

Financial Planning & Considerations

September 16, 2025













Agenda

- Financial Planning
- Future Considerations from April 2025 Council Budget Retreat
 - Arts and Culture Facilities
 - Wastewater Treatment Plant
 - Public Safety
- Potential Public Safety Ballot Measure





Resource Toolbox

- User Fees and Rates – Approved by Council   
- Property Taxes
 - Primary – Approved by Council 
 - Secondary – Voter approved   
- Transaction Privilege Taxes/Sales Taxes – Approved by voters
 - General Sales Tax 1% 
 - Transportation Taxes 
 - BBB Taxes 



General Fund










Special Revenue Funds



Enterprise Funds



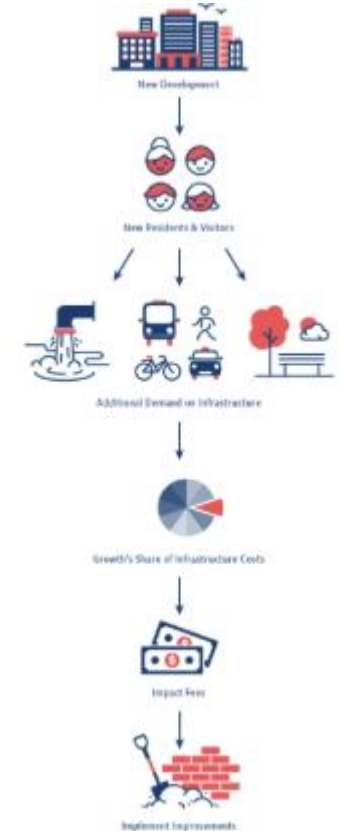
Resource Toolbox

- Debt Options – Authorization by Council 
 - Revenue debt
 - Certificates of participation
 - Loans and leases
 - Municipal improvement district
- Development Fees – Approved by Council 
- Capacity Fees – Approved by Council 
- Grants 
- State and Federal Appropriations 
 -  General Fund
 -  Special Revenue Funds
 -  Enterprise Funds



Development Impact Fees

- Fee for a new or proposed development project
- Proportional share of the cost of necessary public services
- Calculated based on adopted infrastructure improvement plan, to be renewed in FY 2025-26
- Flagstaff has impact fees for public safety facilities, apparatus/vehicles, communication equipment, and development impact fee reports
- Impact fees cover growth related capital expansion not maintenance of effort and staffing
- Updating the Infrastructure Improvement Plan





Development Impact Fees

What can't impact fees pay for?

- Administrative, maintenance or operating costs of the municipality
- Construction, acquisition or expansion of public facilities or assets other than necessary public services or facility expansions identified in the infrastructure improvement plan
- Repair, operation or maintenance of existing or new necessary public services or facility expansions
- Upgrading, updating, expanding, correcting, or replacing existing necessary public services to serve existing development in order to meet stricture safety, efficiency, environmental or regulatory standards



Transaction Privilege Tax

- Also known as sales tax
- Voter approval required
- Dedicated or unrestricted
- Sunset or no sunset date
- Half of Arizona cities have a rate of 3.00% or higher
- 1% tax produces \$30M
 - 0.1% is \$3M
 - 0.25% is \$7.5M

Effective July 1, 2025

Tax Purpose	Base Rate	w/BBB	Expiration Date
Transaction Privilege Tax	1.000%	1.000%	06/30/2035
Bed, Board and Beverage (BBB)	n/a	2.000%	06/30/2043
Transportation Tax	0.426%	0.426%	06/30/2041
Road Repair and Street Safety	0.330%	0.330%	12/31/2034
RT66/Butler Overpass	0.230%	0.230%	06/30/2039
Transit Tax	0.500%	0.500%	06/30/2040
Total City Sales Tax	2.486%	4.486%	
Coconino County	1.300%	1.300%	
State	5.600%	5.600%	
	6.900%	6.900%	
Total Tax Rate	9.386%	11.386%	



Secondary Property Tax and General Obligation (GO) Bonds



- Voter approval required
- Levy secondary property tax for payment
- Secondary property tax can only be used to pay back GO bonds
- Legal limits – assessed valuations (state statute)
 - 20% Limitation is \$303M: Water, sewer, artificial lighting, parks, open space, recreational facilities, public safety, law enforcement, fire and emergency services and street and transportation facilities
 - 6% Limitation is \$100M: Everything else (i.e., Housing)



Secondary Property Tax and General Obligation (GO) Bonds



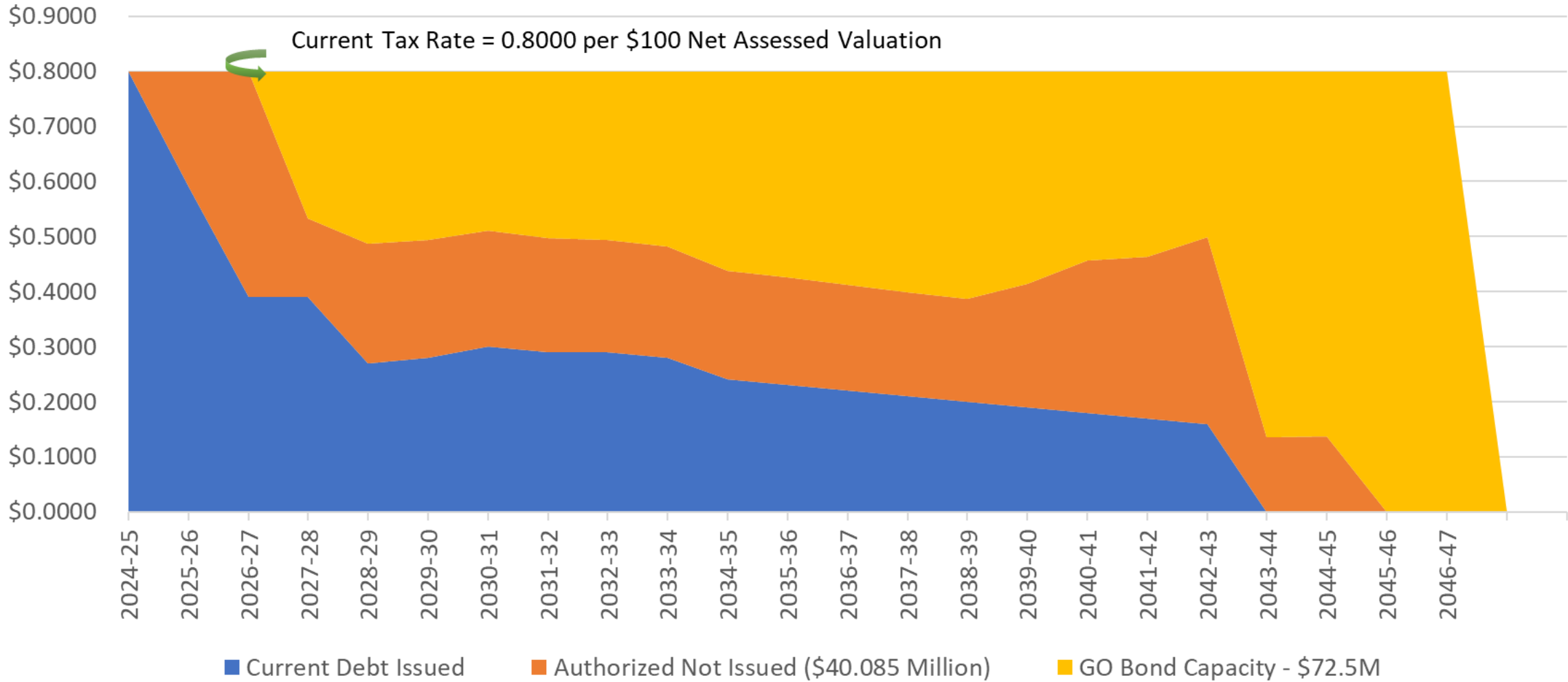
- Current rate is 0.8000 per \$100 of assessed valuation
 - Current policy to remain at or below 0.8000 rate based on promises made during past elections
 - The City is allowed to go above this rate for the purpose of paying debt
- Based on current projection of assessed valuations
 - Estimated capacity \$72.5M under current rate policy
 - Uses capacity through FY 2046-47
- Authorized but unissued GO debt is \$40.085M
- Additional capacity added annually as debt paid off



Secondary Property Tax and General Obligation (GO) Bonds



Secondary Property Tax Rate Capacity





Primary Property Tax

- Unrestricted use
- Current primary property tax levy supports General Fund operations
- Rate adopted by City Council to impose a levy
- State restrictions on annual increase in levy of 2%
- FY 2025-26 capacity up to 12%, approximately \$912K
- If Council direction is to increase the tax, City will follow Truth in Taxation requirements for tax adoption



Arts and Culture Facilities

Bond to Fund Facilities Acquisition and Maintenance

- Orpheum Theater
 - Facilities Conditions Assessment and Appraisal Underway
 - Expect to Return to Council with Recommendation November 2025
- Indigenous Community Cultural Center
 - Facility Upgrade Costs Estimated at \$5 million
 - Non-Profit Selected
- Other Potential Additions to Package Under Consideration





Wastewater Treatment Plant

History

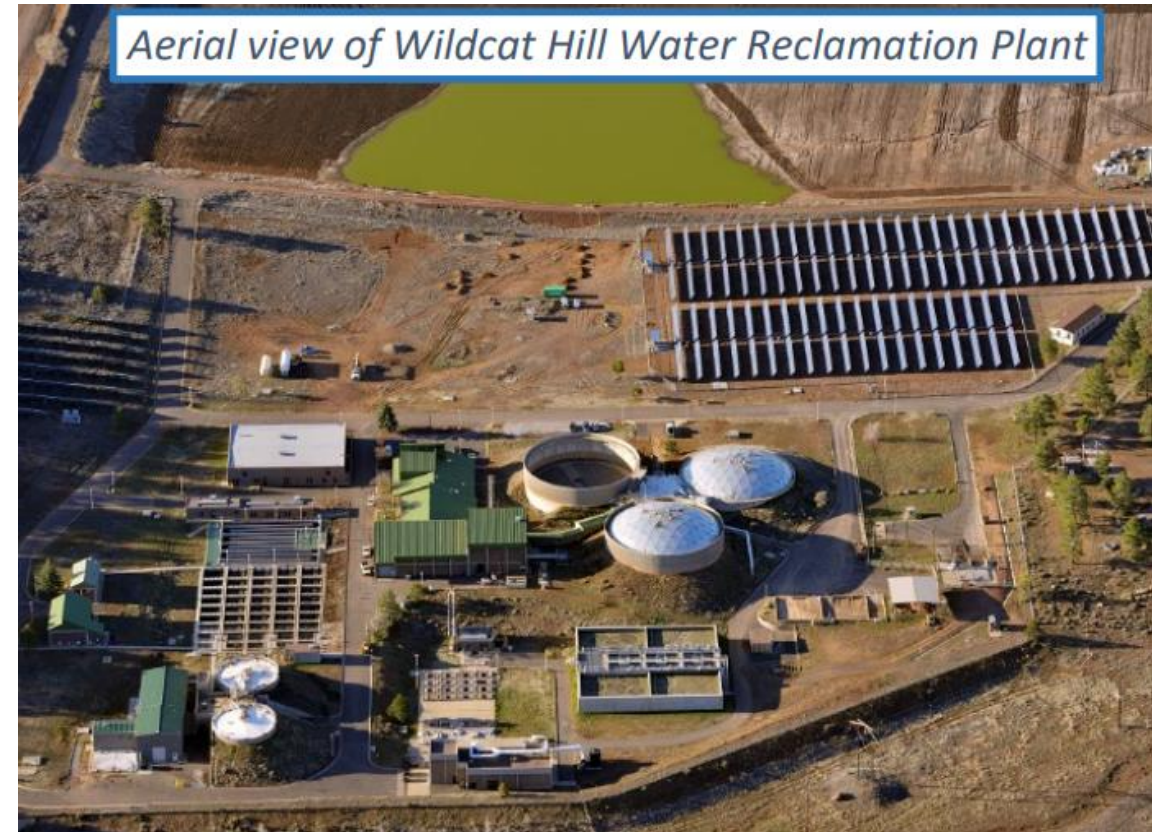
- Wildcat Hill Water Reclamation Plant (WRP)
 - Built 1979, liquid capacity 6 million gallons per day (MGD)
 - Average daily flow 4.5 MGD
- Rio de Flag WRP
 - Built 1996, liquid capacity 4 MGD
 - Average daily flow 2.3 MGD
- Combined liquid capacity 10 MGD





Wastewater Treatment Plant

- Construction cost estimates are \$25-\$30 per gallon in today's dollars
- 10 MGD plant to match current capacity
 - \$250-\$300M
- 14 MGD at buildout
 - \$350-\$420M
- Exploring full build out versus a phase modular approach





Wastewater Treatment Plant

Funding

- Design in 10-Year Capital Improvement Program (CIP)
- Current rate structure does not support construction
- Potential funding strategies
 - GO Bond, Revenue Debt, Sales Tax, Rates
- Potential grant opportunities (aging infrastructure)
 - Water Resources Development Act (WRDA)
 - New plant design on an approved list of projects but not funded (\$5M)



Public Safety

Staffing

- Police and Fire response staffing
- Support staff for Fire
- Professional staff for Police
- Occupational medical services

Equipment/Technology

- Heart smart fire station alerting
- Body worn technology integration
- Replacement apparatus
- Emergency medical service supplies and equipment
- Data aggregation and dissemination
- Technology/systems efficiencies

Facilities

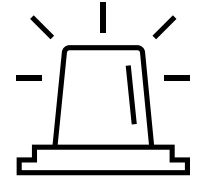
- Wildfire management station
- Police substation
- Completion of fire training center
- Fire Station 7
- Fire Administration
- Public Safety apparatus storage



A Safe and Healthy Community: Exploring a Public Safety Ballot Measure



Our Commitment to a Safe and Healthy Community



- Reaffirm City Priority: "Safe and Healthy Community" is a Key Community Priority.
- Key Objectives
 - Provide public safety services with staffing and equipment for Fire, EMS, Airport, Emergency Management that meets the community's needs.
 - Enhance community engagement and strengthen relationships between the community and public safety services.
 - Ensure the built environment is safe through consistent standards and best practices.

Further Defining Public Safety Needs



Developed a public safety working group (Leadership, Finance, Communication & Civic Engagement, Police, Fire, Emergency Management and Airport ARFF) to continue exploration following the April Budget Retreat



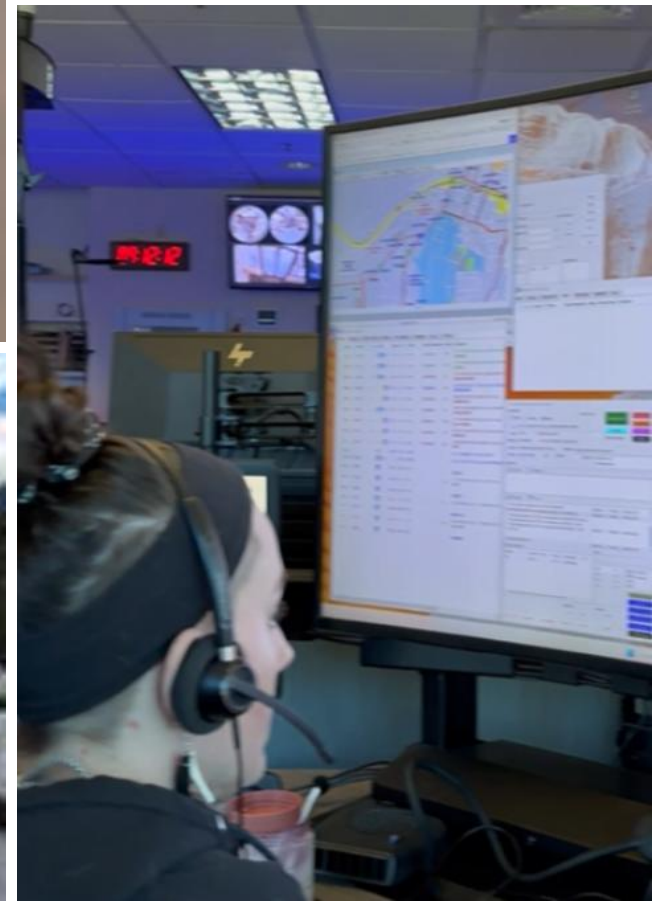
Identified additional public safety needs within Emergency Management and Airport Rescue Fire Fighting since the April Budget Retreat



Discussed further the one-time and ongoing needs within public safety

Public Safety and the General Fund

- Limited ability to fund existing ongoing needs and develop new programs.
- Solution: Dedicated funding sources are needed to address these critical and growing needs.
 - Structural, Airport, and Wildland Firefighters and Paramedics
 - Sworn and Civilian Police Personnel
 - Emergency Management
 - Facilities, equipment, technology



Possible Funding Strategies



- Development Impact Fees limited to new growth
- General Obligation Bonds for one-time expenses
- Transaction Privilege Tax (or Sales Tax) for ongoing needs
- Special Revenue Funds like the Water Resources and Infrastructure Protection Fee



Why a Dedicated Sales Tax for Public Safety?

- **Dedicated Funding:** Ensures funds are used specifically for public safety.
- **Sustained Investment:** Provides a predictable revenue stream to plan for future needs.
- **Community Investment:** Aligns with the community's desire for a "Safe and Healthy Community."
- **Economic Impact:** Distributes the tax burden across residents and visitors.
- **Customizable:** The community can sunset (or expiration date) all or portions of the tax, (e.g. a portion of the tax for capital costs can sunset after completion of the capital expenditures).

Citizen Review Committee

- Establish a committee of community members
- Receive information on public safety needs, municipal finance, and fiscal realities
- Gather community input on public safety priorities
- Meet and confer on needs, priorities, and funding
- Hold public meetings, committee meetings, and request information to assist in deliberations
- Consider information presented, research, and citizen input in formulation of recommendations
- Provide recommendations to City Council on potential public safety ballot measures



Proposed Citizen Review Committee Composition

- Goal: To create a diverse committee.
- Proposed Representative Composition:
 - Chamber of Commerce
 - NAH (Northern Arizona Healthcare)
 - Southside Community Association
 - La Plaza Vieja NA
 - Sunnyside Neighborhood Association
 - NAU Student Government
 - NAU
 - CCC
 - FUSD
 - 4FRI
 - Flagstaff Shelter Services
 - NACA (Native Americans for Community Action)
 - Terros
 - Insurance Industry Representative
 - Veteran Affairs
 - Business Owners (multiple representatives)
 - Residents at Large (multiple representatives)
 - PD Indigenous Advisory Board
 - PD Cross Disability Advisory Board
 - PD Citizen Liaison Committee
 - ECONA
 - Northern Arizona Leadership Association (NALA)
 - Community Interest Groups
 - Flagstaff First
 - Friends of Flagstaff's Future
 - Realtor Association
 - Northern AZ Interfaith Council
 - Keeping Flagstaff Together

Ballot Measure Project Schedule I



Objective:

To outline the key milestones for the Public Safety Ballot Measure initiative.



Fall 2025:

September: Confirm potential ballot measure with Council and discuss Citizen Review Committee.

October: Develop materials for Citizen Review Committee and confirm members.

November: Begin Citizen Review Committee meetings.



Early 2026:

January: Launch community online survey to inform Committee deliberations.

February: Committee provides update to Council during Budget Retreat.

April: Committee provides formal presentation to Council with update.

May: Committee finalizes recommendations for Council consideration.

Ballot Measure Project Schedule II



Summer 2026:

June (Early): Committee recommendations presented to Council.

June (Late): Council calls November 2026 special election and begin developing public outreach materials.

July: Launch Proposition website content.

July: Begin developing Publicity Pamphlet.

August (Early): Complete Publicity Pamphlet



Fall 2026:

August: Present public outreach plan to Council and notify the public of the proposition website and public outreach education.

October: Presentation during Joint City/County meeting.

November: Election

City Council Discussion & Direction

- Council discussion and feedback
- Desire to engage a Citizen Review Committee
- Affirm continued exploration of potential Public Safety Ballot Measure

