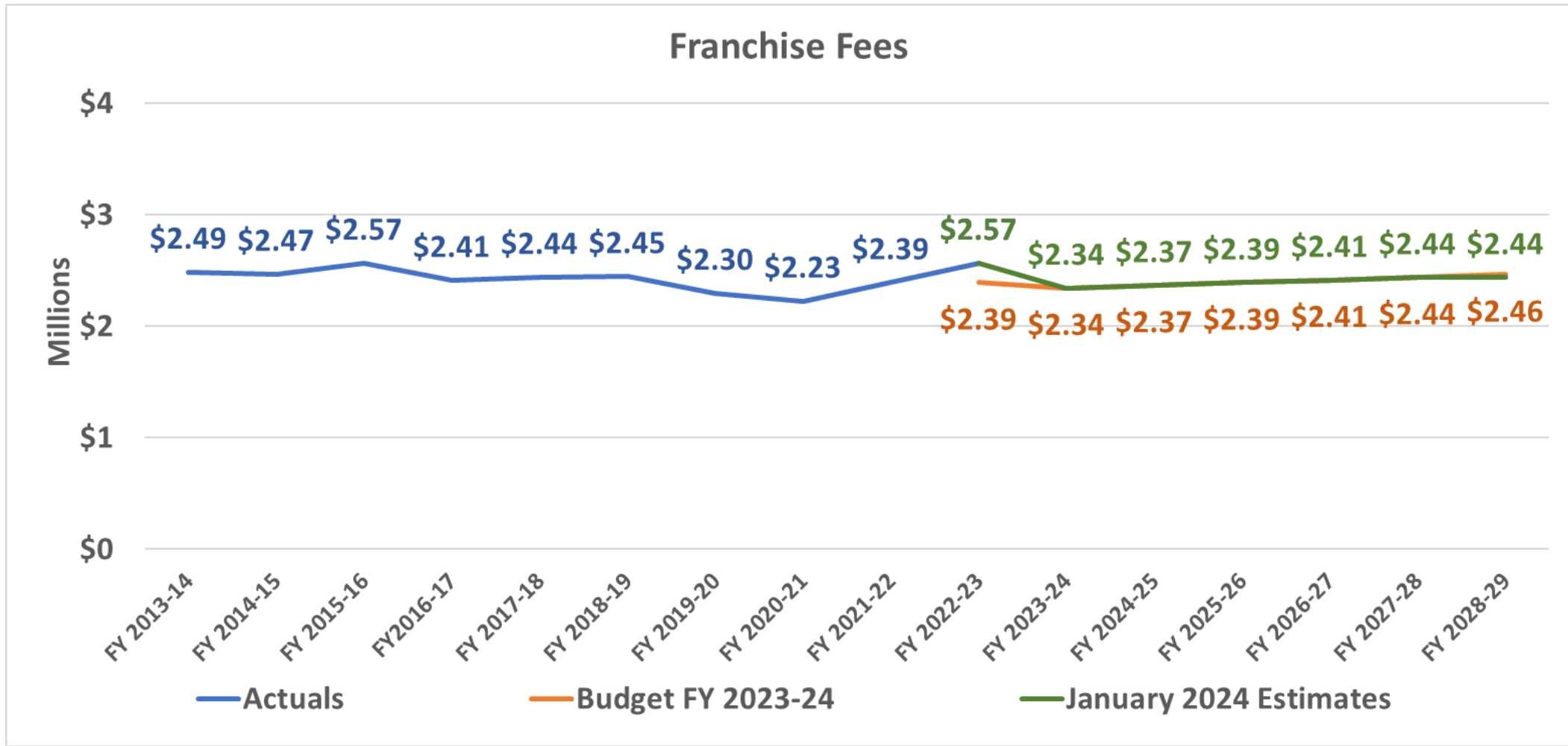
General Fund



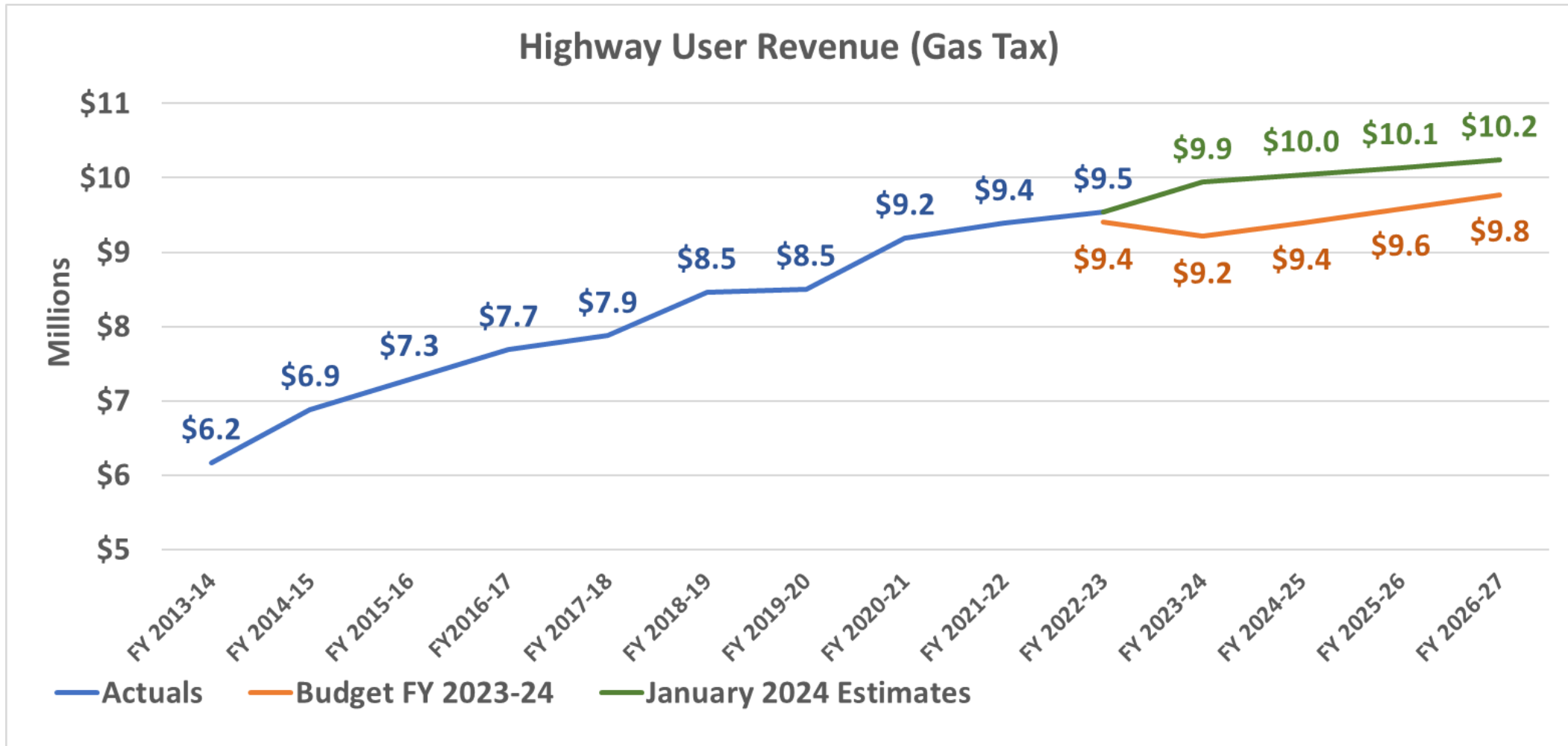
General Fund



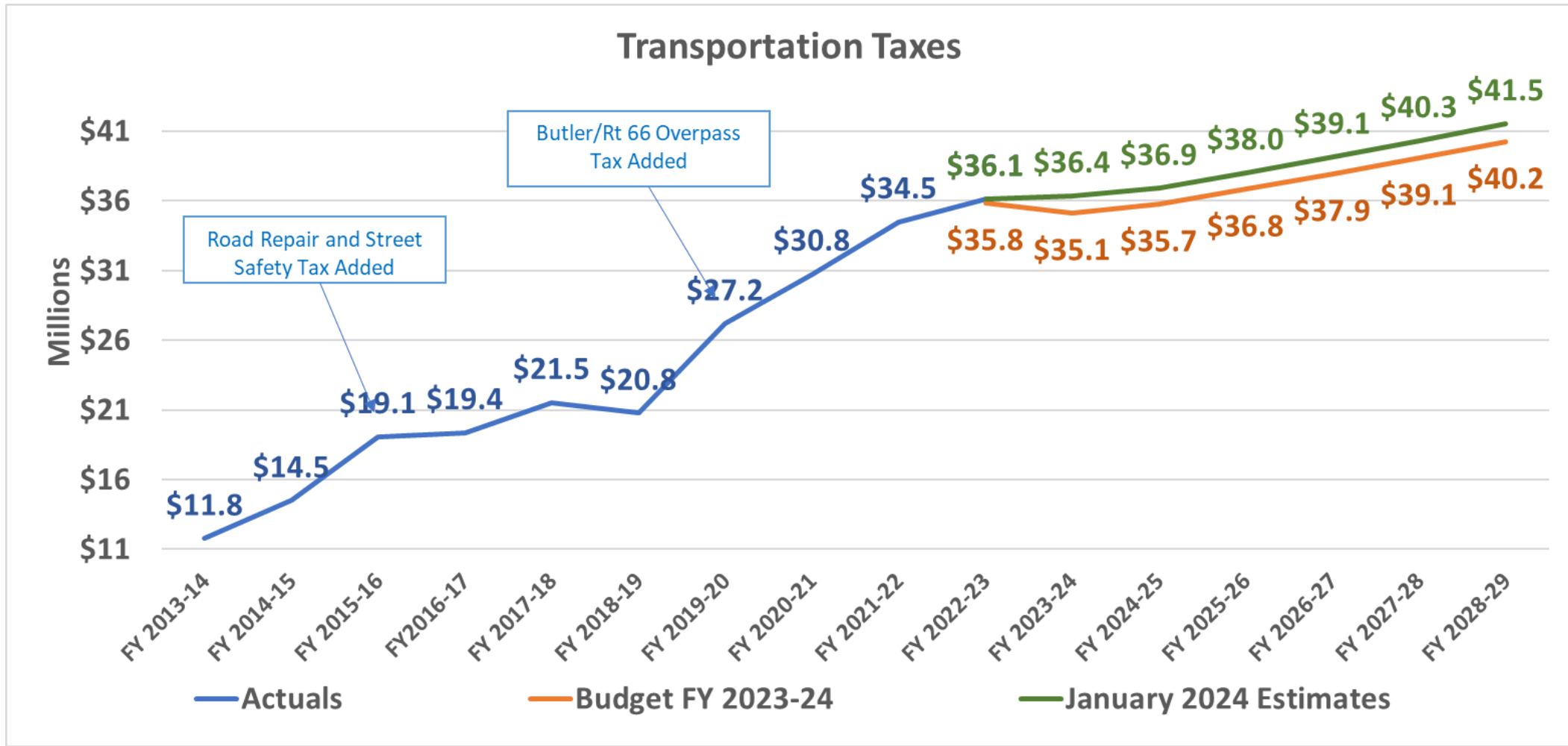
General Fund



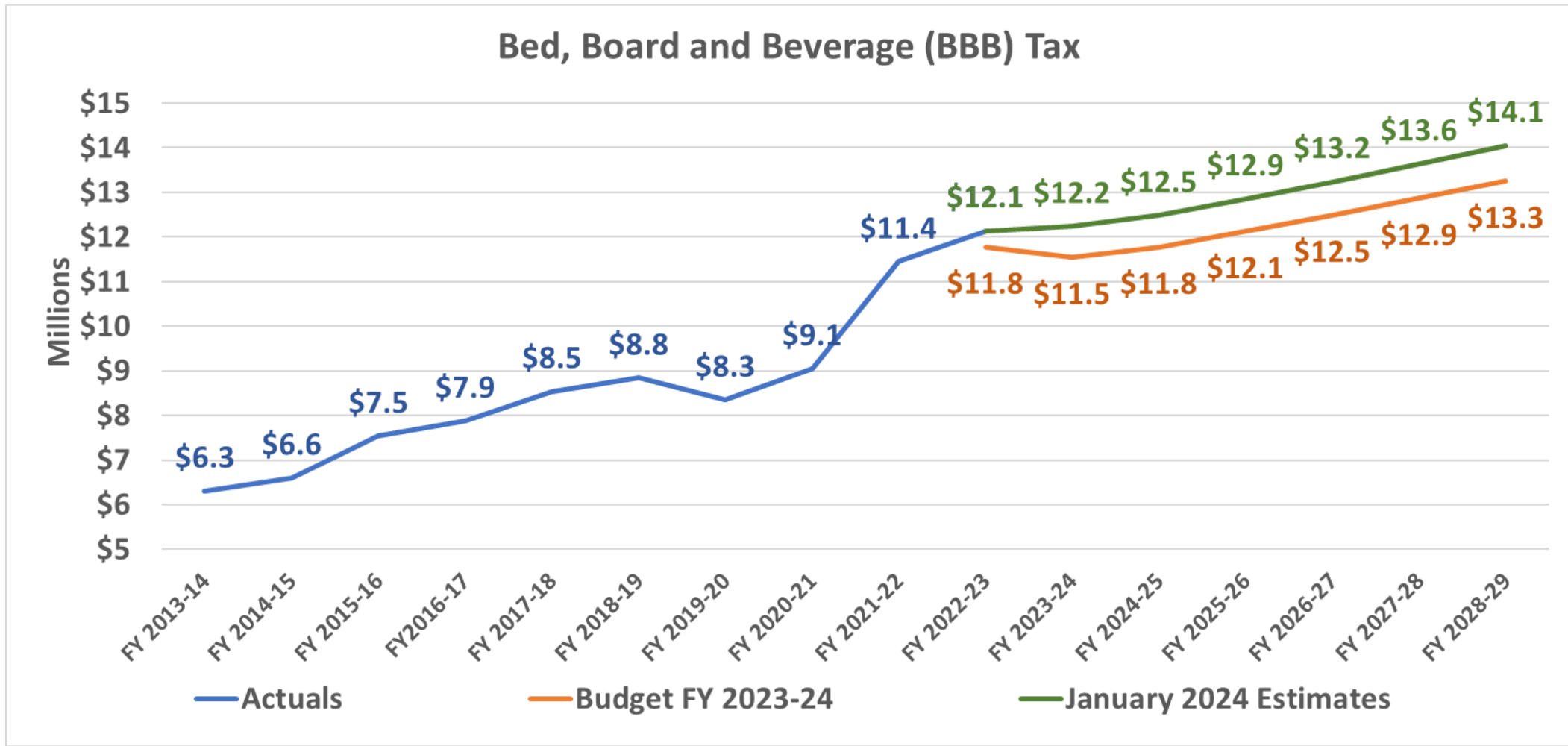
Highway User Revenue Fund



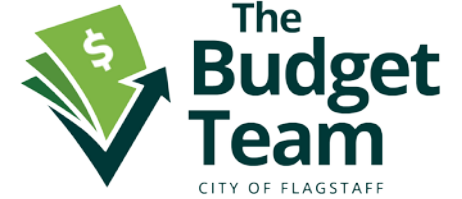
Transportation Taxes



Bed, Board and Beverage Funds

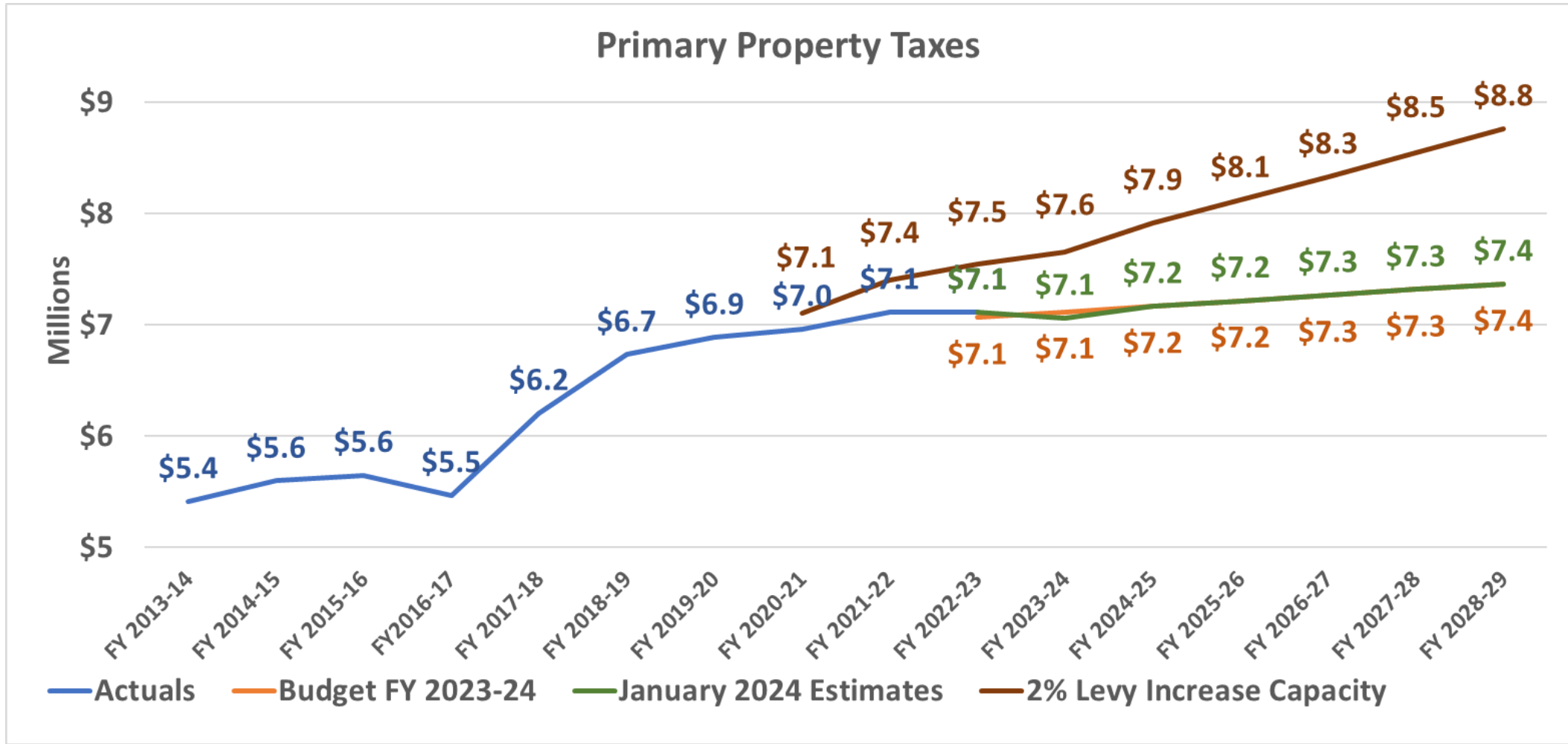


Primary Property Tax Consideration



- Rate adopted by City Council to impose a levy
- State restrictions on annual increase in levy 2%
- FY 2024-2025 capacity up to 10%, approximately \$744,000 levy increase
- Requires 60-day public notice prior to adoption of an increase in the tax levy (excludes new construction added)
 - No later than 04/19/2024, prior to April Budget Retreat
 - We can add language as we feel appropriate about the postings
- If increase direction given at April Retreat, City will also follow Truth In Taxation requirements for tax adoption

Primary Property Tax Consideration



Primary Property Tax Consideration



- Seeking Council Direction on 60-day notice
 - Shall Management Services post a 60-day notice?
 - Posting a notice does not require any tax levy increase
 - If we do not post by April 19th, we will not have the option at the April Retreat or at Budget/Tax Adoption

Council Direction



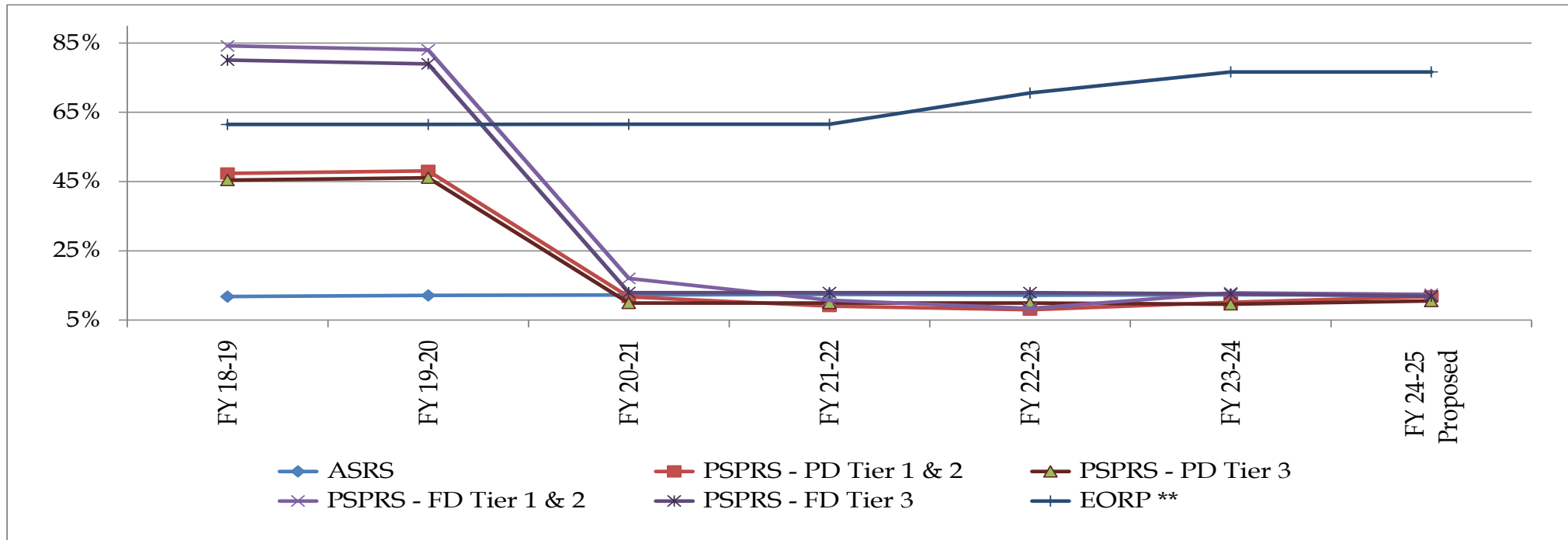
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Available Resources and Fixed Costs

Pension Contribution Rates

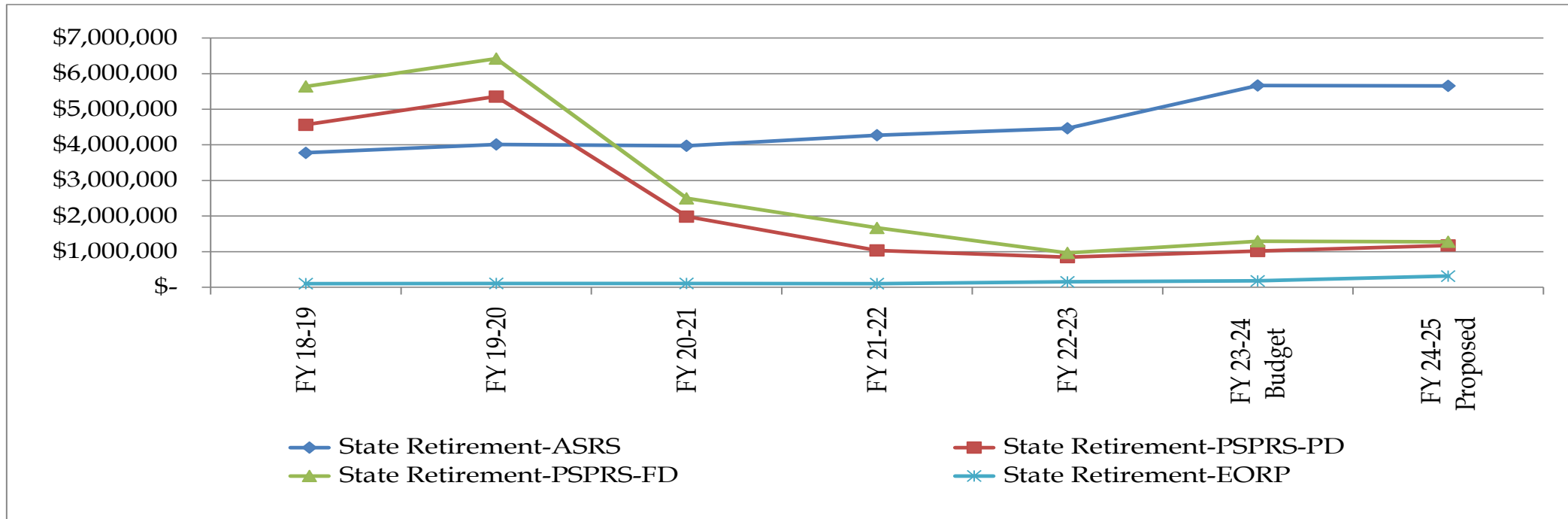
	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25 Proposed
ASRS	11.80%	12.11%	12.22%	12.41%	12.17%	12.29%	12.27%
PSPRS - PD Tier 1 & 2	47.34%	48.09%	11.67%	9.04%	8.00%	10.13%	11.83%
PSPRS - PD Tier 3	45.43%	46.10%	9.94%	9.94%	9.94%	9.56%	10.52%
PSPRS - FD Tier 1 & 2	84.17%	83.03%	17.03%	10.77%	8.35%	12.86%	12.42%
PSPRS - FD Tier 3	80.08%	78.99%	12.94%	12.94%	12.94%	12.56%	11.89%
EORP **	61.50%	61.50%	61.55%	61.55%	70.59%	76.66%	76.66%



EORP is an estimate as this is not available

Pension Expenditures

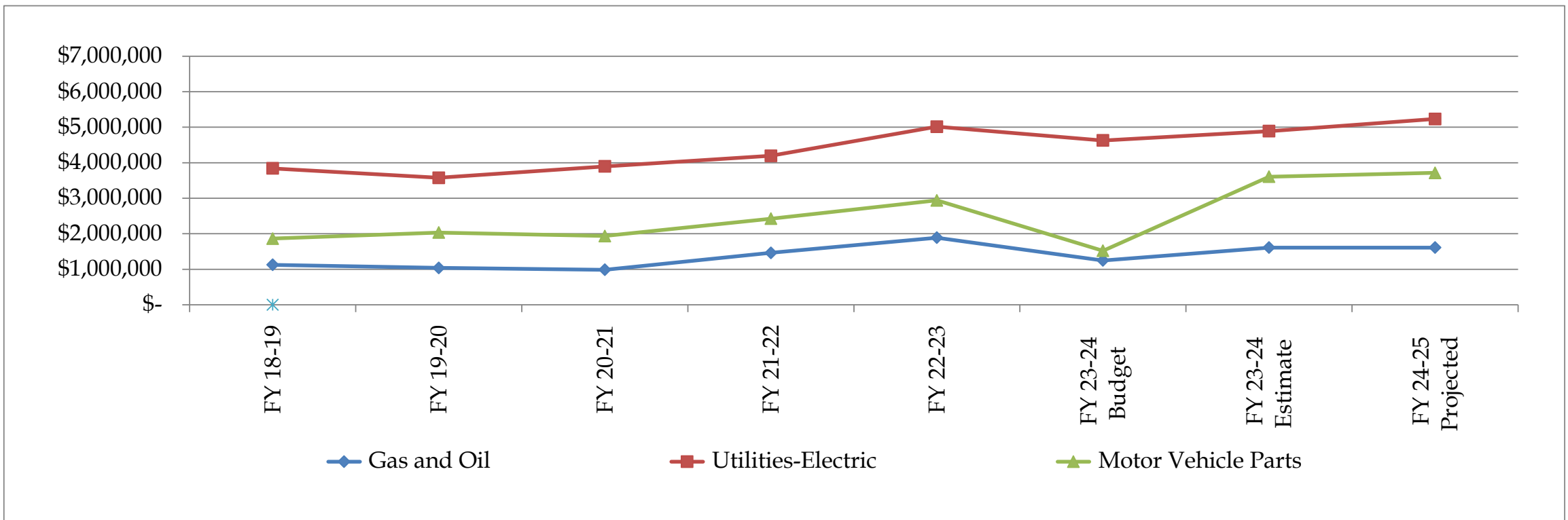
	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24 Budget	FY 24-25 Proposed
State Retirement-ASRS	3,776,918	4,013,187	3,973,921	4,270,225	4,465,796	5,668,317	5,657,521
State Retirement-PSPRS-PD	4,565,973	5,356,624	1,987,409	1,034,798	845,958	1,018,292	1,176,493
State Retirement-PSPRS-FD	5,641,220	6,421,351	2,498,080	1,669,895	966,279	1,293,475	1,279,116
State Retirement-EORP	102,903	106,743	107,039	103,258	154,913	180,780	315,972
	14,087,014	15,897,905	8,566,449	7,078,176	6,432,946	8,160,864	8,429,102



Other Fixed Costs



	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24 Budget	FY 23-24 Estimate	FY 24-25 Projected
Gas and Oil	1,125,101	1,038,970	985,487	1,461,994	1,887,894	1,248,349	1,610,000	1,610,000
Motor Vehicle Parts	1,862,232	2,034,116	1,935,853	2,422,236	2,940,765	1,519,366	3,605,000	3,713,150
Utilities-Electric	3,840,891	3,575,688	3,895,475	4,194,595	5,014,361	4,626,317	4,888,000	5,230,160



Available Resources – General Fund



General Fund	One-Time	Ongoing
FY 2022-23 Revenue Growth	\$ 3,190,000	\$ -0-
FY 2022-23 Expenditure Savings	4,400,000	-0-
FY 2023-24 Revenue Estimate	2,240,000	-0-
FY 2024-25 Revenue Projection Growth	700,000	700,000
Total Capacity	\$ 10,530,000	\$ 700,000
Option: Primary Property Tax (10% increase)	-0-	740,000
	\$ 10,530,000	\$ 1,440,000











Fixed Costs – General Fund



General Fund		Ongoing
Pay for Performance/Step Increases Increase FUNDED!	\$	1,900,000
Pension Cost Increase FUNDED!		135,000
Medical Insurance – maintaining cost share ratio FUNDED!		115,000
Council Salary Increase FUNDED!		285,000
Utility Rate Increases		65,000
Liability and Property Insurance		TBD
Workers' Compensation		TBD

Other Funds Fiscal Health



Other Funds	
Highway User Revenue Fund	
Transportation Taxes Fund	
Library Fund	
Bed, Board, Beverage (BBB) Funds	
Water Resources and Infrastructure Protection Fund	
Water, Wastewater and Reclaimed	
Stormwater	
Solid Waste Fund	
Sustainability & Environmental Management Fund	
Airport Fund	



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Investing in Employees Update

Recruitment Data



Recruitments

- 2023: 203
- 2022: 212
- 2021: 188

Hires:

- 2023: 359
- 2022: 348
- 2021: 291

Internal Movements:

- 2023: 20.12%
- 2022: 27.15%
- 2021: 29.9%

Note: Presented based on calendar year data

Applicant Statistics

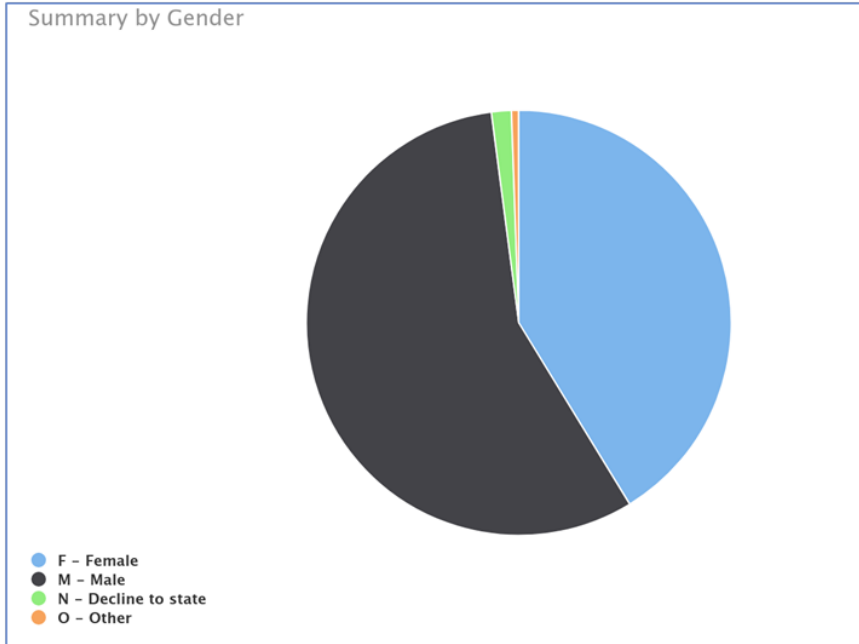
- Applications
 - 2023: 4,280
 - 2022: 3,219
 - 2021: 3,441
- 2023: 78% in state, 22% out of state
 - Flagstaff locals: 56%
- 2022: 74% in state, 26% out of state
 - Flagstaff locals: 53%
- 2021: 68% in state applicants, 32% out of state
 - Flagstaff locals: 46%

*Flagstaff locals includes outlying communities within thirty miles of Flagstaff

Note: Presented based on calendar year data

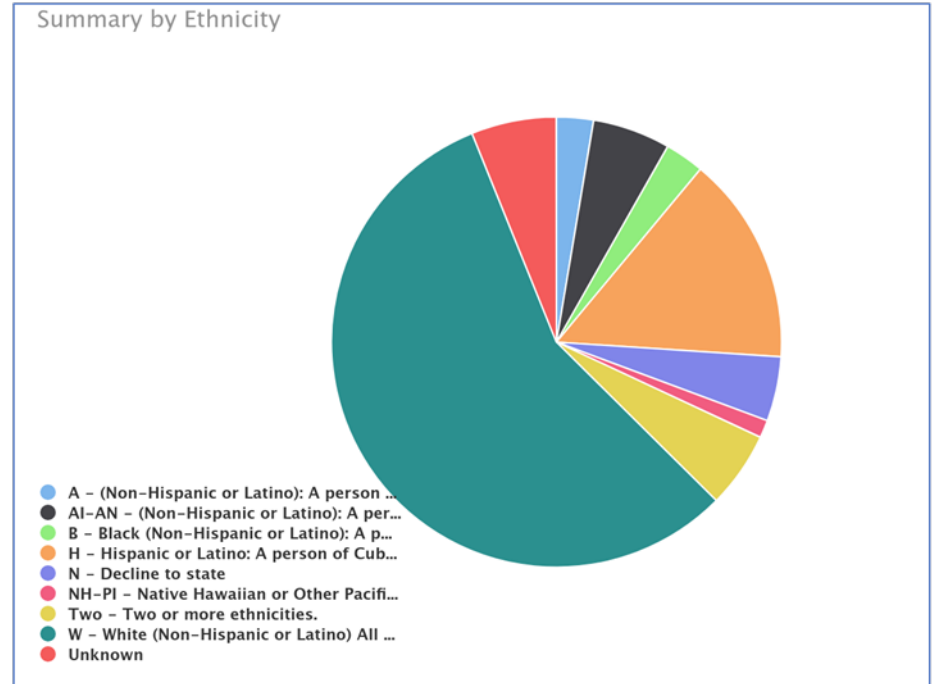
Applicant Demographics

Summary by Gender



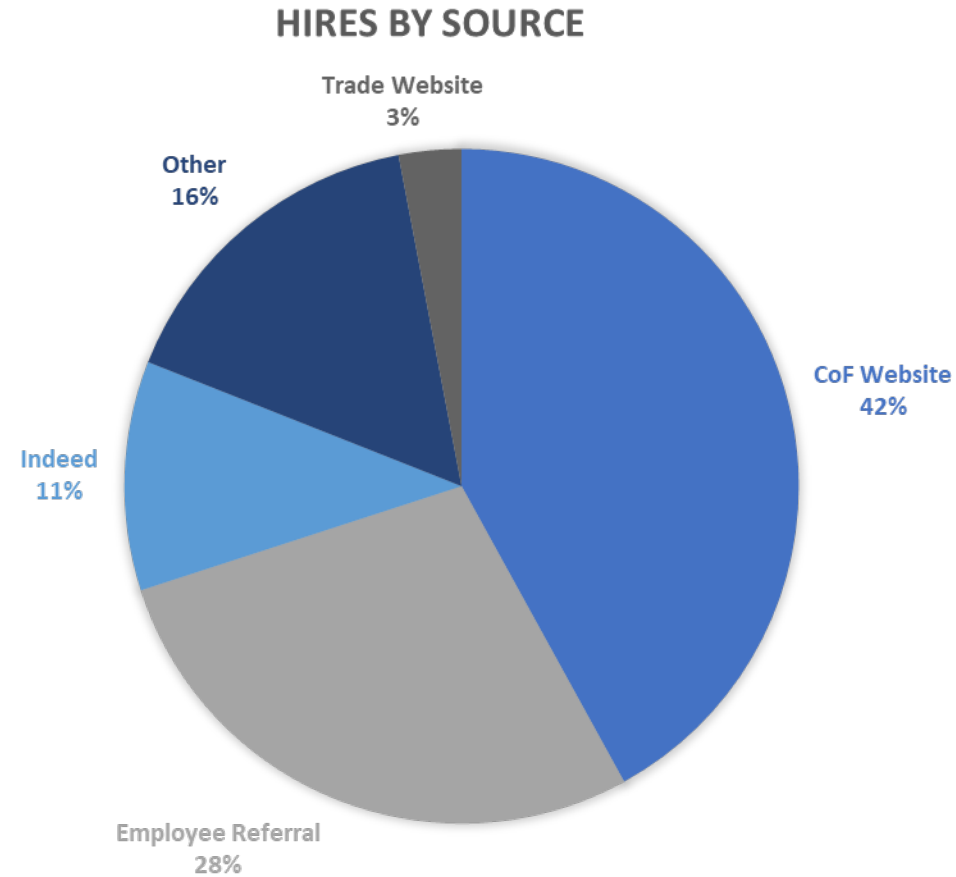
- Male: 56%
- Female: 41%
- Decline to state: 2.45%
- Other: .55%

Summary by Ethnicity



- White: 56%
- Hispanic or Latino: 15%
- Indigenous people of North & South America: 6%
- Unknown: 6%
- Two or more ethnicities: 5%
- Decline to state: 5%
- Black: 3%
- Asian: 3%
- Hawaiian or Pacific Islander: 1%

Hires by Source



Vacancy Rate

- Vacancy Rates
 - January 2024: 11.5%
 - November 2023: 13.2%
 - October 2022: 11.15%
 - October 2021: 17.07%

Note: Presented
based on calendar year data

Withdrew from Process

Applicants selected for interview who withdrew from consideration before an offer was made

- January 2023 – December 2023 = 478
 - 278 = Did not schedule interview
 - 72 = Scheduled interview but did not show up
 - 55 = Accepted another offer
 - 5 = Cost of living or lack of housing
 - 68 = Other reason

Declined Offers



- January 2023 - December 2023 = 103
 - 38 = accepted another position
 - 30 = other reason (personal, health, staying at current job, schedule, day care)
 - 26 = declined due to salary
 - 8 = cost of living or lack of housing *
 - 1 = cost of benefits
- January 2022 - December 2022 = 99
 - 40 = accepted another position
 - 26 = other reason (personal, health, staying at current job, schedule, day care)
 - 20 = declined due to salary
 - 11 = cost of living or lack of housing*
 - 2 = cost of benefits

*Although this declination reason has declined, statistics show we have seen a steady decline in the number of out of state applicants over the past three years

Difficult Positions to Recruit/Retain



- Public Works
 - Streets Operation Technician I, II, III (8 vacancies, 32% vacancy rate)
 - Solid Waste Equipment Operators (6 vacancies, 21% vacancy rate)
 - Solid Waste Lead Workers (1 vacancy, 33% vacancy rate)
- Water Services
 - Water Services Supervisor (2 vacancies, 18% vacancy rate)
 - Water Services Operator (8 vacancies, 19% vacancy rate)
- Court Judicial Specialist (2 vacancies, 12% vacancy rate)
- Police
 - Records Technician (3 vacancies, 33% vacancy rate)
 - Police Emergency Communication Specialist (1 vacancy - retention is an ongoing issue)
- Project Managers/Seniors (Water Services Senior Lead) - addressed by Classification and Compensation Team
- Construction Inspector - (open for over one year, two salary declinations, two accepted another position, unqualified)

Short-term Retention

	2023	2022	2021
No show	1	1	0
1 week	3	2	2
Month	5	9	5
6 months	23	21	18
1 year	25	26	29

- Police Emergency Communications Specialist
- Police Officer
- Equipment Operator
- Water Services Operator
- Court Judicial Specialist
- Streets Operations Technician
- Parking Aide
- Landfill Environmental Assistant

Successful Efforts to Date



- Employee Referral Program
- Job Fairs
 - Increased job fair attendance (Coconino Community College and Northern Arizona University)
 - Revamped job fair setup
 - 1st annual City-wide job fair – partnered with library
 - Resume building workshop, How to Stand Out as an Internal Applicant and Virtual Interview Workshop

Successful Efforts to Date



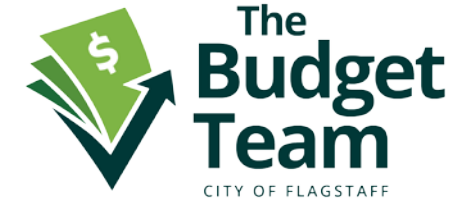
- Increased autonomy for hiring managers in recruitment
 - Interview scheduling
 - Advertising in NEOGOV
- Added "other" category to subject matter expert (SME) review so hiring managers can have more flexibility with interviewing candidates who do not meet the minimum qualifications, but have other equivalent experience
- Continuously working with each hiring manager to find out of box solutions to meet their needs

Opportunities for Improvement



- Workload management (71 open recruitments)
 - Impact: proactive vs reactive – need time to fully utilize new tools and research best practices
 - Solution: cross training with Human Resource staff, additional staff
- Need to streamline recruitment process
 - Impact: losing candidates to other positions, time to hire
 - Solution: video interviews, background check integration, open until filled strategy

Opportunities for Improvement



- Hiring manager challenges (timeliness, lack of paid advertising, NEOGOV aptitude)
 - Impact: longer time to hire, quality of hire, more declinations
 - Solution: recruitment training for hiring managers through Learn (including videos), timeliness of hiring managers
- Continue to review a minimum of 25% of positions for market adjustments annually

General Fund Benefits - Other



- Vision - no increase
- Dental - no increase
- Medical
 - 1.5% increase
 - \$115,000 increase to maintain cost share ratio
- Pension and health insurance increase to General Fund
 - \$250,000

Benefits - Medical Insurance: 1.5% Increase



- Impact if cost share percentage is maintained: (monthly cost)

Plan	Coverage	New			Employee Increase	City Increase	Total Increase
		Total Cost	New City Cost	Employee Cost			
Buy Up	Employee	\$ 877.77	\$ 754.97	\$ 122.80	\$ 1.52	\$ 11.45	\$ 12.97
	Employee +1	\$ 1,700.53	\$ 1,079.27	\$ 621.26	\$ 9.18	\$ 15.95	\$ 25.13
	Family	\$ 2,355.39	\$ 1,494.12	\$ 861.27	\$ 12.73	\$ 22.08	\$ 34.81
Base	Employee	\$ 774.97	\$ 754.97	\$ 20.00	\$ -	\$ 11.45	\$ 11.45
	Employee +1	\$ 1,498.97	\$ 1,079.27	\$ 419.70	\$ 6.20	\$ 15.95	\$ 22.15
	Family	\$ 2,075.17	\$ 1,494.12	\$ 581.05	\$ 8.59	\$ 22.08	\$ 30.67
HDHP*	Employee	\$ 681.17	\$ 754.97	\$ (73.80)	\$ -	\$ 11.45	\$ 11.45
	Employee +1	\$ 1,314.55	\$ 1,005.47	\$ 309.08	\$ 4.86	\$ 14.57	\$ 19.43
	Family	\$ 1,818.27	\$ 1,420.32	\$ 397.95	\$ 6.17	\$ 20.40	\$ 26.57

*\$ 73.80 - Employer contribution to Health Saving Account

Compensation Terminology

Employee Increase Terminology

- **Compression Adjustment**
 - Eligible individual employees' salaries are adjusted upward to better position them in their pay range (compa ratio)
- **Cost of Living Adjustment (COLA)**
 - Eligible individual employees' salaries are adjusted upward, pay ranges are NOT adjusted
 - Examples of ineligible employees include those in step plans and topped out or close to the max of their range
- **Market Adjustment**
 - Ranges (and employees) adjusted upward to maintain competitive position with benchmarks
 - Amounts may vary by position
- **Merit – or Performance Based**
 - Eligibility and amount received normally based on performance

Compensation – Recap

FY 2021-2022

- Eliminated Broadband and Skill Based Pay Plans
- Implemented new Regular Pay Plan and Step Pay Plans for Water Services Operator, Fire and Police
- Compaction adjustments
- Reinstated merit increases for Regular Pay Plan (3%) and one step increases for Step Pay Plans

FY 2022-2023

- Continued 3% merit increase for Regular Pay Plan and one step increase for Step Pay Plans
- Compression adjustments based on years of service for Regular Pay Plan (1.75% to 2.25%), and for certain positions within Fire and Police
- Early minimum wage implementation of a 7% Consumer Price Index (CPI)

Compensation - Recap



- **FY 2023-2024**
 - Transitioned from merit increases to Pay for Performance increases (2% - 4%) for Regular Pay Plan
 - Continued one step increase for Step Pay Plans
 - 3% Market adjustment across the board
 - Market adjustment for Fire, Police, and Water Services Step Plans (% increase varied for Police and Fire)
 - Increased starting wage to \$18.00 per hour to account for Flagstaff minimum wage increase
 - Eliminated 04R and 04T from regular and temp pay plans to address pay plan compression

Compensation - Priorities

- Merit/Pay for Performance Increases (Funded)
 - One step merit increases in Step Pay Plans
 - Continue Pay for Performance (2% - 4%)
- Market Adjustments
 - Consider City-wide market adjustments to all pay plans
 - Supports recruitment and retention
 - Maintains competitive starting wage
 - Positions identified as furthest from market or difficult to recruit evaluated for additional market adjustment
 - Re-funding the mid-year market adjustment budget
- Regular Pay Plan compression adjustment
- Move all the add pays into the hourly rate

Results of Internal Market Analysis



- Market Adjustments
 - City-wide market adjustments (2-6% adjustment with an average of 3.2% adjustment to all pay plans) - \$2,100,000
 - Mid-year market adjustment budget - \$200,000
- Regular Pay Plan compression adjustment - \$275,000
- Compensation structure changes - \$11,300

Notes and assumptions: 1) does not include the market adjustments for the positions that are furthest behind the market, 2) turnover will impact the cost, 3) base budget costs (unburdened)



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Employee Advisory Committee (EAC)

Jared Wotasik, EAC

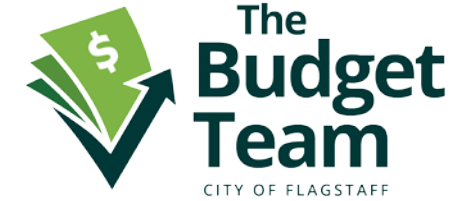
Seth Gregar, EAC

Priorities



- Continue Pay for Performance/Step Pay Plan merit increases
- Support compensation recommendations
 - Increase the market adjustment budget in Human Resources
- Continue to stay competitive with medical cost sharing ratios
- Support for two additional holidays
- Expand parental leave benefit

Impact of Inflation, Minimum Wage and Market Trends



- Number one voiced concern by employees
- Market adjustments directly affect recruitment and retention, starting wage through top of range
- Comparable municipalities have done sharp increases in wages raising the market
- Need to focus on market adjustments and identifying positions furthest below market, hardest to recruit
- EAC prioritizes market adjustments over all other recommendations

Expansion of Paid Parental Leave



- Comparable agencies have expanded their leave to up to twelve weeks - Northern Arizona University, State of Arizona, Federal Government, and City of Phoenix
- EAC recommends expanding the current four-week benefit to a greater amount now or in the future



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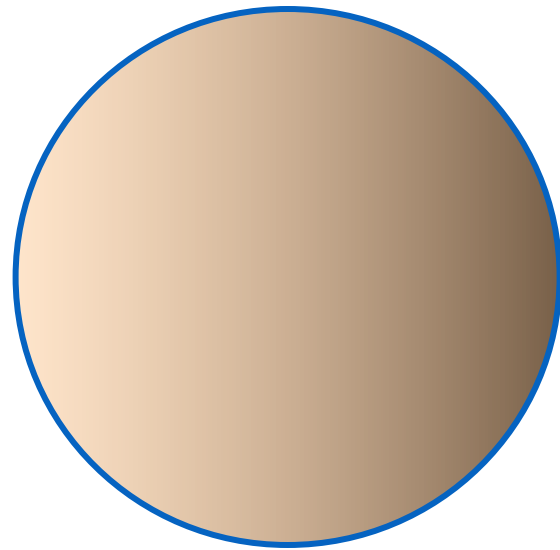


Refresher for Council/Staff Relations

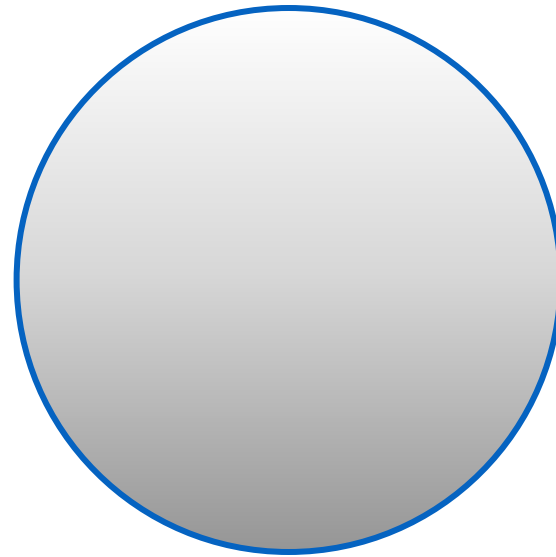
Council / Staff Roles



The Dichotomy:



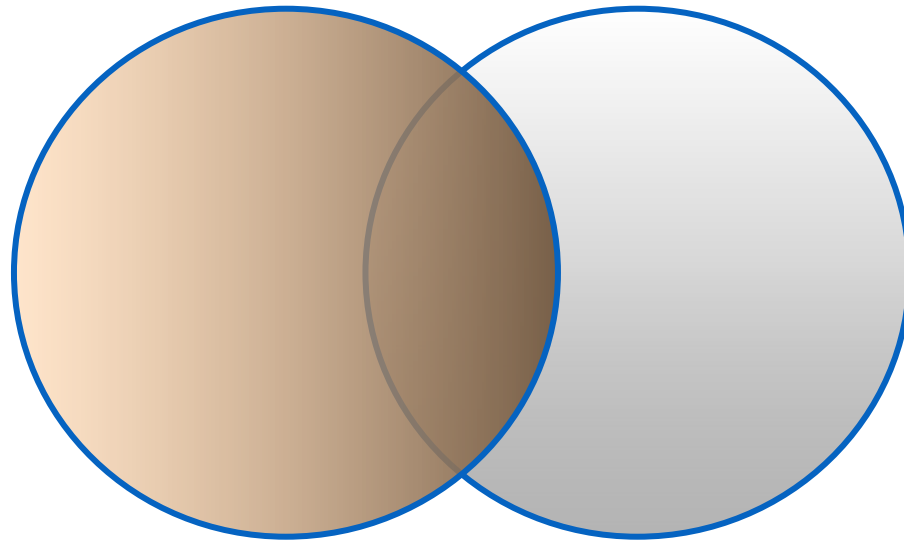
POLICY



ADMINISTRATION

Council / Staff Roles

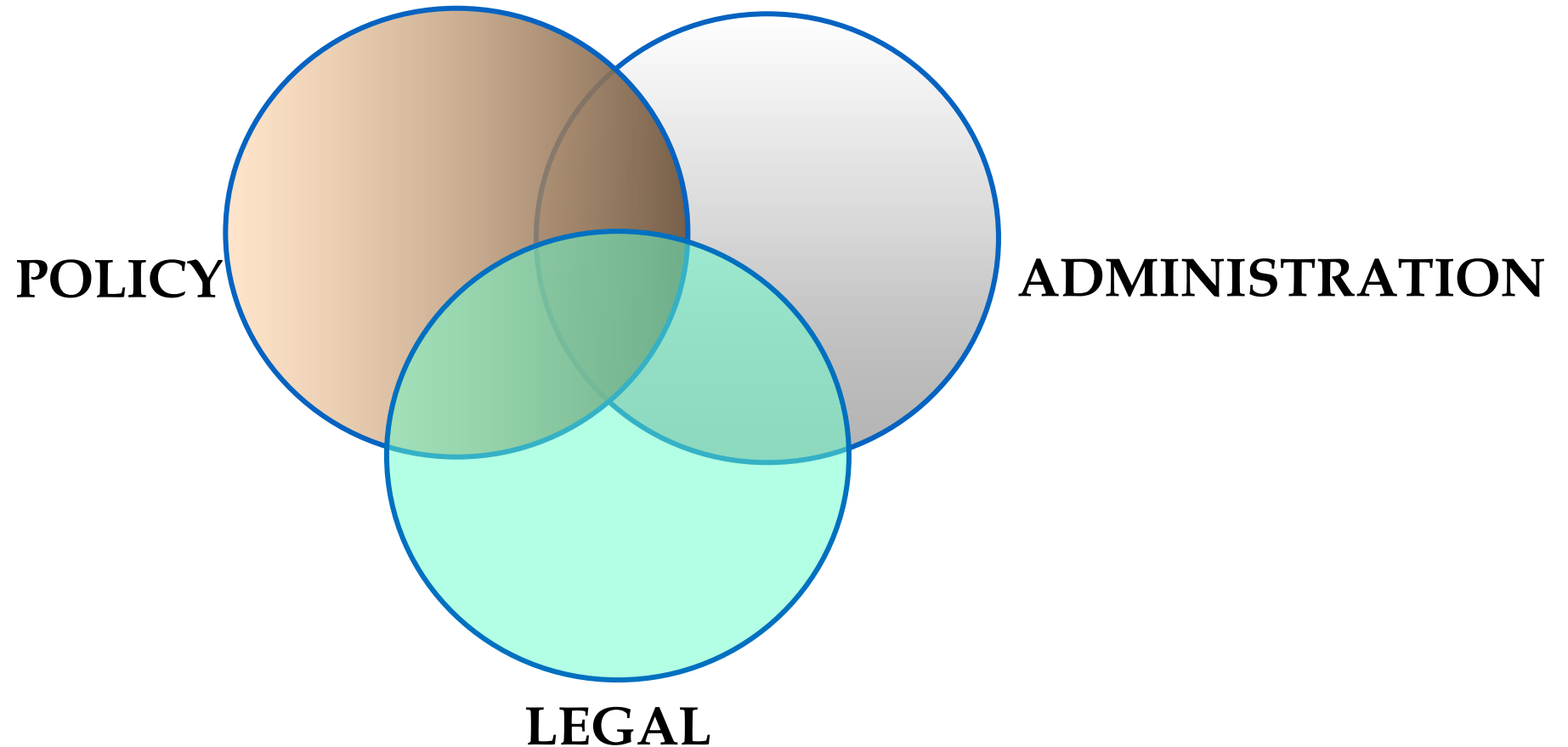
The Practical Model:



POLICY ADMINISTRATION

Council / Staff Roles

The Actual Model:

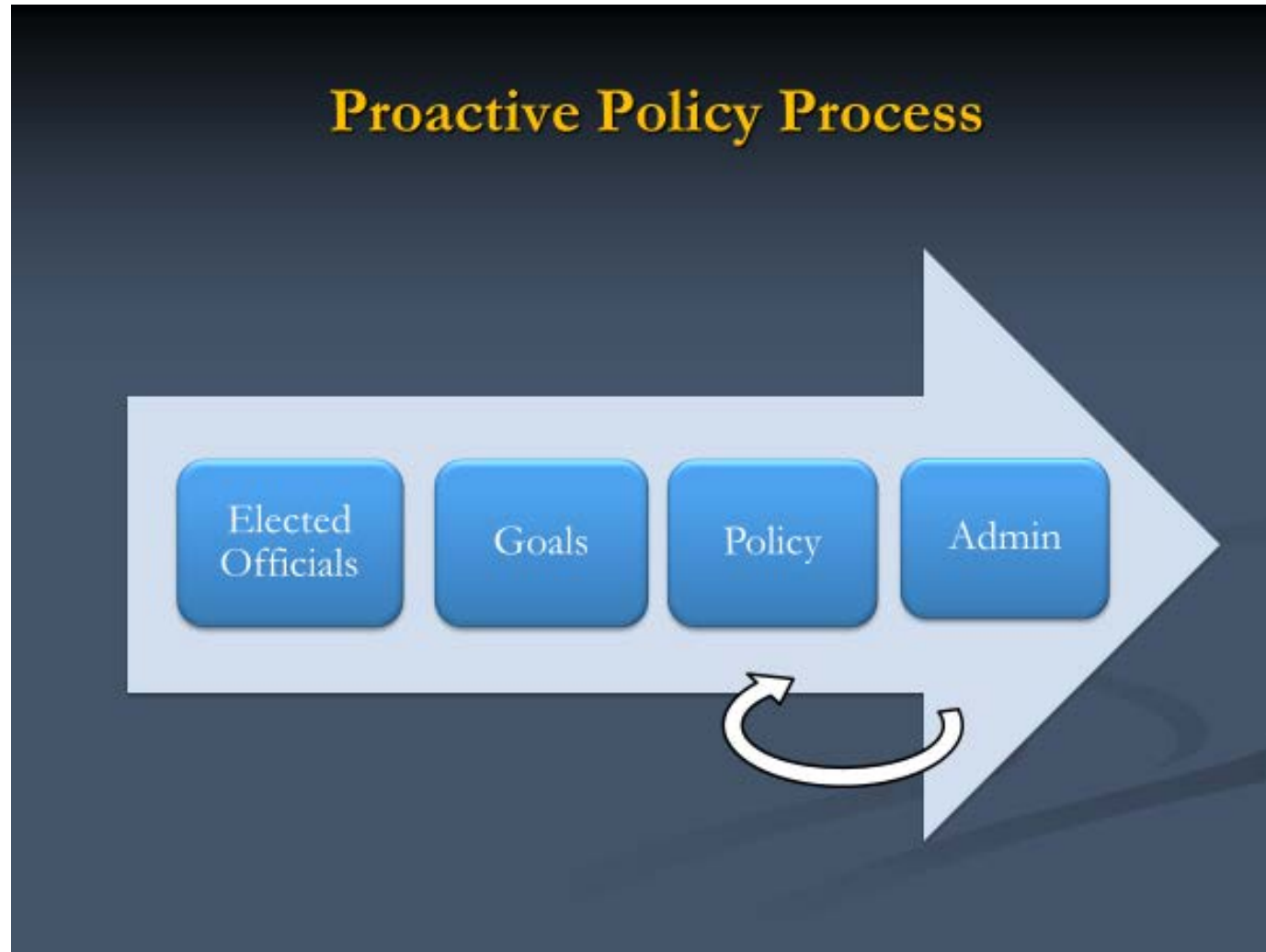


Council / Staff Roles

Reactive Policy Making



Council / Staff Roles



Staff Roles – Political Topics



- Most items concern policy, administration, and legal
- At times items fall more neatly within the individual spheres (i.e., litigation, hiring decisions, flags at City Hall)
- And there are times, typically responsive to citizen petitions, when matters are truly political in nature
 - “political” being defined, for this discussion, as *activities associated with the governance of a country or other area, especially the debate or conflict among individuals or parties having or hoping to achieve power*

Staff Roles – Political Topics



- ICMA Code of Ethics for City Managers, Tenet 7
 - *Refrain from all political activities which undermine public confidence in professional administrators*
- The City Manager shall have the powers and perform the duties in the Charter
 - Such duties include the enforcement of ordinances, appointment of employees, preparation of annual budget, advisement to Council on all affairs of the City, acting as purchasing agent, and other functions as Council may require
- When items are advanced, via FAIR process, Citizen Petition or otherwise, that concern topics of a political nature, we will want to avoid staff resources being allocated
 - Examples, for illustrative purpose only, include
 - Abortion
 - Nuclear Weapons

Staff Roles - Community Expectations



- Citizen groups and interests will advocate for policies, programs, or positions that do not involve political speech and may be of high City interest, recent examples would include
 - Supporting Tribal neighbors regarding renaming of Agassi Peak, ban on uranium mining near Grand Canyon
 - Support for the Lived Black Experience
- And at times these requests for programs and services clearly lie within City business but may have significant impact in terms of staff and financial resources, recent examples, and only to illustrate, include
 - Pilot bike lane project
 - Increased funding for animal care and sheltering
 - Increased funding/organizational inclusion of local arts district

Staff Roles - Community Expectations



- Staff will do what it can to inform Council on such matters, and follow the policies and decisions of our elected body accordingly
- Council needs to always be mindful of the impacts that may arise upon limited staff and financial resources ... staff time equals the expenditure of tax dollars
- Consideration should focus on core services, support services, community expectations

Organizational Structure



Core Services (required services and universal services):

- Police and Fire
- Public Works
- Water Services
- Airport, Library, Parks
- City Clerks Office
- Court
- Community Development

Organizational Structure



Support Services (more internal focus):

- Information Technology
- Management Services
- Legal
- City Management
- Human Resources
- Engineering

Organizational Structure



Adaptable to Community needs and priorities:

- Economic Vitality (Tourism, Business Attraction)
- Sustainability (Climate Emergency)
- Housing (Housing Emergency)
- Public Affairs (Outreach, Transparency, Indigenous Initiatives)

Organizational Structure



- Includes our core services and support functions
- Adaptable to changing needs and priorities
- Appropriately sized and funded



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Bond Project Updates

Proposition 441: Public Safety

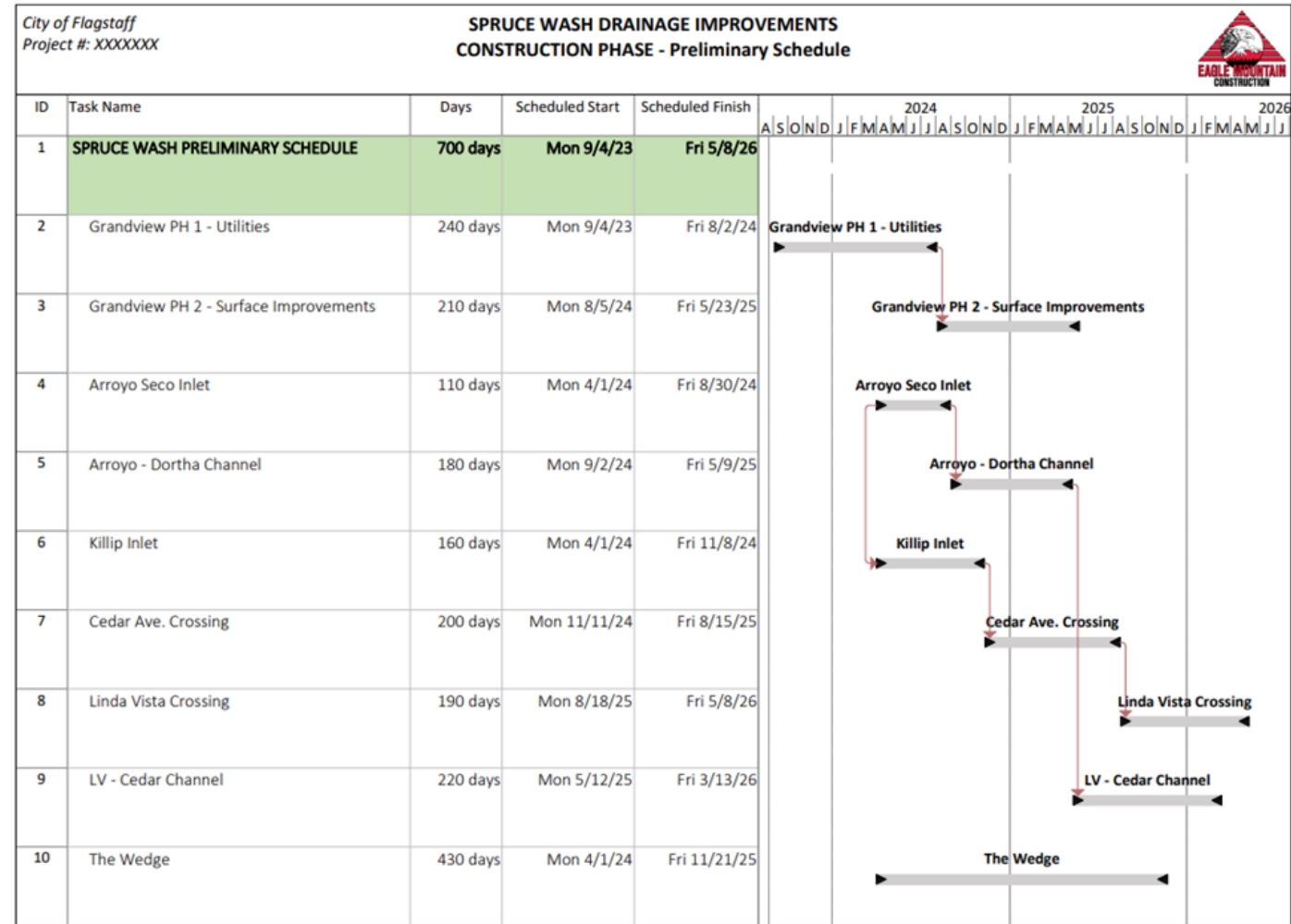


- \$2,185,000 in bond funding to replace two (2) Type 3 wildfire engines and two (2) water tenders
- Purchased two (2) Type 3 wildfire engines with an estimated February/March 2024 delivery date
- Collected quotes for two (2) water tenders
 - Budget shortfall of approximately \$108,000
 - Waiting to identify additional funding needed before purchasing
 - Assumes no new equipment and utilization of current equipment
 - Currently pursuing Division of Forestry and Fire Management (DFFM) grant to fund the shortfall

Proposition 441: Stormwater

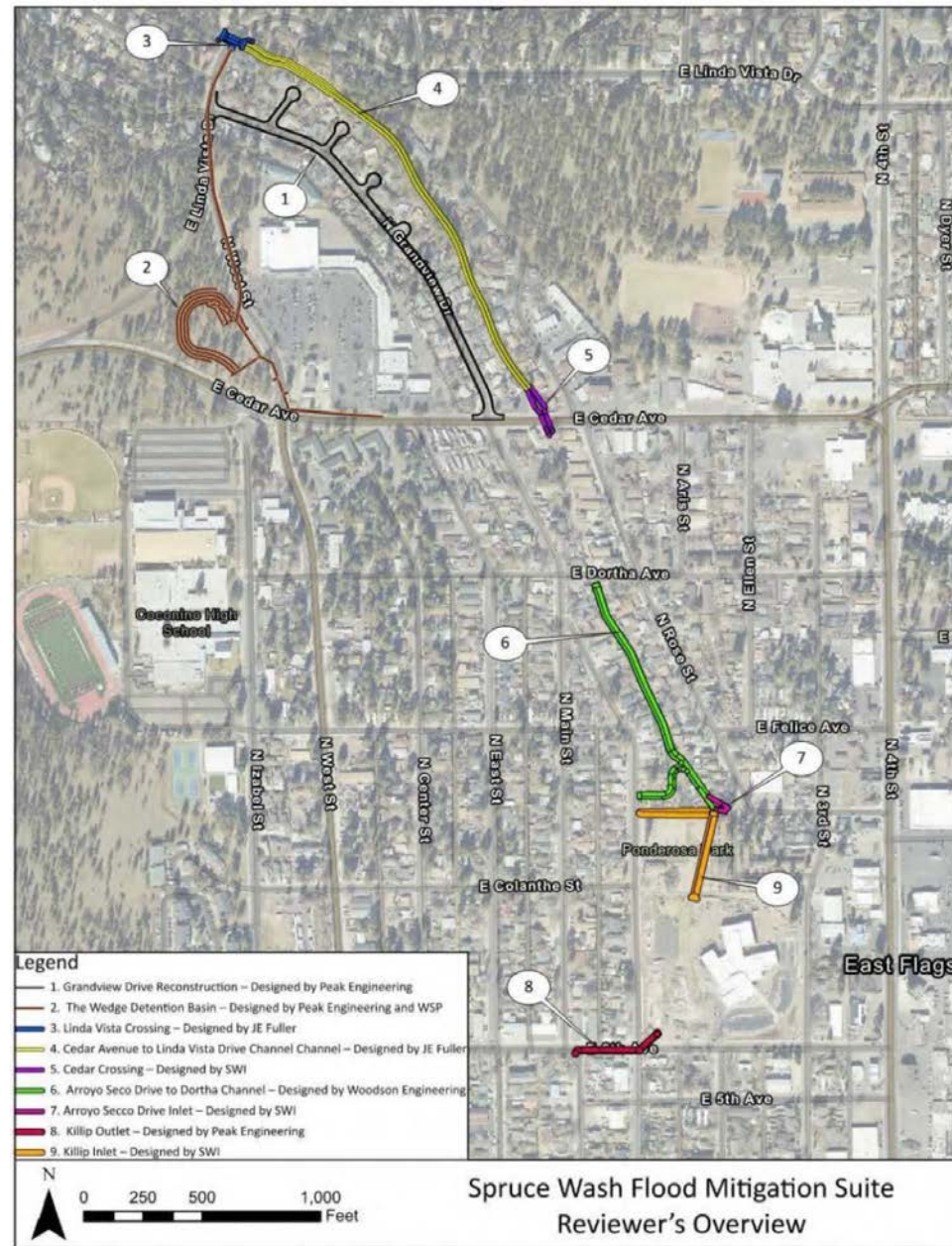


- \$26M bond for Spruce Wash flood mitigation
- On schedule for delivery within three years
- Weekly Monday meetings with engineers, City staff, and construction manager at risk
- Routine meetings with Finance Team

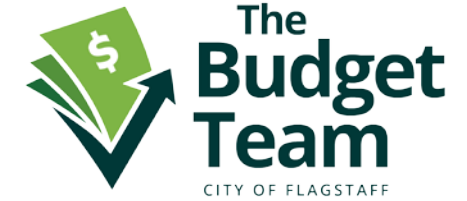


Prop 441: Stormwater

Map of Projects



Proposition 441: Stormwater



Stormwater	Funding Source	FY24	FY25	FY26
Arroyo Seco Inlet	Bond	116,843	746,752	-
Arroyo Seco to Dortha Channel	Bond	1,992,590	3,140,724	-
Arroyo Seco grant		-	-	-
- Property Acquisition	Grant	2,200,000	-	-
Cedar Crossing	Bond/Grant?	104,437	1,759,744	-
Cedar to Linda Vista Channel	Bond	2,559,852	1,525,298	-
Linda Vista Crossing	Bond	377,104	-	1,047,317
Grandview	Bond	6,500,372	-	-
Killip Inlet	Grant	300,000	3,357,363	-
Parkway Basins	Bond	39,379	-	-
The Wedge	Bond	1,842,868	2,705,203	5,201,585
Killip Outlet	Grant?	1,059,734	-	-

Actively pursuing grants and congressional directed spending to supplement bond funding, avoid short-fall

Proposition 441: Wastewater



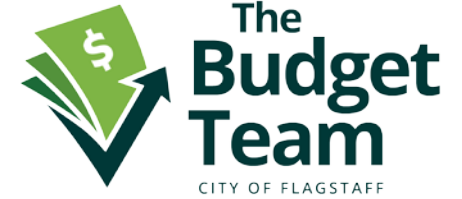
- \$29 million bond
- Increasing wastewater treatment capacity and implementing energy efficiency upgrades at Water Reclamation Plants

Proposition 441: Wastewater



Project Description	Funding Source	Budget 2023-2024	Budget 2024-2025	Budget 2025-2026	Budget 2026-2027	Budget 2027-2028	Budget 2028-2029	Total Projects
Wastewater								
15 Wildcat Digesters	Bond	1,750,000	3,983,894	5,540,000	5,040,000	-	-	14,563,894
16 Wildcat Pumps	Bond	2,500,000	2,500,000	2,000,000	-	-	-	4,500,000
17 Wildcat Co-Generation	Bond	3,000,000	-	2,700,000	1,850,000	-	-	4,550,000
18 Generators	Bond	455,600	-	1,022,900	800,000	-	-	1,822,900
19 Turbo Blowers	Bond	100,000	-	840,000	500,000	-	-	1,340,000
19 Available Balance	Bond	-	-	-	-	-	1,118,256	1,118,256
		7,805,600	6,483,894	12,102,900	8,190,000	-	1,118,256	27,895,050

Proposition 441: Wastewater



Wildcat Hill solids handling and gas recapture, as well as primary effluent pump station

- All three projects are at 60% design
- A construction manager at risk has been contracted for the solids handling project
- Projects are being reviewed for value engineering opportunities and going through an alternatives analysis before moving to final design

Proposition 441: Wastewater



Rio de Flag Water Reclamation energy efficiency and resiliency

- Projects to improve efficiency and resiliency in the facility power are currently under discussion
- Staff is working to develop the scope of work for consulting and design services

Proposition 442: Housing

Rental Incentive Bond Program

- Notice of funds availability release this week
- Ranking committee being assembled
- Council consideration of awards in March

Homebuyer Assistance Program

- Housing Commission meeting January/February
- Building in bond council review
- Considering / researching multiple programs
- Anticipate presentation to City Council before summer break



The
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Resource Allocations and Priorities



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Capital Improvement Projects



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Transportation



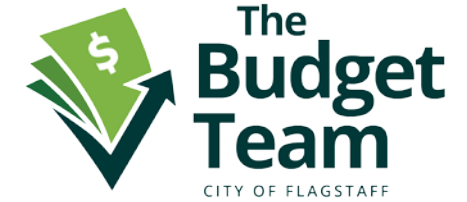
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Capital Improvement Projects (Funded)

Lone Tree Overpass and Corridor

Budget \$115M for overpass and corridor



Design - \$9M

Construction - \$81M

Real estate, staff time, permits, etc. - \$25M

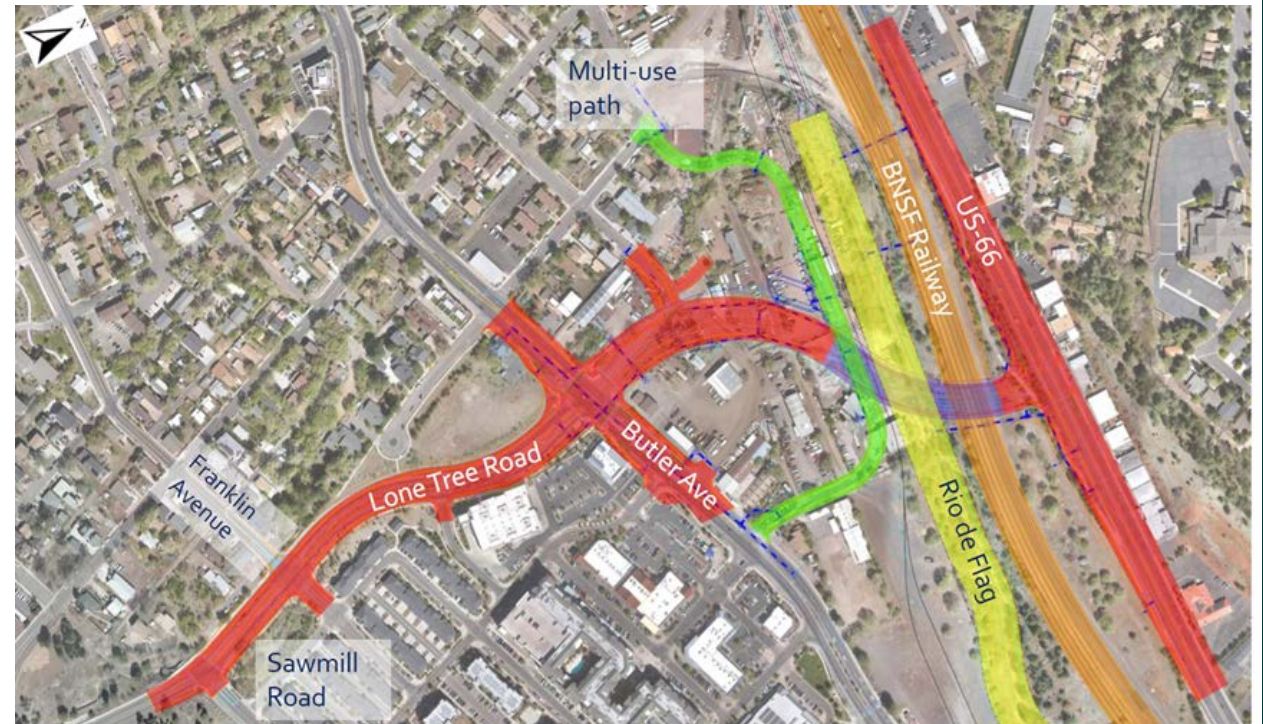
- Overpass - 2018 Proposition 420
- Corridor - 2018 Proposition 419

Schedule

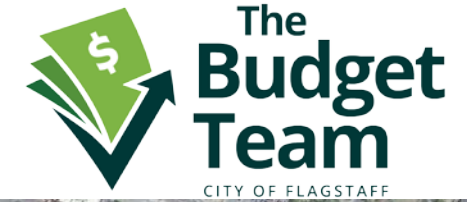
- Design completion - February 2024
- Construction - 2024 - 2026
- Construction will begin on corridor portion in Spring 2024

2024 Council Activity

- Guaranteed maximum price (GMP) 2 - corridor construction
- GMP 3 - overpass construction
- Burlington Northern Santa Fe Corporation (BNSF) Railway agreements



Downtown Mile Safety and Connectivity Project Budget

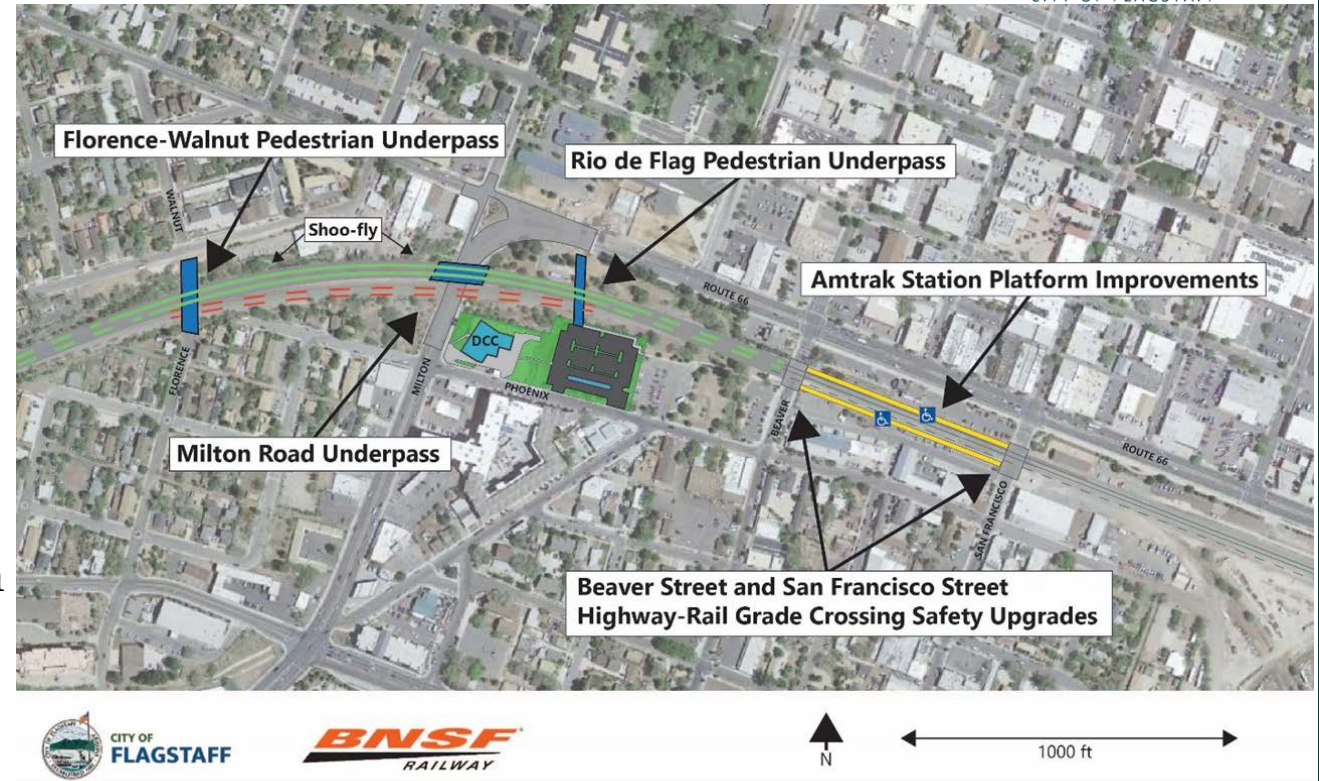


Design - \$4.043M

- City of Flagstaff - \$3,293,376
- MetroPlan - \$499,000
- BNSF Railway - \$250,000

Construction - INFRA Grant \$56.3M

- Federal - \$32.46M
- City of Flagstaff - \$9.84M
- Arizona Department of Transportation - \$3M
- BNSF Railway - \$11M



Schedule

- Design completion - February 2025
- Construction - Summer 2025 - 2028

Beulah & University Improvements



Budget

Construction and Right-of-Way (ROW) - \$24M

- Prop 419 (“New” Transportation Tax) - \$13M
- Prop 403 (“Old” Transportation Tax) - \$9M
- Vintage Partners (Underpass) - \$1.6M

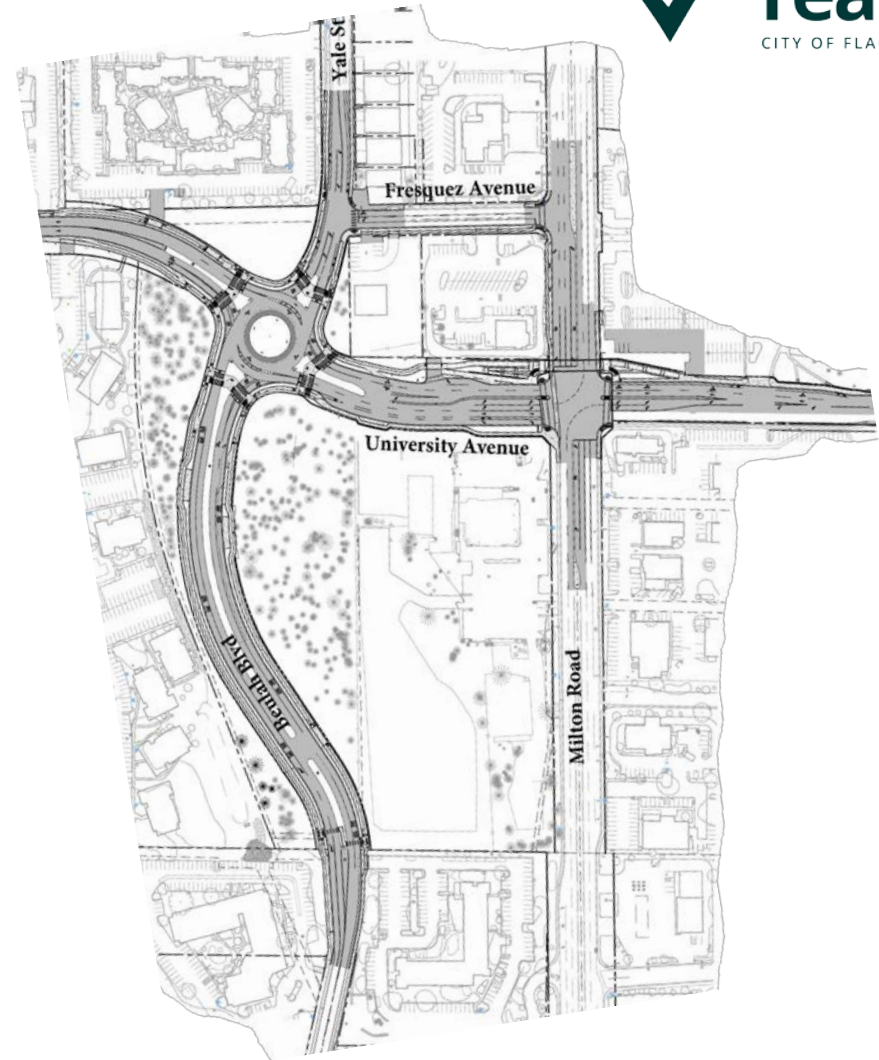
Schedule

Construction

- Started April 2023
- Scheduled to end Summer 2025

2024 Council Activity

- GMP amendment for material cost increases



Butler-Fourth Improvements



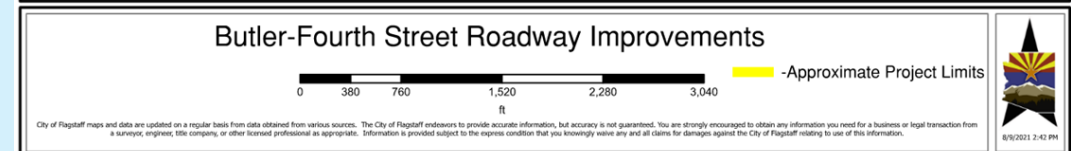
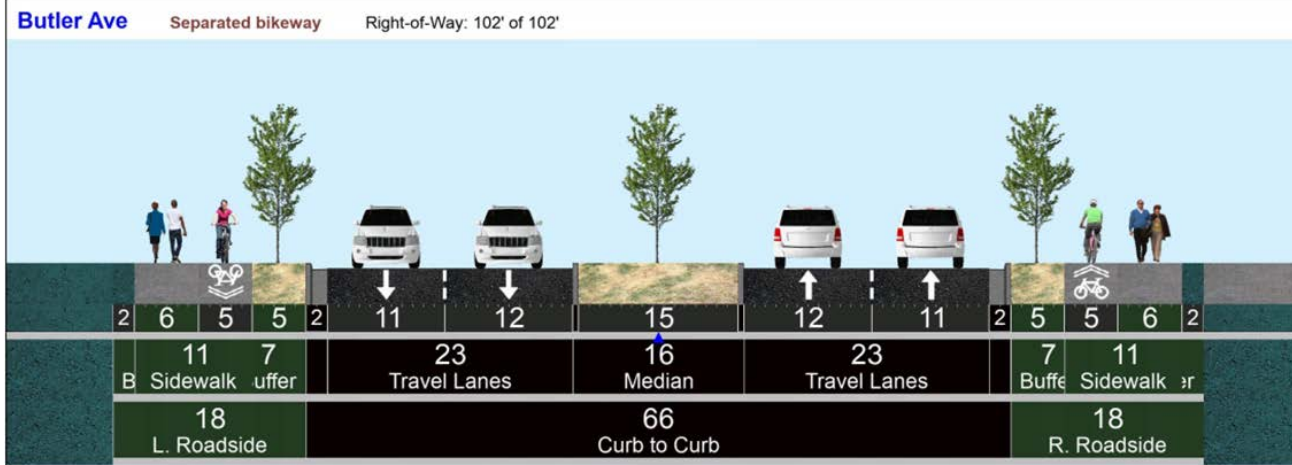
Budget

Total Project Budget - \$17.8M

- RAISE grant application - February 2024
- Includes \$3.8M in developer "in lieu" contributions

Schedule

- Design completion - December 2024
- Construction - 2025 - 2026



2024 Council Activity

- Design contract - Phase B award - Summer 2024
- Construction manager at risk (CMAR) contract award - Summer 2024

Lockett and Cedar Roundabout



Total Project Budget \$6.6M

Highway Safety Improvement Program (HSIP)

Grant - \$1.928M

City of Flagstaff - responsible for any additional costs

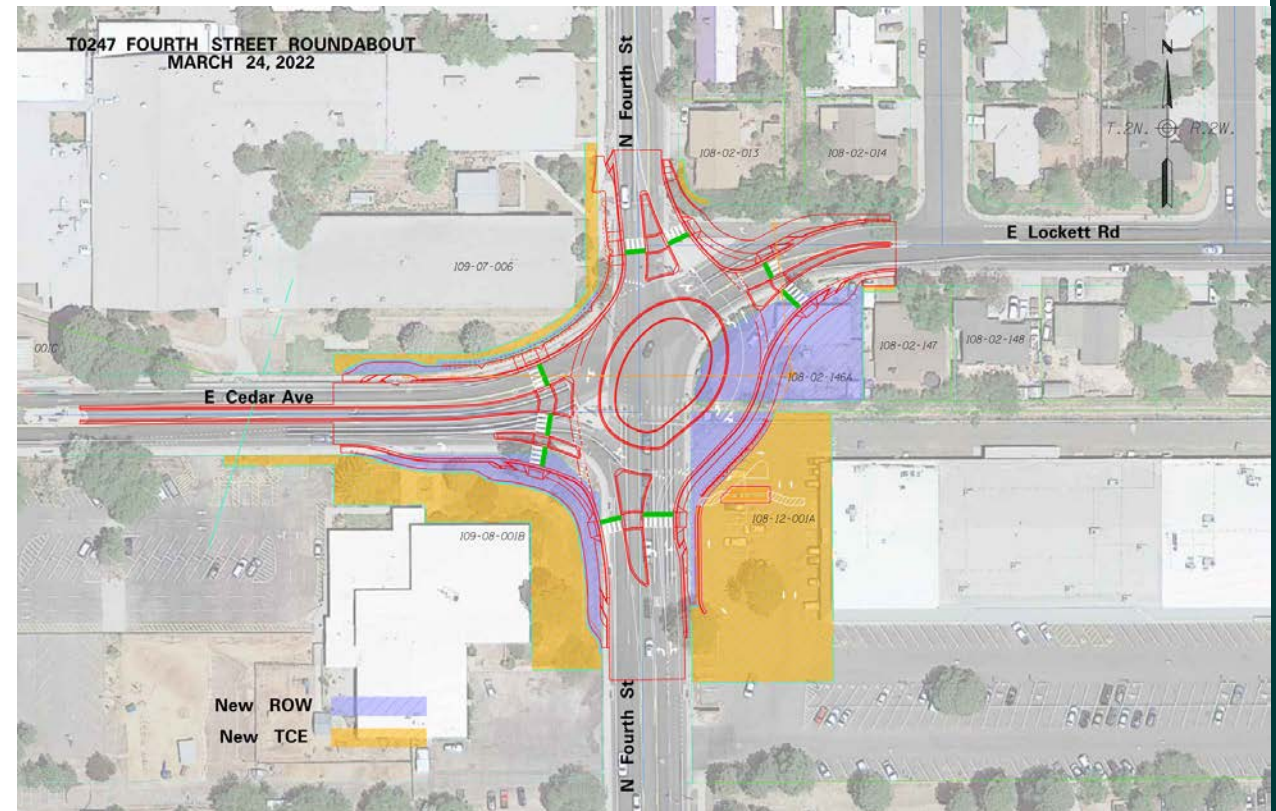
- Current City share is \$4.6M

Schedule

- Design completion – Winter 2024
- Utility relocations - Winter 2024
- Project advertisement - Summer 2024
- Construction – Spring 2025

2024 Council Activity

- Winter 2024 - amendment #2 to ADOT intergovernmental agreement prior to project advertisement





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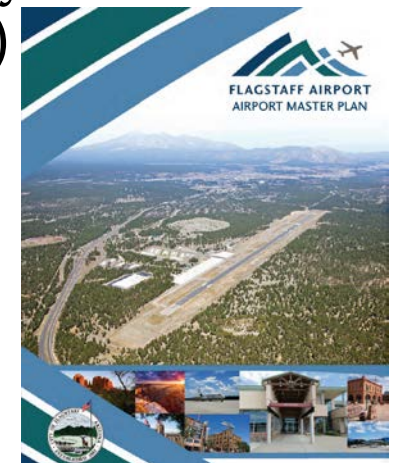


Airport

Airport Fund

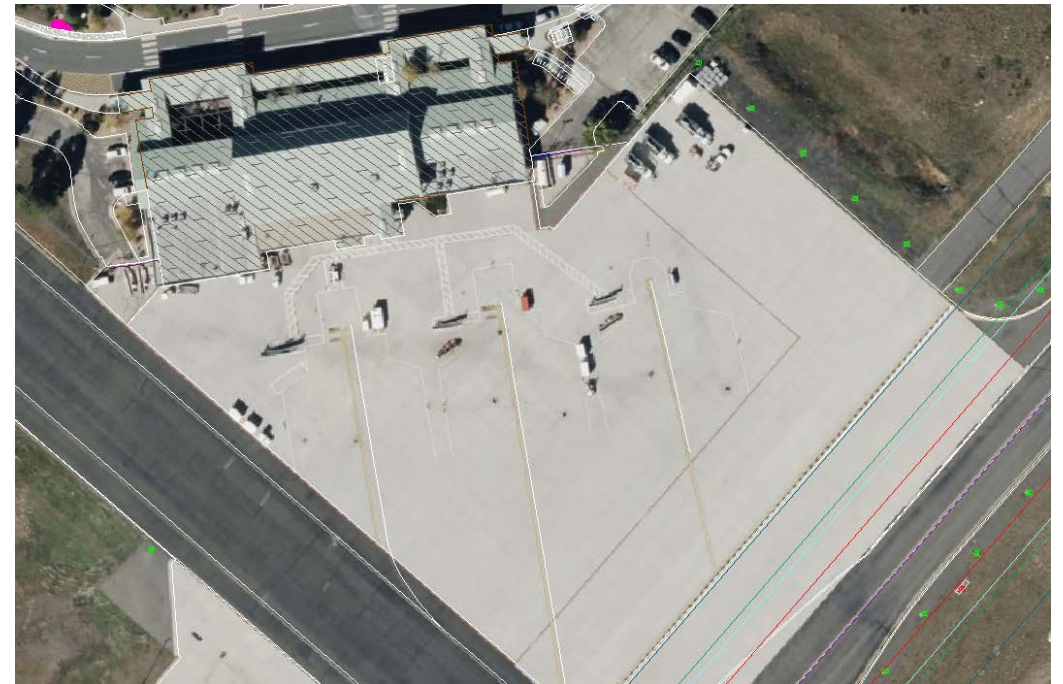
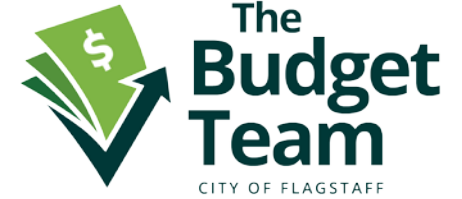


- Color of Money – Enterprise Fund
 - Ongoing Revenue Sources: leases, license agreements, and fees
 - One-time Revenue Sources: Federal and State grants
 - Capital Improvement Plan (5-Year Program)
 - Airport Master Plan: developed every ten years (last updated in 2018)
 - Airport Capital Improvement Plan (ACIP): developed annually with FAA and Arizona Department of Transportation (ADOT)
 - Three primary funding arrangements: Federal, State, local
 - Airport Commission
 - Emergencies



Airport Fund

- Challenges – lack of funding/inconsistent funding
 - Critical Projects – no funding identified
 - Terminal expansion
 - Employee and rental car parking lot improvements
 - Terminal accessibility
 - Ramp drainage improvements
 - Perimeter fence wildlife skirting



Airport Fund



Project Description	Funding Source	Budget 2023-2024	Budget 2024-2025	Budget 2025-2026	Budget 2026-2027
Airport Drainage Imp - Design		161,615	-	-	-
Snow Removal Equipment Building		11,715,399	13,780,722	-	-
Land Acquisition		2,750,000	-	-	-
Taxiway W and Apron - Design		800,000	1,000,000	-	-
Taxiway W - Rehab and Relocate		-	-	11,650,000	-
Land Safety Area 60 Acres		-	-	-	-
Taxiway A Rehabilitate - Design		-	-	-	-
Upgrade Perimeter Access Rd Phase I		200,000	-	-	-
Runway Pavement Repair		-	500,000	-	-
Runway Reconstruction Study		-	750,000	-	-
Taxiway A Rehabilitate - Construction		-	-	-	-
Terminal Construct/Expansion		-	-	-	-
FAA Entitlement		-	-	-	-
ADOT Environmental Assessment		750,000	-	-	-
FAA AIP Infrastructure Law 2022		430,500	-	-	-
FAA AIP Infrastructure Law 2023		145,000	-	-	-
FAA BIL Airport Terminal Program: Accessibility		-	-	300,000	-
FAA BIL Airport Terminal Program: Expansion		-	-	4,435,000	-
Purchase ARFF and Snow Removal Equipment		-	-	-	3,000,000
Design and Reconstruct Westplex Taxilane		-	-	-	3,300,000
Design and Construct Runway LED Lighting		-	-	-	-
Design Runway Reconstruction and REILS		-	-	-	-
Parking Lot Improvements		-	-	-	-
Total Airport		16,952,514	16,030,722	16,385,000	6,300,000

Airport Fund

- FY 2023-2024 Projects
 - Snow Removal Equipment Building Construction: \$24.8M
 - Land Acquisition: \$2.75M
 - Taxiway W and Apron: \$1.5M
 - Runway Pavement Repair: \$500K
 - Runway Pavement Study: \$750K



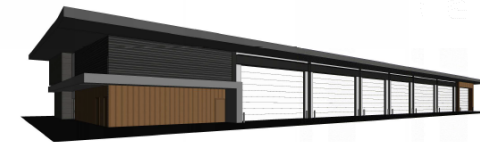
EAST - SUPPORT AREA SIDE
SCALE: _____



WEST - MAINTENANCE SIDE
SCALE: _____



EAST - MAINTENANCE SIDE
SCALE: _____

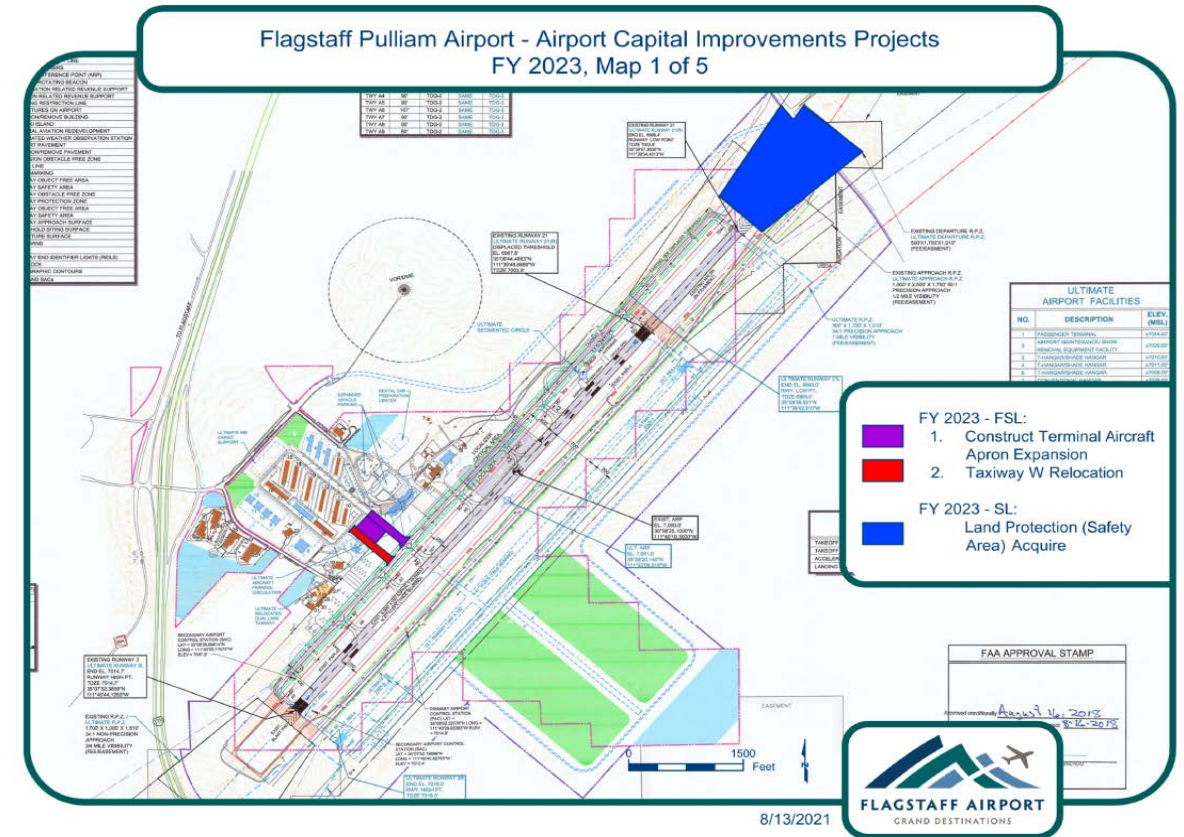


WEST - SUPPORT AREA SIDE
SCALE: _____

Airport Fund



- FY 2024-2028 Projects
 - Federal, State and Local projects
 - Snow Removal Equipment Building Construction: \$24.8M
 - Taxiway W Rehab and Relocate: \$11.5M
 - Terminal Construction/Expansion: \$2.1M
 - Taxiway A Rehab: \$1M
 - FAA Entitlement - Unidentified Project: \$1.1M
 - State and Local projects
 - Land Acquisition: \$2.75M
 - Taxiway W and Apron: \$1.5M
 - Land Safety Area 60 Acres: \$2.75M
 - ADOT Future Runway Rehab: \$400K
 - Perimeter Service Road Rehab \$4.5M
 - Taxiway Rehabilitate: \$500K
 - State projects
 - Runway Pavement Repair: \$500K
 - Federal projects
 - Runway Pavement Study: \$750K
 - Paid Parking Revenues
 - Parking Lot Improvements: \$500K





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Water Services

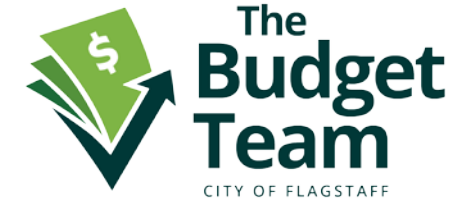


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Capital Improvement Projects (Funded)

Inner Basin Pipeline



Budget

Project Estimate \$16.1M

Design

- GMP 1 (\$190K)
- GMP 2 (\$3.2M)
- GMP 3 (\$2.4M)

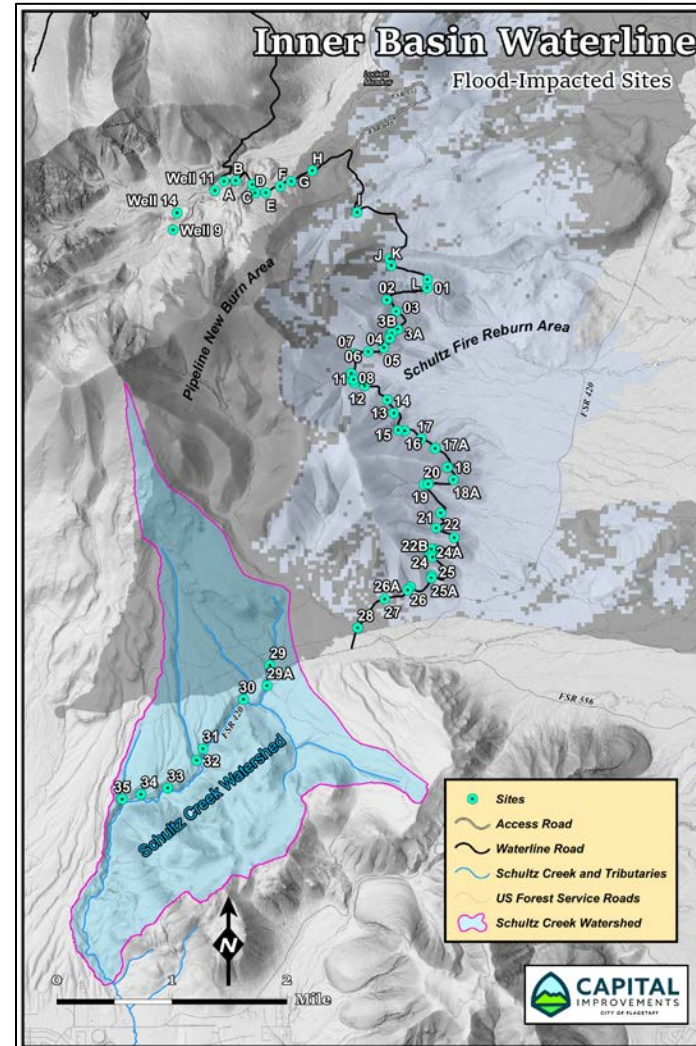
Construction

- GMP 4 (TBD)
- GMP 5 (TBD)

Schedule

Construction

- Began Summer 2023
- End late Fall 2024 - Summer 2025



2024 Council Activity

- GMP 4 (Feb 2024)
- GMP 5 (Late 2024)





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Capital Improvement Projects (Partially Funded)

Rio de Flag Improvements



Budget \$122M

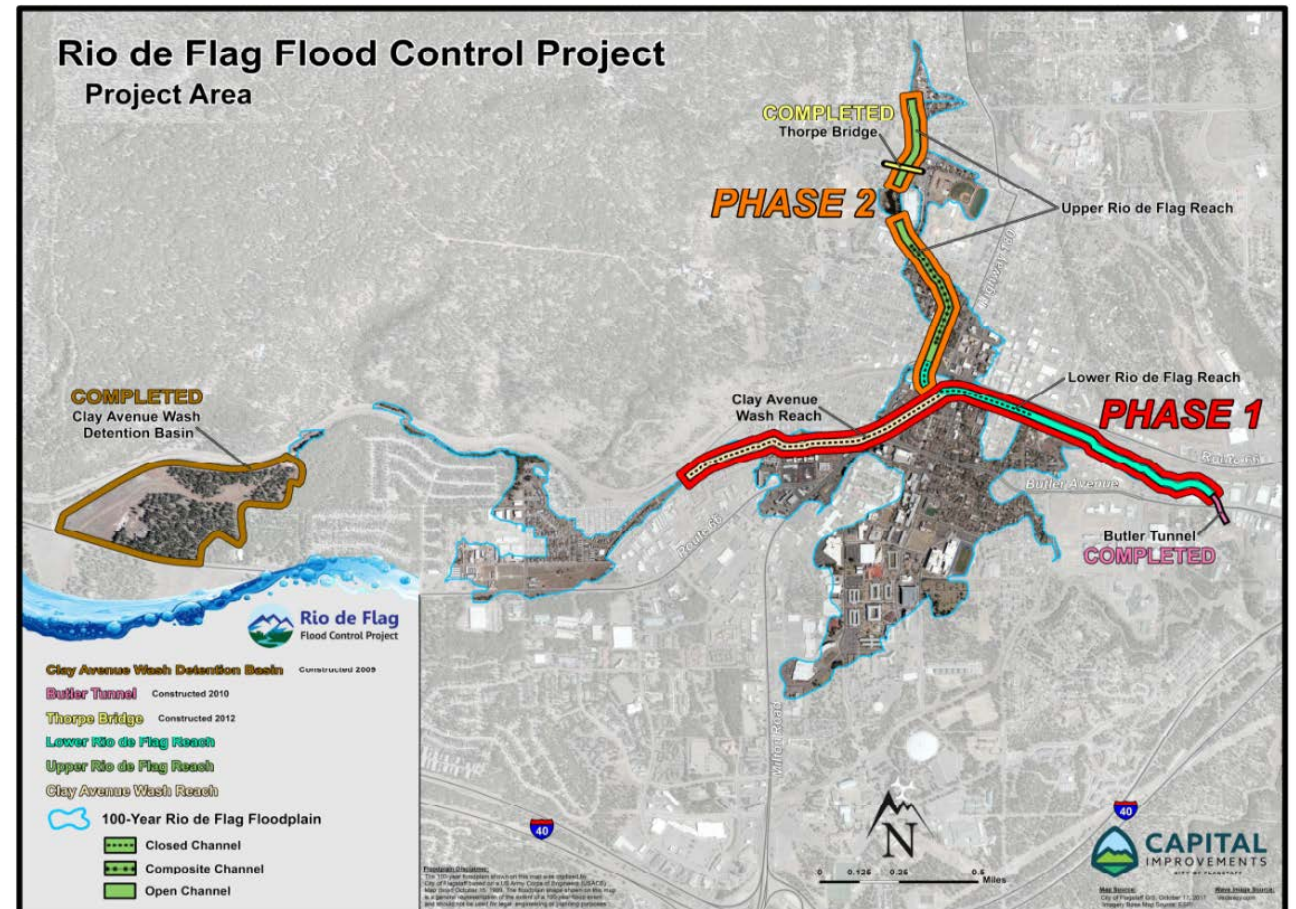
- US Army Corps of Engineers (65%) - \$79,300,000
- City of Flagstaff (35%) - \$42,700,000

Schedule

- Design completion - Summer 2024
- Construction - Fall 2024 - 2030

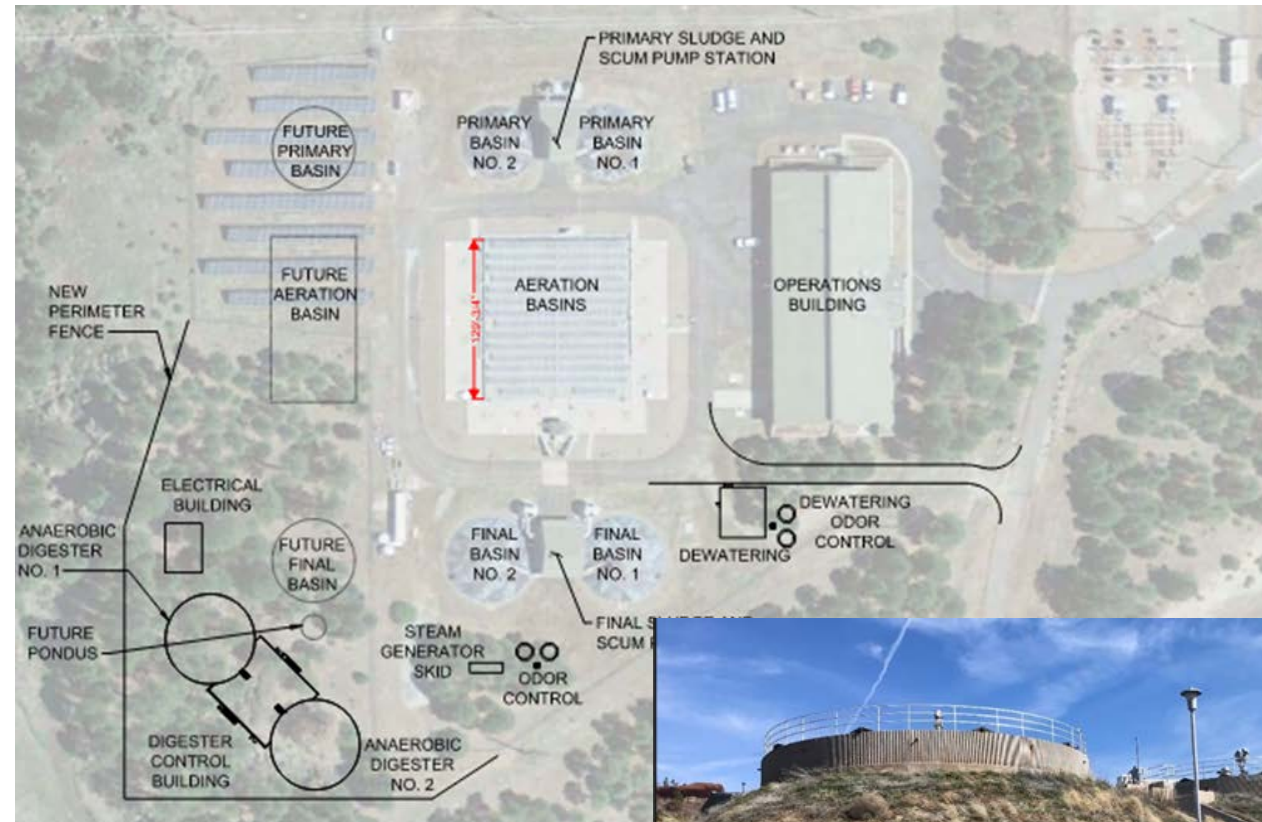
2024 Council Activity

- BNSF Railway agreements
- Design change order #18
- Real estate acquisition items



Rio Plant Digesters - \$24M

- 60% design
- One concrete anaerobic digester
- Digester control building
- Biogas handling system
- Dewatering and disposal

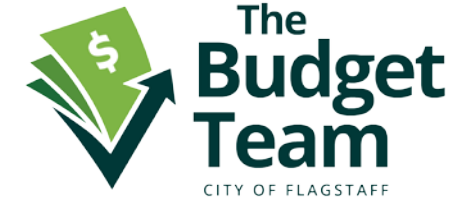


Noresco Projects - Upcoming

- Wildcat septage and grease station with Greasezilla
- Wildcat mechanical dewatering
- Rio ABAC aeration
- Future solar drying



Lake Mary Raw Water Pipeline



- Waterline 60 years old
- Critical piece of infrastructure for water supply
- Several line breaks in the last 10 years
- FY 2023-2024 assessment and design



Wildcat Sewer Interceptor

- Project scope
 - New sewer trunk line to increase capacity and resiliency of wastewater collection system
- Budget - \$12M
- Schedule
 - Design - 2024
 - Construction - 2024-2025





The
Budget Team
CITY OF FLAGSTAFF



Operating Capital Replacements/ Maintenance

Facilities



- Facilities is a team of 13.5 technicians
 - One Public Works Project Manager for Facilities capital renewal projects
- Maintain and support maintenance for over 100 buildings
 - Equating to over 1 million square feet of City owned facilities
- Consistent leadership has led to strong retention of employees
- New asset management/work order support (Brightly Software)
 - Finishing a City-wide facilities condition assessment where the data will inform future capital budget discussions

Facilities Advisory Committee



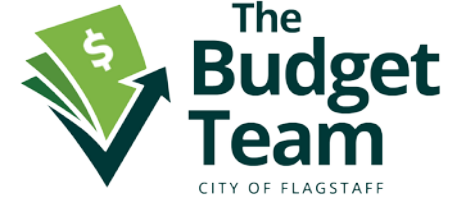
- Collective City-wide group of facility representation, leadership and finance
- The team works to manage and coordinate work, funding, and priorities for all City facility capital renewal projects
- Currently working through \$10,511,000 of projects City-wide
- The team continues to struggle with the General Fund annually allotted \$230,000 dedicated for capital renewal
 - One-time funding last year was extremely helpful
 - \$1 million ongoing is the goal to address deferred maintenance

DEFERRED TOTALS

19

\$ 10,511,000.00

Facilities Accomplishments



Material Recovery Facility transition and operational support

Completed City Hall (Engineering/Community Development) remodel

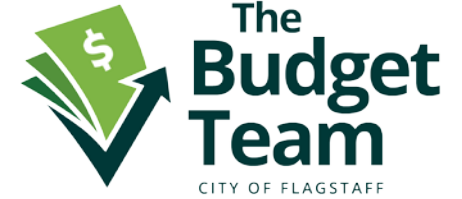
Sustainability office remodel

City Hall boilers

City Hall flat roof segment replacement (in progress)

Library boilers (in progress)

If Additional Funding Allocated



- Priority projects that would benefit from additional funding if available
 - City Hall main entrance ADA access
 - Aquaplex siding replacement
 - City Hall and Library window replacements
 - Jay Lively hardscape and ADA compliance improvements

Fleet Services

- What does Fleet Services do?
 - Performs repair and maintenance of all City rolling stock
 - Manages parts warehouse and inventory (\$400,000)
 - Manages fuel distribution center (gasoline, diesel, DEF)
 - Manages vendor relationships, coordination, warranties, and recalls
 - Manages City pool vehicle program
- Assets
 - 742+ pieces of equipment and vehicles
 - Unique uses, complex needs, and mixed funding resources
 - Snowplows, fire apparatus, landfill compactors, emergency response, etc.
 - Current value ~ \$60M (based on original price)
 - Replacement value is significantly larger
 - Robust replacement criteria (mileage, age, repair and maintenance costs, serviceability/parts)

Fleet Management Committee



- Citywide representation to provide oversight and review of vehicle/equipment replacements, additions, and utilization
- Reviews and approves priority scoring and ranking for fleet replacements
- Reviews and approves fleet related policies (e.g., electric vehicle-first, utilization and maintenance benchmarks, etc.)
- Provides recommendations to Budget Team and Council

Fleet Replacement Funding



- **General Fund**

- Ongoing = \$765,000
- One-time FY 2023-2024 = \$400,000
 - Total FY 2023-2024 = \$1,165,000
 - ❖ Without one-time funding, base is only \$100,000 above 1999 allocation

Funding Year (FY)	General Fund Replacement Base Allocation
1999-2009	\$605k-\$657k
2011-2012	\$286k (post-recession)
2014-Present	\$757k-\$765k

- **Special Revenue and Enterprise Funds**

- Varies by division, section, and program and is unique to fund

- **Catastrophic Fund**

- Housed in Fleet for unforeseeable repairs, failures, and replacements
- Current balance ~ \$414,000 (carried forward annually)

- **Electrification Fund**

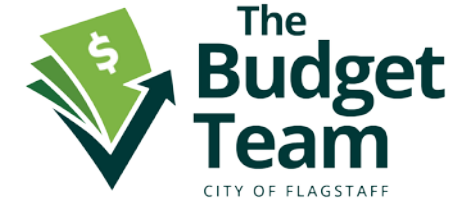
- Developed to offset additional cost of acquiring electric vehicles
- One-time available in FY 2023-2024 ~ \$200,000

FY 2023-2024 Fleet Successes



- Hiring of a Fleet Manager – Congratulations Nate
- Positive dealership relationships have allowed multiple City purchases to be successful
- \$176,000 from electrification funding has helped offset the cost of ten electric vehicles being added to the City fleet
 - Five Chevy Silverado (on order)
 - Five Ford Lightnings (received)
 - Total Cost - \$765,000

Fleet Recommendations



- All funds – true up the fixed costs, parts and maintenance base budgets
- Increase base funding for General Fund rolling stock on an ongoing basis and consider increases to the catastrophic fund
- Big ticket apparatus set aside – savings for the most expensive
- Continue to provide supplemental funding for fleet electrification to help offset the added costs of acquiring electric vehicles
- City-wide telematics increasing available asset data, fleet oversight, and reducing liability, data can inform efficiencies

Information Technology



FY 2023 - allocated \$500K in one-time funds to address infrastructure needs, in addition to recurring funds

FY 2024 - allocated an additional \$400K but elected to defer the funding (primary reason being a lack of staffing capacity to fully complete projects within FY 2024)

With the initial FY 2023 \$500K funding:

- Replaced approximately 40% of network switches
- 43 wireless access points across all City facilities
- Improved server management/capacity/security
- Virtual machines, data backups

Information Technology



- Recommendations for FY 2024-2025:
 - Additional server replacements
 - City Hall production data server
 - Expanding data backups
 - Continuing network switch replacements
 - Wireless network bridge replacements
 - Additional Cradlepoint network devices for Public Safety

Information Technology



- Additional infrastructure needs:
 - Aging software evaluation/replacement

Software	Description	Approximate Age
Naviline	HR, Payroll and Fleet Software	Unknown. System developed in 1986
Innoprise	Main ERP	11 years old
RecTrac	Rec Center and Visitor Center Software	Over 10 years old
Hexagon	911 Dispatch and Records	24 years old
AgendaQuick	Agenda Software	12 years old
Emphasys Elite	Housing Software	26 years old



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Resource Needs

City Public Facility Security



Good progress in the past year but more to do!

- Positive results and staffing of Police Aides at City Hall
- Continued contact and direct interaction builds the relationship between Police Department, City staff and the community
- Information technology and technology advancements are being implemented
- Staff training is more focused and will continue to provide employees with best practices and strategies
- Some items to consider
 - Statistics and data points are trending with increasing interactions and the need for continued support
 - City staff incident reports continue and are increasing at a few sites
 - Balancing staff concerns with resources is key, all while connecting our community members with support services

Ongoing Expense with 1X Budget



- FY 2023-2024
 - \$4,254,000 General Fund
 - \$496,000 Airport Fund
 - \$391,000 Water Funds
 - \$446,000 Sustainability
 - \$75,000 Other Funds
- FY 2022-2023
 - \$3,469,000 General Fund
 - \$399,000 Airport Fund
 - \$378,000 Water Funds
 - \$76,000 Sustainability
 - \$247,000 Other Funds
- Ongoing resources have focused on employee investments
- One-time funding has been available to cover these operational needs

Personnel Requests Submitted



FY 2024-2025 Division Requests	Ongoing
New Positions (40 FTEs) – General Fund	\$ 4,242,000
Add Pay Requests – General Fund	774,000
Reclass Requests – General Fund	116,000
New Positions (4.85 FTEs) – All Other Funds	356,000
Reclass Requests – All Other Funds	126,000

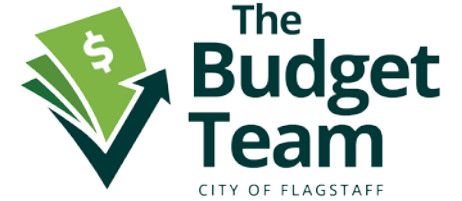
New Position Requests Submitted



Fund	FY 2024-25		FY 2023-24		FY 2022-23	
General Fund	40	\$ 4,242,000	31	\$ 3,101,000	19	\$ 2,131,000
Library Fund	0	0	3	273,000	1	88,000
BBB Funds	0	0	0	0	1	110,000
Water Services Fund	2	123,000	8	816,000	3	313,000
Solid Waste Fund	0	0	1	69,000	0	0
SEMS Fund	.85	25,000	3	254,000	2	164,000
Airport Fund	2	209,000	1	69,000	0	0
FHA Fund	0	0	1	86,000	0	0

*Excludes mid-year changes

Recycling Services



Provide the Council and community a brief update of the recycling program and status of the operations

- City assumed the Norton operations and has transitioned to a recycling transfer station model
- Immediate actions limited the disruption to customers
- Six months of data and operations understanding has informed our actions
- Contracted hauling and processing occurs in the Phoenix area, successful with the volumes and acts as the regional/state hub

Recycling Services



- Considerations and next steps
 - We are not alone in this challenge, communities throughout the country are working to define the actions and next steps
 - We are learning from our peers and building relationships as a collective and will benefit from the communication and coordination
- What is next?
 - Freidman contracting is under contract until June 1
 - A request for proposals has been issued and we will evaluate the opportunities to handle, move and process the community recyclables and report back this Spring
 - Discuss and balance the values of expectations, stewardship and cost to the customer



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Council Forum/ Budget Expectations



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