

MINUTES

1. Call to Order

Vice Mayor Sweet called the Budget Retreat of the Flagstaff City Council held April 24, 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:

ABSENT:

MAYOR DAGGETT
VICE MAYOR SWEET
COUNCILMEMBER ASLAN
COUNCILMEMBER GARCIA (virtual)
COUNCILMEMBER HOUSE
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 Matthews read the Mission Statement of the City of Flagstaff, and Councilmember Aslan 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 FY 2025-2026 Budget Retreat

Mr. Clifton, 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:

WELCOME AND OVERVIEW
RETREAT PROTOCOL
OVERVIEW
AGENDA -- DAY 1
AGENDA -- DAY 2
BUDGET TIMELINE
BUDGET APPROACH
COLOR OF MONEY

Management Services Director Rick Tadder continued the presentation.

REVENUE UPDATES
REVENUE UPDATE -- GENERAL FUND

Councilmember Matthews stated that building permits were down last year and were still low this year, she asked if that was a concern. Mr. Tadder stated that they reset each year and project from the current status; for budgeting purposes they were in a good spot.

Human Resources Manager Sarah Some continued the presentation.

INVESTING IN EMPLOYEES
FEBRUARY RETREAT REFRESHER

Councilmember Spence asked if there was an uptick in federal employees applying to the city. Ms. Some responded yes, particularly those who had lost their position or were planning ahead.

Mr. Clifton asked if the spike in 2021 was an aftermath of Covid. Ms. Some stated that it was a factor, but budgeted positions had stayed steady. She also noted that another factor was that merit-based pay had not yet been implemented. Mr. Clifton noted that the rise in applications was significant, which is likely in part due to the market adjustments.

PERSONNEL RECOMMENDATIONS

Council discussed the partnership with the County for library services. Ms. Suda shared that the city had an IGA with the county and there was a formula for how much funding each library within the district received. The county paid the city and the city then dispersed the funding.

Council also discussed the need for new Housing positions and the challenges with having the capacity to implement their plans efficiently. Ms. Keene explained that with the departure of Community Development Director Dan Folke, there was an opportunity to consider some organizational changes. Community Development would become Planning and Development Services which would include Planning, Real Estate, Building Safety, and Code Compliance. Housing would then report to the City Manager's Office for about six months at which time it would become a new division for Housing. At that time, they would be looking for opportunities for reorganization and evaluate what positions would be needed.

Councilmember Garcia asked about the process to decide what requested positions got approved. Mr. Clifton stated that the Budget Team was the central entity that dealt with those recommendations. They worked in collaboration with the requesting divisions and there was much deliberation. They looked at the function, the need, funding, and other components. The recommendations were then brought to Council and if questions or further discussion was desired that could be facilitated.

RECLASSIFICATIONS
STAFFING HISTORY (FULL-TIME EQUIVALENTS)
FY 2025-2026 PROPOSED BUDGET BY CATEGORY
BUDGET APPROACH
COMPENSATION RECOMMENDATIONS
MARKET ADJUSTMENTS

Council discussed the market analysis process, market adjustments, and market-based pay. It was asked if there was an estimated timeframe for all positions to be at market. Mr. Clifton stated that staff reviewed 25% of positions each year. They were currently in catch up status, but the overall financial impact should start to decline with more consistency in the reviews.

BENEFIT RECOMMENDATIONS
MEDICAL INSURANCE
BENEFITS -- OTHER
IN SUMMARY

Council discussed the uncertainty of grant funding from the federal government. Staff continued to move forward regardless and continued to watch and adjust, when necessary, particularly with the messaging and how grant applications were developed.

Fire Battalion Chief Seth Gregar, on behalf of EAC, continued the presentation.

EMPLOYEE ADVISORY COMMITTEE
EAC UPDATE

A break was held from 10:00 a.m. through 10:15 a.m.

Finance Director Brandi Suda continued the presentation.

NEW BUDGET APPROPRIATIONS
SUMMARY -- TOTAL BUDGET REQUESTS
EMPLOYEE INVESTMENTS -- GENERAL FUND
INFRASTRUCTURE -- GENERAL FUND
SUMMARY -- GENERAL FUND

Assistant Finance Director Heidi Derryberry continued the presentation.

PRIORITY BASED BUDGET ALIGNMENT
TOTAL BUDGET REQUESTS -- ALL FUNDS
OPERATING REQUESTS BY ALIGNMENT
RECOMMENDATIONS BY ALIGNMENT
REQUESTS AND RECOMMENDATIONS

Ms. Anderson, Ms. Keene, Parks, Recreation, Open Space, and Events Director Rebecca Sayers, and Public Works Director Scott Overton reviewed the PBB alignment categories.

MOST ALIGNED
HIGHLIGHTS OF RECOMMENDED REQUESTS
MORE ALIGNED
HIGHLIGHTS OF RECOMMENDED REQUESTS
LESS ALIGNED
HIGHLIGHTS OF RECOMMENDED REQUESTS

Councilmember House left the meeting at 11:00 a.m.

LEAST ALIGNED
HIGHLIGHTS OF RECOMMENDED REQUESTS

A break was held from 12:00 p.m. through 12:30 p.m.

CAPITAL IMPROVEMENT PROGRAM SUMMARY

Sustainability Director Nicole Antonopoulos continued the presentation.

CARBON NEUTRALITY PLAN (CNP) CLIMATE ACTION NEW FUNDING

Council discussed the transition to electric vehicles, EPA grant funding, and cost of implementation of the Carbon Neutrality Plan.

A major component of the city's carbon neutrality strategy involved the transition to electric vehicles (EV). The transition was being phased in gradually as existing fleet vehicles and equipment aged out, not a one-time, full replacement, which would be financially impractical. The city was also supporting broader market adoption by partnering with APS to expand EV charging infrastructure. Additional charging stations would be installed in the current budget year, and an EV rate discussion was scheduled with Council in May. On the community side, the city emphasized infrastructure and policy support and encouraged residents and businesses to consider electrification as they made upgrades. The approach was supportive, not mandatory.

Regarding grant funding, the city received a \$1 million EPA grant to develop three resilience hubs (Southside, Sunnyside, and the Community Assistance Team). However, a stop-work order was issued, which affected three community-funded positions. The city had formally appealed this and expected a decision by November. The hubs provided emergency preparedness services, job training, and serve as safe community spaces.

Implementation of the Carbon Neutrality Plan was cited as \$600 million. That figure represented the total communitywide cost of reaching carbon neutrality, not just the city's burden. Institutions like NAU and FUSD were also contributing to those goals. Much of the cost centered around upgrading homes and buildings for energy efficiency. The figure did not factor in future grant funding or policy shifts that could offset costs.

Lastly, there was an interest in tracking real-time emissions, and NAU researchers were exploring ways to develop better measurement tools. Some emission sources, like energy use, were trackable, while others, like visitor traffic, relied on estimates. A future Work Session would go deeper into data collection, return on investment, measurement tools, and the city's role versus community behaviors in achieving carbon neutrality.

Assistant Budget Director John Comer continued the presentation.

KEY COMMUNITY PRIORITIES PRIORITY BASED BUDGETING PRIORITIES AND OBJECTIVES DEFINITIONS KEY COMMUNITY PRIORITIES -- BASE BUDGET ONLY

IT Director CJ Perry, Fire Chief Mark Gaillard, Housing Director Sarah Darr, Interim Community Development Director Michelle McNulty, City Engineer Paul Mood, Police Chief Sean Connolly, Economic Vitality Director Heidi Hansen, Sustainability Director Nicole Antonopoulos reviewed the PBB objectives.

HIGH PERFORMING GOVERNANCE OBJECTIVES SAFE AND HEALTHY COMMUNITY OBJECTIVES HOUSING 10 YEAR PLAN INVESTMENTS

Council discussed the incentive policy for affordable housing and how developers were using the incentive.

Ms. Darr explained that the city used a reservation system where developers requested future access to affordable housing funds. This helped the city plan and budget for upcoming projects, but since development timelines were unpredictable, staff carefully tracked which projects were active, delayed, or inactive. Currently, about \$1 million in reservations existed, though much of it was not expected to activate in the current fiscal year. Projects like Habitat for Humanity's Timber Sky development and Foundation for Senior Living were examples of ongoing or pending projects. The city manager and budget team had committed to making additional funds available mid-year if needed and allowed unused funds to roll over year to year. Staff was also exploring the creation of incentives for middle-market housing, not just for low-income projects. The current policy already allowed incentives up to 125% AMI, and further refinements were being considered as part of a broader code update to align incentives with housing and sustainability goals.

INCLUSIVE AND ENGAGED COMMUNITY OBJECTIVES
SUSTAINABLE AND INNOVATIVE INFRASTRUCTURE OBJECTIVES
ROBUST AND RESILIENT ECONOMY OBJECTIVES
LIVABLE COMMUNITY OBJECTIVES
ENVIRONMENTAL STEWARDSHIP OBJECTIVES

Mr. Tadder continued the presentation.

PRIORITY BASED BUDGETING PRIORITIES AND OBJECTIVES CHECK-IN
PRIORITIES AND OBJECTIVES UPDATES
PRIORITIES AND OBJECTIVES
POSSIBLE APPROACHES
POSSIBLE PROCESSES
OUTREACH
COUNCIL DIRECTION

Following discussion Council agreed to moderate change/low effort and that a check-in on the priorities and objectives could be done with the community each year at a work session, with a deeper dive every four or five years.

PUBLIC PARTICIPATION

None

DAY 1 WRAP UP

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

5. Adjournment

Day one of the Budget Retreat of the Flagstaff City Council held April 24, 2025, adjourned at 2:20 p.m.

MAYOR

ATTEST:

CITY CLERK