

MINUTES

1. Call to Order

Mayor Daggett called the Budget Retreat of the Flagstaff City Council held February 13, 2025, to order at 8:30 a.m.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this work session, the City Council may vote to go into executive session, which will not be open to the public, for 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 SWEET
COUNCILMEMBER ASLAN
COUNCILMEMBER GARCIA
COUNCILMEMBER MATTHEWS
COUNCILMEMBER SPENCE

ABSENT:

COUNCILMEMBER HOUSE

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, Mayor Daggett read the Mission Statement of the City of Flagstaff, and Vice Mayor 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 Budget Retreat

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

COUNCIL BUDGET RETREAT
WELCOME AND OBJECTIVES
WELCOME
AGENDA
BUDGET TIMELINE/COLOR OF MONEY
BUDGET TIMELINE
COLOR OF MONEY
FUND TYPES
KEY COMMUNITY PRIORITIES
PRIORITY BASED BUDGETING PRIORITIES AND OBJECTIVES
DEFINITIONS
JANUARY RETREAT RECAP
COUNCIL BUDGET CONSIDERATIONS
REVENUE UPDATE
GENERAL FUND
GENERAL SALES TAX 1%

Council briefly discussed the difference between Retail and Market Place Retail. Staff explained that physical retail establishments are classified as "Retail" with Market Place Retail representing anything purchased online and delivered to Flagstaff.

STATE SHARED SALES TAX
STATE SHARED AUTO LIEU
STATE SHARED URBAN REVENUE (INCOME TAX)
BUILDING PERMITS
FRANCHISE FEES
HIGHWAY USER REVENUE FUND
TRANSPORTATION TAXES
BED, BOARD AND BEVERAGE FUNDS
GRANTS AND DIRECT SPENDING
TOTAL DOLLARS BY DIVISION
TOTAL NUMBER BY DIVISION
GRANTS AND DIRECT SPENDING

Mr. Clifton offered comments about how important grants and direct spending are and how successful Flagstaff has been in bringing funding in. It is a significant part of the city budget and it allows for projects that support fire, forest health, flooding, and infrastructure and transportation improvements. He noted that positive relationships with state and federal delegates have been a significant underlying factor and demonstrates the importance of the lobbying efforts of the Council and contracted lobbyists.

Councilmember Garcia asked about the variance in expenditures year to year and if that was due to the size of the grants or a result of inflation. Grants, Contracts, and Emergency Management Director Stacey Brechler-Knaggs explained that most grants are multi-year that start out slow and then ramp up during construction. It often takes time to get through the planning and design phases before construction. She also noted that between 2020 and 2024 there was the infrastructure bill that provided a number of opportunities to seek funding.

AVAILABLE RESOURCES AND FIXED COSTS
PENSION CONTRIBUTION RATES
PENSION EXPENDITURES
OTHER FIXED COSTS

Councilmember Matthews asked if the increase in electricity was due to an increase in rates or the city moving more toward electric. Ms. Suda explained that it could be a little of both but rates increased 7%.

Sustainability Director Nicole Antonopoulos explained that it was true that energy use was going up but fortunately, due to the efficiency efforts that were put in place the impact of the rate increase was not as significant as it could have been.

AVAILABLE RESOURCES -- GENERAL FUND
FIXED COSTS -- GENERAL FUND
OTHER FUNDS FISCAL HEALTH
SOLID WASTE FUND
AIRPORT FUND

Councilmember Aslan asked if the challenges with Solid Waste were unique to Flagstaff or if was it something that was trending nationally. Ms. Suda explained that much of the costs were related to parts, but the cost of operating capital was a nationwide trend. Public Works Director Scott Overton added that regionally and nationally, parts, fuel trucks, staffing costs, and competition for CDL drivers were all factors. Additionally, recycling recovery rates and rebates were down nationally.

Councilmember Aslan asked if the challenges with the airport were unique to Flagstaff. Mr. Clifton stated that there were similar issues with airports in communities similar in size to Flagstaff. There had been a cutting back of services and flights by airline operators and the Federal Aviation Administration had changed rules about pilots and rest time between flights. These changes impacted smaller airports more significantly. Economic Vitality Director Heidi Hansen added that there was deferred maintenance that was now required to be completed due to an FAA audit that showed deficiencies. They continued to look for revenue opportunities and they would be bringing in a consultant to assist in those efforts.

Councilmember Matthews asked about the possibility of constructing more private hangars. There was a demand, and it could be a good revenue generator. Ms. Hansen explained that they had the ability to add more hangars, but it would be at a big cost. It was something that was on the table for consideration in hopes of bringing in a private partner to share in the cost.

Airport Director Brian Gall shared that most of the federal funding available was for capital improvements only. The challenge was after the improvements were complete the federal government turned over maintenance for the improvements back to the city. This comes at considerable cost and with the loss of United Airlines, the revenues had not been as strong. The good thing was that they were seeing upward trends with higher enplanements.

Ms. Hansen added that the rental car leases were a great revenue generator, and they were looking forward to the Genterra development on the 32 acres at the airport. Plans for that development included technology and airport-oriented businesses and an extended-stay hotel. A rate study would ensure that the rates charged were appropriate and in line with the market.

Councilmember Spence asked about the TSA law enforcement officer. Ms. Suda stated that they were city employees who were required to be at the airport to provide security. There used to be reimbursement from the federal government to help pay the cost but that was no longer offered.

A break was held from 10:30 a.m. through 10:47 a.m.

Human Resources Manager Sarah Sorne and Human Resources and Risk Management Director Kori Vogt continued the presentation.

INVESTING IN EMPLOYEES UPDATE
HUMAN RESOURCES AND RISK MANAGEMENT
GENERAL FUND BENEFITS -- OTHER
BENEFITS -- MEDICAL INSURANCE
TOTAL REWARDS
RECRUITMENT

RECRUITMENT DATA

Councilmember Matthews asked about the 12.25% vacancy rate and what that equated to in number of positions. Ms. Some stated that it was approximately 115 positions.

SUCCESSFUL EFFORTS TO DATE
OPPORTUNITIES FOR IMPROVEMENT
COMPENSATION TERMINOLOGY
COMPENSATION -- RECAP
COMPENSATION -- EXIT SURVEY DATA
COMPENSATION -- FY 2026 PRIORITIES
COMPENSATION -- FY 2026 PRIORITIES COST ANALYSIS

Councilmember Garcia expressed his support for the \$4 million increase to get positions up to market.

Council discussed mid-year market adjustments and signing and relocation bonuses.

Battalion Chief Seth Gregar and Police Detective Jared Wotasik, on behalf of EAC, continued the presentation.

EMPLOYEE ADVISORY COMMITTEE (EAC) PRIORITIES

Mayor Daggett asked how many positions were not up to market. Ms. Some stated that there were just under 200 employees who had not received the full market adjustment, many of which were in public safety. The \$4 million request would address that shortfall.

MARKET ADJUSTMENTS
MEDICAL COST SHARING
EXPANSION OF PAID PARENTAL LEAVE

Councilmember Matthews asked about the possibility of combining sick and vacation time together for a single PTO designation. Mr. Wotasik explained that there were future discussions planned on that topic for further exploration.

A lunch break was held from 11:40 a.m. through 1:30 p.m.

Deputy Fire Chief Mark Wilson continued the presentation.

BOND PROJECT UPDATES
PROPOSITION 441: PUBLIC SAFETY

Interim Water Services Director Lee Williams continued the presentation.

PROPOSITION 441: STORMWATER
PROPOSITION 441: WASTEWATER

Housing Director Sarah Darr continued the presentation.

PROPOSITION 442: HOUSING

Mayor Daggett asked about the Flagstaff Senior Living project. Ms. Darr explained that there was limited information she could share. They were considering Low Income Housing Tax Credits (LIHTC) but there were complicating factors. They continue to work through details to make a final decision.

Deputy City Manager Joanne Keene asked if the project does not move forward if the city contribution would come back for allocation elsewhere. Ms. Darr stated that it would come back to the city and it would be rolled into another round of funding for LIHTC applications in the fall.

RESOURCE ALLOCATIONS AND NEEDS
HOUSING EMERGENCY
PROGRESS TOWARD OVERARCHING GOAL
CRITICAL SUCCESS FACTORS

Councilmember Matthews asked what an ongoing funding source would look like. Ms. Darr stated that something such as a dedicated sales tax or management fee could provide that ongoing funding.

Ms. Antonopoulos continued the presentation.

CLIMATE EMERGENCY -- CARBON NEUTRALITY PLAN (CNP)
CNP: STRATEGIC APPROACH
COMMUNITY EMISSIONS

Councilmember Matthews asked how emissions were measured. Ms. Antonopoulos explained that they use software that was recognized on the international platform by the International Panel on Climate Change. They plug in data points that were internationally recognized, and it allowed them to look at electricity and natural gas consumption and they were going to begin to look at vehicle miles traveled. They continue to monitor the advancement of software coming out of NAU but they have had some delays. They have data available, but it was not as specific as they needed. It would be great to have a local company within NAU that was trying to advance technology to assist in the city's efforts.

COMMUNITY EMISSIONS PER CAPITA
CNP ACTIONS UPDATE - % COMPLETED
CNP: CRITICAL MUNICIPAL INFRASTRUCTURE
CNP: CRITICAL COMMUNITY RESOURCES
CNP: CODE AND POLICY CHANGE
CNP: TECHNOLOGICAL ADVANCEMENT

A break was held from 2:55 p.m. through 3:10 p.m.

Facilities and Fleet Section Director Jen Brown continued the presentation.

FACILITIES
FACILITIES ADVISORY COMMITTEE
FACILITIES PROJECTS PROGRESS
FLEET SERVICES
FLEET MANAGEMENT COMMITTEE
FLEET REPLACEMENT FUNDING
FLEET RECOMMENDATIONS
FY 2024-2025 FLEET SUCCESSES

Councilmember Garcia asked what would happen without the \$30 million. Ms. Brown stated that they would remain reactive but that they had a facility condition assessment to provide a guide on what was most important. They would evaluate the needs and prioritize accordingly.

PUBLIC PARTICIPATION

Tom Pearson addressed Council and stated that the presentation on the climate emergency was commendable, particularly for emphasizing carbon neutrality and climate adaptation.. However, despite 30 years of climate efforts and trillions spent, atmospheric CO2 concentrations have continued to rise at a steady rate, showing no decline. He also noted that recent political shifts suggest a likely decrease in federal funding for carbon neutrality, though climate adaptation funding remains available. Given the strong advocacy for wildfire, flooding, and drought mitigation, it was crucial for Council to develop a consolidated climate adaptation plan to strengthen their position when seeking federal support.

Mr. Clifton offered closing comments and outlined the second day of the retreat.

5. Adjournment

The meeting of the Flagstaff City Council held February 13, 2025, adjourned at 3:40 p.m.

MAYOR

ATTEST:

CITY CLERK