

MINUTES

1. Call to Order

Mayor Daggett called the Budget Retreat of the Flagstaff City Council held February 1, 2024, 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:

MAYOR DAGGETT
VICE MAYOR ASLAN
COUNCILMEMBER HARRIS (virtual after 12:40 p.m.)
COUNCILMEMBER HOUSE (virtual)
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY
COUNCILMEMBER SWEET

ABSENT:

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, Vice Mayor Aslan 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. City Council Budget Retreat

Mr. Clifton offered opening remarks and introduced facilitator Jeff Kennedy who reviewed the objectives for the day.

COUNCIL BUDGET RETREAT FEBRUARY 1-2, 2024
WELCOME AND OBJECTIVES
AGENDA
BUDGET TIMELINE/COLOR OF MONEY
BUDGET TIMELINE
COLOR OF MONEY
FUND TYPES

Mr. Clifton and Economic Vitality Director Heidi Hansen continued the presentation.

DECEMBER RETREAT FOLLOW-UP
DOWNTOWN BUSINESS ALLIANCE
DBA CITY INVESTMENT
TOURISM
COMMUNITY INVESTMENT

Parks, Recreation, Open Space, and Events Director Rebecca Sayers continued the presentation.

PROSE

Public Works Director Scott Overton continued the presentation.

PUBLIC WORKS

Mr. Clifton inquired about a trash compaction system for downtown. Mr. Overton offered that they were considering a return to compaction service downtown. It would be a large capital cost and would require partnership with the Downtown Business Alliance. There were more immediate needs but they were looking at a variety of solutions to address the solid waste that is generated downtown.

Councilmember McCarthy made note of the grates around the trees downtown and how the trees were causing them to lift and create challenges for pedestrians, particularly those who utilize a mobility device. Ms. Sayers stated that staff had been discussing a pilot program to try some new types of products around the tree wells that might work better than the grates in the long term. The freeze-thaw cycles contributed to the challenges and how big the trees have gotten and they continue to research proper solutions.

CAPITAL PROJECTS RELATED TO DOWNTOWN

Mr. Clifton offered that the downtown experience touched on many things, visitor experience, tourism, activation of Heritage Square and alleys, hotel, retail, and community involvement. The activation of events of late including Movies on the Square are good for tourism but also very good for the locals. There was a strong presence of the local population visiting and enjoying downtown. It was an economic driver for the city as well. Ms. Hansen added that there were 168 events downtown each year.

Councilmember Harris agreed that there was great stuff happening in downtown, but she had heard feedback from community members who felt that the events were not for them. They also shared that they did not go downtown because they could not find parking, it was too busy, or there were too many tourists. There was a desire to have more events done in other parts of Flagstaff.

Ms. Hansen offered that they would be doing a large marketing plan for the BBB renewal and share information about how the BBB income helped support other areas of the city. There was a lot of focus on downtown and talking about other events and sharing information may help keep those other opportunities top of mind for people and bring awareness.

Councilmember McCarthy suggested including the Southside and Fourth Street in the planning efforts, similar to downtown.

Vice Mayor Aslan noted that he would like to have an assessment done on how compliant the lighting in downtown was and price out their replacement or modification to bring them into better compliance with the dark sky standards. Mr. Overton offered that there were two types of light fixtures downtown, the green decorative fixtures installed in the mid-90s which would likely not meet current standards and the second were the taller lights which were dark sky compliant. He noted that staff would be discussing the old light posts due to their age.

Councilmember Sweet asked to rethink the Clean Team and consider making it a dedicated maintenance person for the downtown instead. That position could ensure that lights were replaced, sidewalks painted and provide trash maintenance. Ms. Hansen stated that they wanted the funding to go toward things being maintained. If there were other ways to accomplish that then staff would be supportive. It would have to be a collaborative conversation with the Downtown Business Alliance and the city.

Mr. Overton added that the infrastructure features were the city's responsibility. The Clean Team was for the micro-trash, and they should coordinate efforts with the city in terms of scheduling things such as street sweeping and sidewalk maintenance. Again, it would have to be a collaborative conversation and partnership with the businesses downtown.

Management Services Director Rick Tadder continued the presentation.

REVENUE UPDATE
GENERAL FUND
GENERAL SALES TAX
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
PRIMARY PROPERTY TAX CONSIDERATION
PRIMARY PROPERTY TAXES
COUNCIL DIRECTION

Mayor Daggett clarified that the state set the cap on the levy for property tax and it was not a use it or lose it. Mr. Tadder responded yes and that it was a 2% cap each year but it builds up over time and is not lost in years that there may be no adjustment.

Vice Mayor Aslan stated that it had always been his preference to post the notice each year in order to keep options open and allow the Council to discuss and consider those options.

Councilmember Matthews asked how the rate was calculated and the impact on property owners. Mr. Tadder explained that the Council set the levy for the revenues they wanted to collect. The county then determined how those calculations were done. If there was a 2% levy increase, it was spread out through all the properties and each would be impacted differently based on their property value.

A majority of Council supported posting the notice.

A break was held from 10:15 a.m. through 10:26 a.m.

Finance Director Brandi Suda continued the presentation.

AVAILABLE RESOURCES AND FIXED COSTS

PENSION CONTRIBUTION RATES
PENSION EXPENDITURES
OTHER FIXED COSTS

Councilmember Matthews asked how costs were projected. Ms. Suda explained that it was an analysis of where the city has been in the past and where it is anticipated to go based on historic records, in addition to inflation and new costs. Those were only some of the things considered as part of the estimations, there was a lot of analysis that went into it.

AVAILABLE RESOURCES -- GENERAL FUND
FIXED COSTS -- GENERAL FUND
OTHER FUNDS FISCAL HEALTH

Councilmember McCarthy asked how the Library Fund was funded. Ms. Suda stated that it was funded through a County Library District tax along with a city general fund transfer. The county approved a rate increase last year to fund new positions.

Interim Deputy Human Resources Director Jennifer Caputo continued the presentation.

INVESTING IN EMPLOYEES UPDATE
RECRUITMENT DATA
APPLICANT STATISTICS
APPLICANT DEMOGRAPHICS
HIRES BY SOURCE
VACANCY RATE
WITHDREW FROM PROCESS
DECLINED OFFERS
DIFFICULT POSITIONS TO RECRUIT/RETAIN
SHORT-TERM RETENTION
SUCCESSFUL EFFORTS TO DATE
OPPORTUNITIES FOR IMPROVEMENT

Councilmember Matthews asked what markets were being used for comparisons. Interim Class and Comp Manager Jessica Vigorito stated that they had identified 24 to 30 benchmark cities with similar cost of living such as Scottsdale and Palm Springs. Based on the data from the benchmarks, they adjust up or down based on Flagstaff's cost of living.

GENERAL FUND BENEFITS -- OTHER
BENEFITS -- MEDICAL INSURANCE: 1.5% INCREASE

Ms. Vigorito continued the presentation.

COMPENSATION TERMINOLOGY
COMPENSATION -- RECAP
FY 2021-2022
FY 2022-2023
FY 2023-2024
COMPENSATION -- PRIORITIES
RESULTS OF INTERNAL MARKET ANALYSIS

EAC Representatives Jared Wotasik and Seth Gregar continued the presentation.

EMPLOYEE ADVISORY COMMITTEE (EAC)
PRIORITIES
IMPACT OF INFLATION, MINIMUM WAGE AND MARKET TRENDS
EXPANSION OF PAID PARENTAL LEAVE

Vice Mayor Aslan asked if there had been words of resentment or inequity from employees who would not be eligible for the leave due to a variety of reasons. Mr. Wotasik stated that there was always that

possibility and it was something that had to be balanced within the decision-making process.

Councilmember Harris stated that she did not think that the city had thought creatively enough about how to support employees in the areas of housing. Housing Director Sarah Darr explained the Employer Assisted Housing program and the proposal for housing at Thorpe Park, along with lack of funding. Community Development Director Dan Folke added that the Public Facility Zoning District was another barrier that they were working through. However, the cost and resources needed to build housing was the primary barrier.

Councilmember Harris asked about the potential for public/private partnerships. Ms. Darr stated that they were an option; the problem was that the city did not have the resources to contribute to the project.

Vice Mayor Aslan asked the Fire and Police Departments about the incidentals or perks that they felt were missing that often help attract and retain employees. Mr. Gregar offered from the Fire perspective that they needed a training facility that came with storage along with lockers, showers, restrooms, etc. Mr. Wotasik stated that the Police Department needed a larger gym, a place to properly store the Bomb Squad vehicle, and equipment in general to replace equipment that was nearing or at end of life. He also stated that there would be a presentation later in the meeting about the need for facility expansion.

A break was held from 12:00 p.m. through 12:37 p.m.

Mr. Clifton continued the presentation.

REFRESHER FOR COUNCIL/STAFF RELATIONS
COUNCIL/STAFF ROLES
THE DICHOTOMY
THE PRACTICAL MODEL
THE ACTUAL MODEL
REACTIVE POLICY MAKING
PROACTIVE POLICY PROCESS
STAFF ROLES -- POLITICAL TOPICS

Councilmember Matthews offered that Council often faced difficult decisions that would not please everyone, especially when they impact the city and local taxpayers. Taking political stances on state, national, or global issues, where the city had no control, only served to divide the community unnecessarily. Council should focus on matters within their jurisdiction and avoid engaging in broader issues that do not lead to actionable outcomes.

Councilmember McCarthy shared that he generally agreed but that there were times when it was appropriate to engage. He offered the example of uranium mining and impacts on water supply for Indigenous nations. Matters needed to be evaluated on a case by case basis.

STAFF ROLES -- COMMUNITY EXPECTATIONS
ORGANIZATIONAL STRUCTURE

Council further discussed the role of local government in broader political and social issues.

Councilmember Harris raised concern about the impact of state legislation that may conflict with the city's values. She emphasized the importance of advocating for Diversity, Equity, and Inclusion (DEI) and ensuring all staff feel valued, regardless of background. She cautioned against becoming a body that avoids advocacy for policies that benefit city operations and staff.

Mr. Clifton explained that the city's internal organizational values supported DEI and noted that staff were receiving training aligned with those principles.

Vice Mayor Aslan highlighted the political nature of elected roles such as campaigns, promises, and allegiances, but emphasized the importance of remaining aware of what truly mattered to the community. He encouraged mindful leadership that avoided unnecessary entanglement in broader

political issues while acknowledging the complexity of navigating such dynamics.

Councilmember Matthews stressed the importance of understanding the unintended consequences of Council decisions. She highlighted the need for better data and analysis to inform decisions.

Councilmember McCarthy emphasized the need to consider both positive and negative impacts of any decision and advocated for a balanced and comprehensive evaluation of all sides of an issue.

Fire Chief Mark Gaillard, Stormwater Manager Ed Schenk, Water Services Director Shannon Jones, and Housing Director Sarah Darr continued the presentation.

BOND PROJECT UPDATES
PROPOSITION 441: PUBLIC SAFETY
PROPOSITION 441: STORMWATER
MAP OF PROJECTS

Council raised questions about whether stormwater rate increases could be adjusted based on the outcome of grant funding. There was concern about the burden on ratepayers if sufficient grant funding was not secured.

Mr. Schenk stated that the original \$26 million project was expected to be fully funded under Proposition 441. The need for additional grants had arisen due to funding gaps. The grant for the Killip Inlet was in the final stages and was close to being signed. The FEMA Hazard Mitigation Grant for Cedar Avenue was under federal compliance review and approval was expected once compliance was completed. The Killip Outlet project was expected to move forward with compliance work starting in the spring. He clarified that compliance did not guarantee funding, but it was required for final approval.

Staff expressed confidence in securing the grants and the city continued to work closely with state and federal partners. All projects would be completed as a unified system. Even if there was a shortage of funding for one-part, other projects would not be dropped or delayed. The team continued to explore efficiencies, alternative funding sources, and opportunities. While there was a remaining shortfall of approximately \$2 million, staff were optimistic that the gap could be closed within the next 24 months.

PROPOSITION 441: WASTEWATER

Mayor Daggett emphasized the importance of educating the public about the projects and how crucial they are for the city's wastewater future.

Ms. Darr continued the presentation.

PROPOSITION 442: HOUSING

Councilmember Matthews asked if one of the options available would be rate buy downs. Ms. Darr stated that it was a potential and it had been discussed as part of the brainstorming exercise. There was a difference between what the city could do and what was politically palatable. Other things that came out of the brainstorming was down payment assistance, working with other organizations, lease to own, and ways to calculate income and different types of debt.

Councilmember Harris asked about the possibility of using consultants to help with the staff shortage. Ms. Darr stated that they were requesting to reprogram some existing funding to get a consultant to help with one of the programs. The challenge was timing. There was a push to move quickly and they have been fortunate to gain information and expertise from within the community.

Councilmember Matthews expressed support for the most efficient way to meet the need. Consultants could help with the short-term needs but it would be important to hire the extra FTE to oversee things. She was concerned about the time it took to properly onboard a new employee.

Capital Improvements Engineer Trevor Henry continued the presentation.

RESOURCE ALLOCATIONS AND PRIORITIES
CAPITAL IMPROVEMENT PROJECTS
TRANSPORTATION
CAPITAL PROJECTS (FUNDED)
LONE TREE OVERPASS AND CORRIDOR
DOWNTOWN MILE SAFETY AND CONNECTIVITY PROJECT
BEULAH & UNIVERSITY IMPROVEMENTS
BUTLER-FOURTH IMPROVEMENTS
LOCKETT AND CEDAR ROUNDABOUT

Airport Director Brian Gall and Airport Engineer Adam Miele continued the presentation.

AIRPORT
AIRPORT FUND
FY 2023-2024 PROJECTS
FY 2024-2028 PROJECTS

Councilmember Matthews shared that she had heard frustration about the long wait to obtain parking and storage for planes. She asked if there were future plans to address that. Mr. Gall explained that there 100 spaces at the airport to store aircraft and they were at capacity. There was a wait list that took about three to five years to get access. Staff was looking at options to expand that area in the future.

Mr. Henry continued the presentation.

WATER SERVICES
CAPITAL IMPROVEMENT PROJECTS (FUNDED)
INNER BASIN PIPELINE
CAPITAL IMPROVEMENT PROJECTS (PARTIALLY FUNDED)
RIO DE FLAG IMPROVEMENTS

Mr. Jones continued the presentation.

RIO PLANT DIGESTERS - \$24M
NORESKO PROJECTS -- UPCOMING

Council discussed funding for large-scale water and wastewater projects. Staff confirmed that most major water and wastewater infrastructure projects would be funded through revenue bonds, which were repaid over time through water and wastewater service fees, not property taxes. While early rate studies suggested costs might be entirely covered by rate increases, the financial model did include assumptions about taking on debt at strategic points. Staff clarified that capital projects would likely be funded through a mix of rate adjustments, debt service, capacity fees, and external funding such as grants or federal appropriations. They acknowledged that while some smaller projects may be rate-funded directly, larger undertakings, like rebuilding treatment plants or potentially massive projects such as Red Gap Ranch, may require more complex financing strategies, including state and federal support. The team was actively pursuing all funding avenues and stressed the importance of balancing debt-to-revenue ratios and long-term sustainability in financing.

LAKE MARY RAW WATER PIPELINE
WILDCAT SEWER INTERCEPTOR

PUBLIC COMMENT

Steven Puhr asked about the status of the JW Powell Extension.

Mr. Clifton stated that the JWP project was active and progressing well, with regular meetings involving a multidisciplinary team, including planners, engineers, attorneys, real estate professionals, and key property owners. The group was nearing a final alignment, and discussions had advanced to specific details such as intersection types and locations, as well as funding strategies. Mr. Henry added that

coordination with large property owners was ongoing, with a specific plan underway to determine future land use and development elements. The city was responsible for 40% of the project funding, which was already secured, while the remaining 60% will be covered by property owners. The goal was to complete both the design and the specific plan by the end of the year.

Mr. Clifton offered closing remarks and offered a reminder that Day 2 would begin at 8:30 a.m. the next day.

5. Adjournment

The Council Budget Retreat of February 1, 2024, adjourned at 3:14 p.m.

MAYOR

ATTEST:

CITY CLERK