

MINUTES

1. Call to Order

Mayor Daggett called the Budget Retreat of the Flagstaff City Council held January 31, 2025, to order at 8:31 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 SWEET
COUNCILMEMBER ASLAN
COUNCILMEMBER GARCIA
COUNCILMEMBER HOUSE (virtually)
COUNCILMEMBER MATTHEWS
COUNCILMEMBER SPENCE

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 Spence read the Mission Statement of the City of Flagstaff, and Councilmember Garcia 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 Budget Retreat

Mr. Clifton, along with Senior Deputy City Manager Shannon Anderson, and Deputy City Manager Joanne Keene offered opening comments and provided a PowerPoint presentation that covered the following:

COUNCIL BUDGET RETREAT
AGENDA
BUDGET TEAM
PURPOSE
MEETINGS
ROLES -- STRATEGIC LEADERSHIP
ROLES -- ASSESSMENT
ROLES -- BUDGETARY

Assistant Finance Director Heidi Derryberry continued the presentation.

BUDGET INTRODUCTION
PROCESS
TIMELINE
COLOR OF MONEY
FUND TYPES
SPECIAL REVENUE FUNDS

Council discussed how the funding for the library works in partnership with Coconino County. They asked how many libraries the city oversaw. Library Director Linda Tillson explained that the city managed facilities and staff for the Downtown Library, East Flagstaff Library, Grand Canyon Library, Forest Lakes Library, Tuba City Library, the Detention Center Library, along with two Book Mobiles.

ENTERPRISE FUNDS
CAPITAL PROJECT FUNDS
DEBT SERVICE FUNDS
GENERAL FUND
NEW BUDGET SECTION

Council asked about the qualifications for the new Budget Director and if there would be a requirement for experience with the PBB process. Management Services Director Rick Tadder explained that their intent is to hire the best person for the position. They may not have the specific experience, but they would be trained up on those practices and expectations.

It was asked if the new Section would help with the backlog in Purchasing. Mr. Tadder stated that the addition would not have any impact on Purchasing. However, they are exploring other avenues to provide assistance within that Section.

Finance Director Brandi Suda continued the presentation.

BUDGET 101 ORIENTATION
MAINTAINING FISCAL HEALTH
FISCAL RESPONSIBILITY
FUND BALANCE RESERVE POLICY

Councilmember Matthews asked why the Water Services reserve fund was at 25%. Ms. Suda stated that the 25% was a policy adopted by Council. Once the reserve fund reaches 25% no additional funding was added. Mr. Tadder added that the fund balance was adopted before the last rate study. One of the primary reasons for the higher fund balance was because Water Services had major infrastructure needs and if there were major breaks or facilities issues there needed to be capacity to address those.

Vice Mayor Sweet noted that HURF funds were decreasing and asked if there was a plan/ Ms. Suda explained that the city was very conserving in the HURF balance projections and they analyze the trends frequently. They were projecting that the fund would level out which was not an immediate concern but there were longer term concerns that they are preparing for.

Councilmember Garcia asked if that leveling off was due to electric vehicles. Ms. Suda indicated that electric vehicles were a factor because there was no offsetting fee similar to that of the gas tax.

MULTI-YEAR PLANNING
RECESSION PLANNING
FIVE STAGES OF THE RECESSION PLAN
DEDICATED PROFESSIONAL STAFF

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

COUNCIL'S ROLE IN THE BUDGET PROCESS

Mr. Clifton introduced Kathy Novak who presented information about Priority Based Budgeting.

PROCESS
WHAT DOES THEIR BODY LANGUAGE TELL YOU?
GENERAL FUND SUMMARY
STAFF TRIED...
WHAT DOES THIS MEAN?
COUNCIL'S RESPONSE
FRUSTRATIONS
ELECTED OFFICIALS WANT TO KNOW
TRUST
HOW DOES PRIORITY BASED BUDGETING HELP?
PRIORITY BASED BUDGETING PROCESS
GOAL
KEY COMMUNITY PRIORITIES
PRIORITY BASED BUDGETING PRIORITIES AND OBJECTIVES
CONVERSATIONS
FROM THESE QUESTIONS
...TO NEW STRATEGIC QUESTIONS
STRATEGIC QUESTIONS
CONGRATULATIONS!
PRIORITY BASED BUDGET (PBB)
OVERVIEW
CITY OF FLAGSTAFF PBB
GOALS
PRIORITY AND OBJECTIVE DEVELOPMENT
KEY COMMUNITY PRIORITIES
PRIORITY BASED BUDGETING PRIORITIES AND OBJECTIVES
DEFINITIONS
ANNUAL PROCESS
FY 2024-2025 BY QUARTILE
PUBLIC FACING DATA

It was asked how PBB was used to evaluate the need to cut funds mid-year. Mr. Tadder explained that PBB is a budgeting tool. If things have to change in the middle of the year, those were operational changes and within the context of the approved budget. PBB would help guide the decisions in terms of changes in operation.

BUDGET TEAM FOCUS/COUNCIL EXPECTATIONS
INVESTING IN EMPLOYEES
ALIGNING WITH PRIORITY BASED BUDGET
FUNDING REQUESTS

Councilmember Matthews asked about the expenditure limitation. Ms. Suda explained that the expenditure limitation is set in state statute and limits how much of the local money a municipality could spend. The limitation grows each year based on population and CPI. There were different exceptions and exclusions, but the city cannot spend over the limitation. If that happens there were significant penalties where the state would hold the state shared revenues the city receives.

COUNCIL DISCUSSION

The Council provided their priorities for the upcoming budget. The priorities expressed were as follows:

- Housing, Fire, and Downtown Business Alliance
- Infrastructure improvements and deferred maintenance
- Mental health assistance for public safety
- Salaries and investing in staff
- Core services - making sure we have the equipment we need, the staff we need, investing in making sure that we are able to deliver the services our residents have come to expect
- Climate includes fire, do not see those as contradictory but rather complimentary
- Childcare and early childhood education
- City owned land used to solve the housing emergency

PUBLIC COMMENT

Steve Puhr addressed Council about population growth projections and how that had an impact on the budget. He expressed a need to determine a single number or calculation when developing the budget.

Mr. Clifton offered closing remarks and concluded the retreat.

5. Adjournment

The meeting of the Flagstaff City Council held January 30, 2025, adjourned at 12:17 p.m.

MAYOR

ATTEST:

CITY CLERK