

AGENDA

CITY COUNCIL BUDGET RETREAT
FRIDAY
JANUARY 31, 2025

CORE SERVICES FACILITY
3200 WEST ROUTE 66
8:30 A.M.

All City Council Meetings are live streamed on the city's YouTube page
(<https://www.youtube.com/@FlagstaffCityGovernment>)

*****PUBLIC COMMENT*****

Verbal public comments related to items appearing on the posted agenda may be given in person or online and will be taken at the time the item is discussed.

To provide online verbal comment on an item that appears on the posted agenda, use the link below.

ONLINE VERBAL PUBLIC COMMENT

Written comments may be submitted to publiccomment@flagstaffaz.gov. All comments submitted via email will be considered written comments and will be documented in the record as such.

1. Call to Order

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.

MAYOR DAGGETT
VICE MAYOR SWEET
COUNCILMEMBER ASLAN
COUNCILMEMBER GARCIA

COUNCILMEMBER HOUSE
COUNCILMEMBER MATTHEWS
COUNCILMEMBER SPENCE

3. Pledge of Allegiance, Mission Statement, and 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

Presentation and Discussion

5. Adjournment

CERTIFICATE OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted at Flagstaff City Hall on _____, at _____ a.m./p.m. in accordance with the statement filed by the City Council with the City Clerk.

Dated this _____ day of _____, 2024.

Stacy Saltzburg, MMC, City Clerk

THE CITY OF FLAGSTAFF ENDEAVORS TO MAKE ALL PUBLIC MEETINGS ACCESSIBLE TO PERSONS WITH DISABILITIES. With 48-hour advance notice, reasonable accommodations will be made upon request for persons with disabilities or non-English speaking residents. Please call the City Clerk (928) 213-2076 or email at stacy.saltzburg@flagstaffaz.gov to request an accommodation to participate in this public meeting.

NOTICE TO PARENTS AND LEGAL GUARDIANS: Parents and legal guardians have the right to consent before the City of Flagstaff makes a video or voice recording of a minor child, pursuant to A.R.S. § 1-602(A)(9). The Flagstaff City Council meetings are live-streamed and recorded and may be viewed on the City of Flagstaff's website. If you permit your child to attend/participate in a televised Council meeting, a recording will be made. You may exercise your right not to consent by not allowing your child to attend/participate in the meeting.

**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Stacy Saltzburg, City Clerk
Date: 01/27/2025
Meeting Date: 01/31/2025



TITLE:
City Council Budget Retreat

DESIRED OUTCOME:

Presentation and Disucssion

Executive Summary:

Information:

Attached to the staff summary are several documents to help the discussion; the Detailed Agenda, The Color of Money Reference Sheet, and Presentation.

Attachments: Detailed Agenda
Presentation
Color of Money

City Council Budget Retreat

January 31, 2025

Detailed Agenda

Time	Duration (Min)	Topic	Staff
8:30am	5	Welcome and Objectives	Greg Clifton
8:35am	15	Budget Team <ul style="list-style-type: none"> • Introduction • Purpose • Meetings • Roles 	City Manager's Office Greg Clifton Shannon Anderson Joanne Keene
8:50am	30	Budget Introduction <ul style="list-style-type: none"> • Process • Timeline • Color of Money • Budget Section • Budget 101 Orientation 	Heidi Derryberry Rick Tadder
9:20am	30	Maintaining Fiscal Health <ul style="list-style-type: none"> • Fiscal Responsibility • Fund Balance Reserve Policy • Multi-Year Planning • Recession Planning 	Brandi Suda
9:50am	10	Break	
10:00am	30	Council's Role in the Budget Process	Kathie Novak
10:30am	60	Priority Based Budget (PBB) <ul style="list-style-type: none"> • Overview • Goals • Key Community Priorities and Objectives • Annual Process • Quartiles • Public Facing Data 	Kathie Novak Rick Tadder John Comer
11:30am	30	Budget Team Focus/Council Expectations <ul style="list-style-type: none"> • Investing in Employees • Aligning with Priority Based Budget • Funding Requests • Council Discussion • February Retreat Planning 	City Manager's Office Greg Clifton Shannon Anderson Joanne Keene
12:00pm		Public Participation	
12:00pm		Lunch	

Please note all times are estimates and items could be reordered during the meeting.



The
Budget Team
CITY OF FLAGSTAFF



Council Budget Retreat

January 31, 2025

Agenda



- Budget Team
- Budget Introduction
- Maintaining Fiscal Health
- Council's Role in the Budget Process
- Priority Based Budget (PBB)
- Budget Team Focus/Council Expectations



The
Budget Team
CITY OF FLAGSTAFF



Budget
Team



Greg Clifton
City Manager



Shannon Anderson
Senior Deputy City
Manager



Joanne Keene
Deputy City
Manager



Nicole
Antonopoulos
Sustainability
Director



Rebecca Sayers
Parks, Recreation,
Open Space and
Events Director



Scott Overton
Public Works
Director



Rick Tadder
Management Services
Director



Kori Vogt
Human Resource and
Risk Management
Director



Brandi Suda
Finance Director



Heidi Derryberry
Assistant
Finance Director



John Comer
Assistant
Budget
Manager



Seth Gregar and Jared Wotasik
EAC



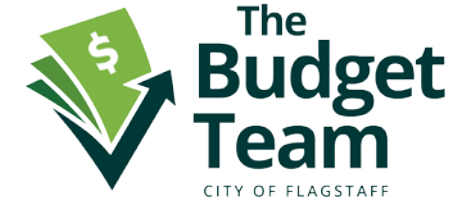
Purpose



Provide financial advisement and strategic direction to the City organization and to protect the interest of the public through sound fiscal services

- Achieved through, but is not limited to the following
 - Provide fiscal oversight and financial decision-making
 - Forecast short-term and long-term financial landscape
 - Prepare a balanced annual budget for City Council consideration
 - Provide recommendations to secure the organizations financial stability
 - Address and respond to emergency needs and resource allocations

Meetings



- Scheduled weekly on Thursdays
- Council Retreats
- Division Review Meetings
- Recessionary and Emergency Response

Roles - Strategic Leadership



- Strategic planning to bolster the City's financial health
- Communication and outreach to the community in a continuous and transparent manner
- Help create and maintain a strategic plan to include long-term initiatives

Roles - Assessment



- Assess organizational expenditures through Priority Based Budgeting methodologies, ensuring that our programs, services, and resources align with the Community Priorities
- Assess and review organizational revenues to assure resources address the needs for the short-term and long-term operation and continued awareness of the Recession Plan

Roles - Budgetary



- Provide oversight for the formulation of the Annual City Budget for eventual adoption by the City Council
- Provide ongoing analyses of those budgetary matters that require review and approval, including but not limited to
 - Proposed amendments to the budget
 - Intra-divisional transfers
 - Personnel costs that exceed those identified in the budget
 - Capital costs that exceed budgeted appropriations
 - Emergency expenditures
 - Expenditures requiring approval pursuant to recession planning

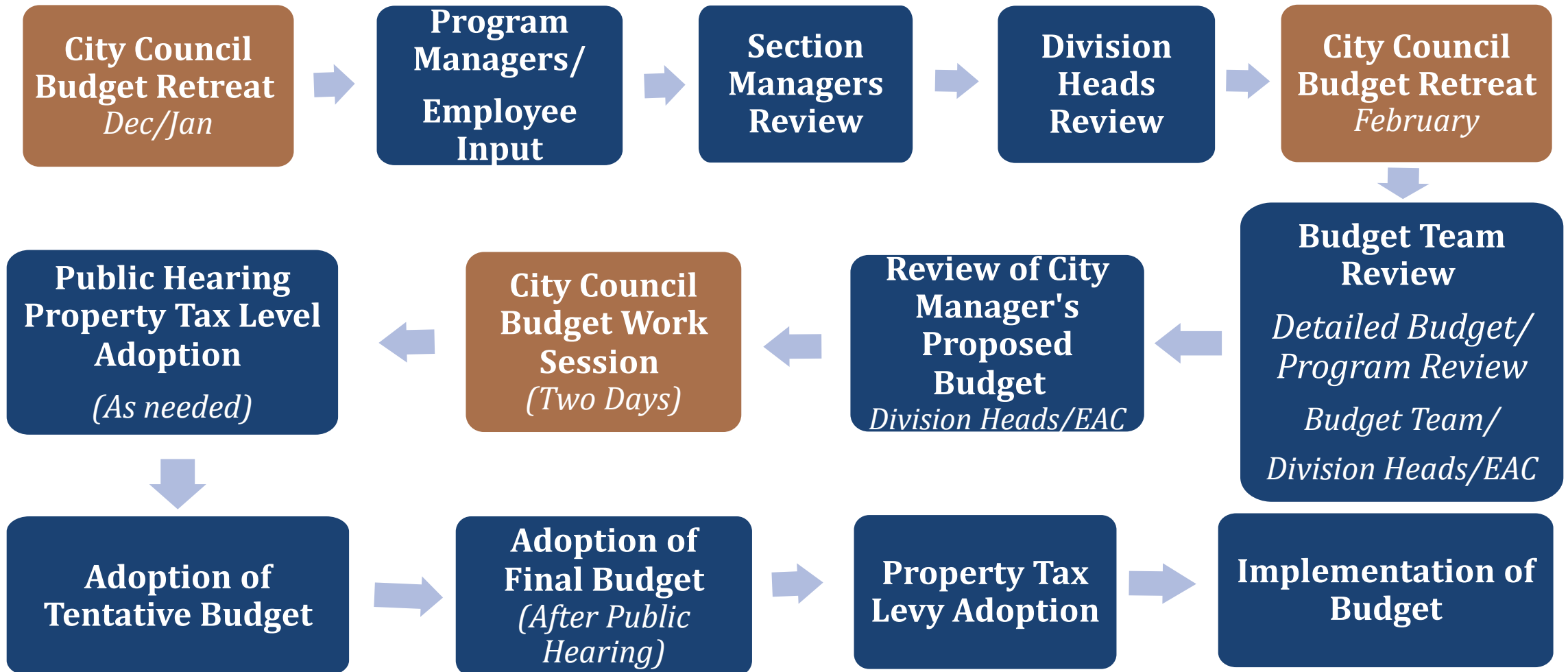


The
Budget Team
CITY OF FLAGSTAFF



Budget Introduction


Process



Timeline

- January 31, 2025– Council Budget Retreat
- February 13 & 14, 2025 – 2nd Council Budget Retreat
- March 27, 2025 – Council Capital Retreat
- April 24 & 25, 2025 – City Manager Recommended Budget Retreat
- June 2, 2025 – Tentative Budget Adoption
- June 17, 2025
 - Property Tax Levy Hearing
 - 1st Reading of Property Tax Adoption
 - Final Budget Adoption
- July 1, 2025 – Final Reading of Property Tax Adoption

Color of Money



Color of Money – Fund Accounting

Many of the City's revenues are restricted and can only be spent on specific functions or expenditures. Fund accounting is used to ensure proper tracking of those revenues and related expenditures.

City fiscal policies require that each fund must be balanced on an ongoing basis for a minimum of five years. In addition, each fund must maintain a minimum fund balance. Minimum fund balance is required to ensure liquidity and cash flow as well as provide financial stability should the City experience declining operating revenues. Minimum fund balance amounts vary by fund and range from 10% to 25% of operating revenues.

Below is background information on the various City's funds and their restricted revenues.

Special Revenue Funds

Used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute, charter provision, or ordinance to finance a particular function or activity.

- Library - Secondary property tax and general fund transfer
- HURF (Streets) - Gasoline tax
- Transportation tax - 1.281% sales tax
 - Transportation Improvements (.426%)
 - Road Repair & Street Safety (.33%)
 - Transit (.295%)
 - Route 66 to Butler Overpass (.23%)
- BBB tax - 2.0% tax on bed, board & beverage
 - Beautification (.40%)
 - Economic Development (.19%)
 - Arts & Science (.15%)
 - Tourism (.60%)
 - Recreation (.66%)
- ParkFlag
- Housing & Community Services - Grants

Enterprise Funds

Self-supporting thru User Fees adopted by ordinance such as Water/Wastewater/Trash billings, Rent and Airport lease and fees.

- Water
- Wastewater
- Reclaim
- Stormwater
- Sustainability and Environmental Management
- Airport
- Solid Waste
- Flagstaff Housing Authority

Capital Project Funds

Used to account for major capital acquisition separate from ongoing operations

- Restricted Funding Sources - Voter Approved Bonds, Grants, Third Party Restricted Fees
- General Obligation Bond Projects:
 - FUTS/Open Space
 - Watershed Protection
 - Courthouse
 - USGS campus expansion



Continued ... Color of Money – Fund Accounting

Debt Service Funds

Used to account for the accumulation of resources and payments of the long-term debt

- Restricted revenues
 - General obligation bond fund - Secondary Property Tax

General Fund

Accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government that are not accounted for in other funds and most revenues are unrestricted.

- In other words...everything else

General Fund Revenues include:

- 1% City Sales Tax
- Franchise Tax
- Primary Property Tax
- State Shared Revenue (Sales, Income, Vehicle Tax)
- Licenses and Permits
- Fines and Forfeitures
- User Fees-Charges for Services
- CD, Recreation, Police, Fire, Cemetery

Color of Money



- City has numerous revenue sources, and many have restrictions on how they can be spent
- The City has over 50 different funds to segregate those revenues and expenses to ensure compliance with restrictions and accounting standards
- In many instances, revenue from one fund cannot be used to pay for other fund's expenses unless they meet the requirements of the fund

Fund Types

- **Special Revenue Funds**
- **Enterprise Funds**
- **Capital Project Funds**
- **Debt Service Funds**
- **General Fund**

Special Revenue Funds



- These funds are used to account for revenues derived from specific taxes or other earmarked revenue sources
- Are usually required by statute, charter provision, or ordinance to finance a particular function or activity

Special Revenue Funds



- Housing and Community Services – grants
- Library – secondary property tax and General Fund transfers
- Highway User Revenue Fund (HURF) – gasoline tax
- Transportation – 1.486% sales tax
 - Transit (.50%) – Effective 7/1/25
 - Road Repair and Street Safety (.33%)
 - Lone Tree/Route 66 Overpass (.23%)
 - Transportation Improvements (.426%)

Special Revenue Funds



- Bed, Board and Beverage (BBB) – 2.0% tax
 - Beautification – 20%
 - Economic Development – 9.5%
 - Tourism – 30%
 - Arts & Science – 7.5%
 - Recreation – 33%
- ParkFlag - fees
- Water Resource and Infrastructure Protection - fees

Enterprise Funds



Self-supporting thru User Fees

- User fee ordinances restrict the use
- Water/Wastewater/Trash Charges
- Rent
- Airport Lease and Fees

Includes:

- Water
- Wastewater
- Reclaimed Water
- Stormwater
- Solid Waste
- Sustainability and Environmental Management
- Airport
- Flagstaff Housing Authority

Capital Project Funds



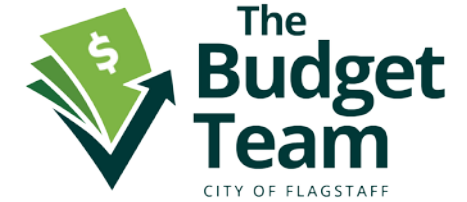
- Capital project funds are used to account for major capital acquisitions separate from ongoing operations
 - Restricted funding sources:
 - Voter approved bonds, grants, third party restricted fees
 - General obligation bond projects:
 - Flagstaff Urban Trail System (FUTS)/Open Space
 - Watershed Protection
 - Proposition 441 & 442 (Infrastructure and Housing)
 - United States Geological Survey (USGS) campus expansion
 - Downtown Mile

Debt Service Funds



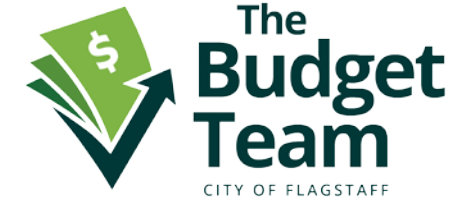
- Debt service funds are used to account for the accumulation of resource and payment of long-term debt
 - Restricted revenues
 - General obligation bond fund – secondary property tax
 - Pension bond fund – General Fund, Water Resource and Infrastructure Protection Fund and Airport Fund transfers

General Fund



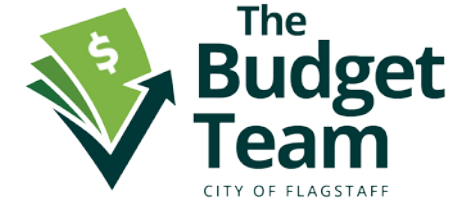
- Accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government that are not accounted for in other funds
- In other words.....
 - Everything else

General Fund



- 1% City Sales Tax
- Franchise Tax
- Primary Property Tax
- State Shared Revenue (Sales, Income, Vehicle Tax)
- Licenses and Permits
- Fines and Forfeitures
- User Fees - Charges for Services
 - Community Development, Recreation, Police, Fire, Cemetery

New Budget Section

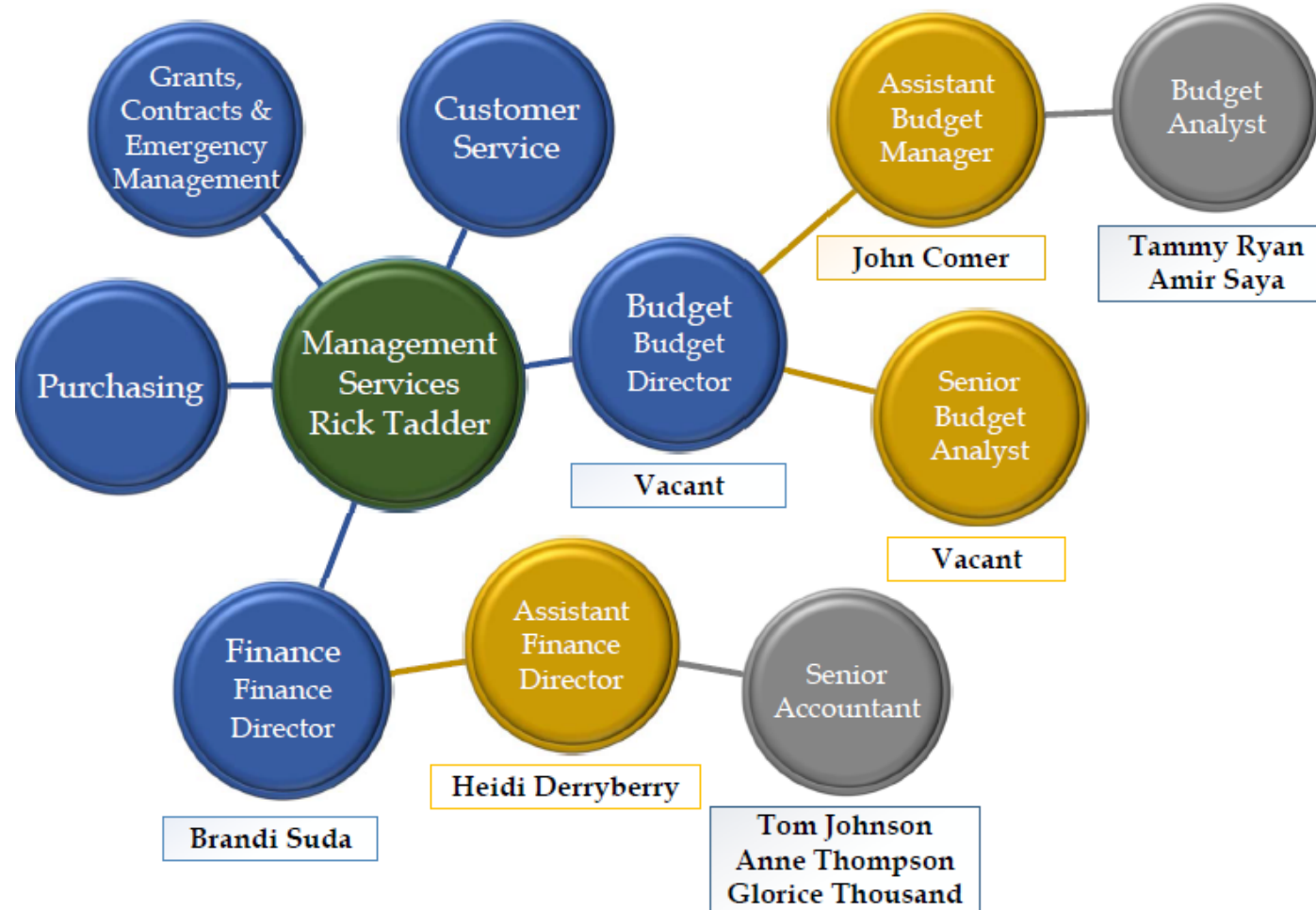


- City's budget is a year-round process
- Priority Based Budget
 - Program oversight
 - Community outreach
- Complexity of operations and capital improvement programs
- Enhanced communication and training
- User fee/rate study analysis and coordination
- Enhanced and more timely revenue reviews and projections

New Budget Section

- Staff with budget focus, knowledge and experience
- Building capacity
 - Finance section needs capacity to focus on:
 - Grants
 - Financial reporting and audit
 - Payroll
 - Customer Service section needs capacity to focus on:
 - Customers, billing and collections

New Budget Section



Budget 101 Orientation



Finance offers a Budget 101 Orientation to new staff and Council

- Contact Brandi Suda to schedule orientation at bsuda@flagstaffaz.gov or 928-213-2217
- Need additional financial, purchasing, grants, contracts, emergency management or customer service orientations?
 - Contact Rick Tadder at rtadder@flagstaffaz.gov or 928-213-2205



The
Budget Team
CITY OF FLAGSTAFF



Maintaining Fiscal Health

Fiscal Responsibility



- Structurally balanced 5-year plan for all funds
- Achievable revenue estimates, portion of revenues reserved for one-time use
- Cash balances should be used for one-time expenditures
- General Fund balance policy minimum of 20% of General Fund ongoing revenues
- Recession cycles built into revenue projections
- Budget process
- Regularly reviewing and updating rates/user fees

Fiscal Responsibility

Bond Ratings

- The City of Flagstaff consistently receive high bond ratings
- **Current GO ratings:**
 - Standard and Poor's Financial Services:
AA Outlook: positive
 - Moody's Investors Service:
Aa1
 - Fitch
AA+ Outlook: Stable
- **Current Revenue/COP's Debt**

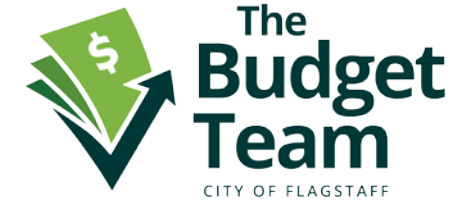
S&P	Moody's	Fitch	Meaning and Color
AAA	Aaa	AAA	Prime
AA+	Aa1	AA+	High Grade
AA	Aa2	AA	
AA-	Aa3	AA	
A+	A1	A+	
A	A2	A	Upper Medium Grade
A-	A3	A-	
BBB+	Baa1	BBB+	
BBB	Baa2	BBB	Lower Medium Grade
BBB-	Baa3	BBB-	
BB+	Ba1	BB+	
BB	Ba2	BB	Non Investment Grade Speculative
BB-	Ba3	BB-	
B+	B1	B+	
B	B2	B	Highly Speculative
B-	B3	B-	
CCC+	Caa1	CCC+	
CCC	Caa2	CCC	Substantial Risks
			Extremely Speculative

Fund Balance Reserve Policy



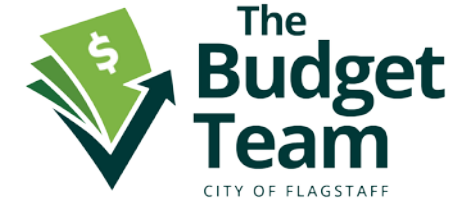
- The Government Finance Officers Association (GFOA) provides best practices for level of unreserved fund balance for cities General Fund
- Assist in economic future risks, not emergency fund
- Setting appropriate level
- Use and replenishment
- Fund Balance is a balance sheet account
- Cash flow purposes
- Not available for spending each fiscal year
- Placeholder for when revenues do not meet expectations

Fund Balance Reserve Policy



- General Fund – 20% (~\$16.6M)
 - Flagstaff's level of risk per GFOA is low to moderate, target fund balance recommendation 17-25%
- Special Revenue Funds – 10%
 - Highway User Revenue Fund – 20%
- Other Enterprise Funds – 10%
 - Water Services Funds – 25%
- Capital Project Funds – 10%

Multi-Year Planning



- Budget book presents five years while we plan a minimum of ten years
- Structurally sound
 - Reasonable revenue estimating
 - Built in recessionary periods
 - Ongoing budgets balanced within ongoing capacity
- Built in compensation increases
- One-times focused on cash balances
 - Revenues exceed projections
 - Expenditure savings from prior fiscal year

Recession Planning



- Adopted policy that identifies the action steps to address declining revenues
- Overlays and is independent to the adopted budget
- Adaptable in implementation
- Moving into the Significant stage (or higher) requires Council action
- Council action gives the City Manager direction to apply measures at that level

Recession Planning



- Primary focus on operating expenses versus capital improvements
 - Maintain levels of service
 - Capital Improvement Program (CIP) can be adjusted in 10-year plans, timing
 - Some projects that are not urgent, may be deferred
- General Fund generally has the biggest impact
 - General Fund operating budget in FY 2024-2025 was 39% of the total City
- Investing dollars strategically offsets impact of a recession
 - Tourism and construction for example

Five Stages of the Recession Plan



-----**Reduction in Revenues**-----

**Trigger: Up to 2%
(> \$1.7 million)**

- Reduce expenditures where it is reasonably possible.
- Postponing filling vacant positions.

**Trigger: 2% - 4.99%
(\$1.7 - \$4.1 million)**

- Limit non-essential services.
- Large purchases delayed and cancelling consulting services/contracts.
- Partial freeze on new hires.
- Travel and non-essential employee training postponed.

**Trigger: 5% - 9.99%
(\$4.1 - \$8.3 million)**

- Strong justification for large purchases.
- Elimination of discretionary training, travel, meetings.
- Hiring freeze except for essential health, safety, and welfare positions.
- Reduction in workforce (part-time, contract, temporary).

**Trigger: 10% - 19.99%
(\$8.3 - \$16.5 million)**

- Major service cuts.
- Suspend all salary increases.
- Consider employee reduction policies.
- Reduction in capital expenditures
- Draw down on reserves.
- Closure of non-essential city facilities.

**Trigger: 20% +
(< \$16.5 million)**

- Reduce workforce /employee costs reduction policies.
- Elimination of programs and services.
- Stop all capital improvement projects and purchasing.
- Reduction in reserves.

** Requires consent and resolution of Council.*

-Illustrative only, refer to the Economic Recession Plan for the details.

Dedicated Professional Staff



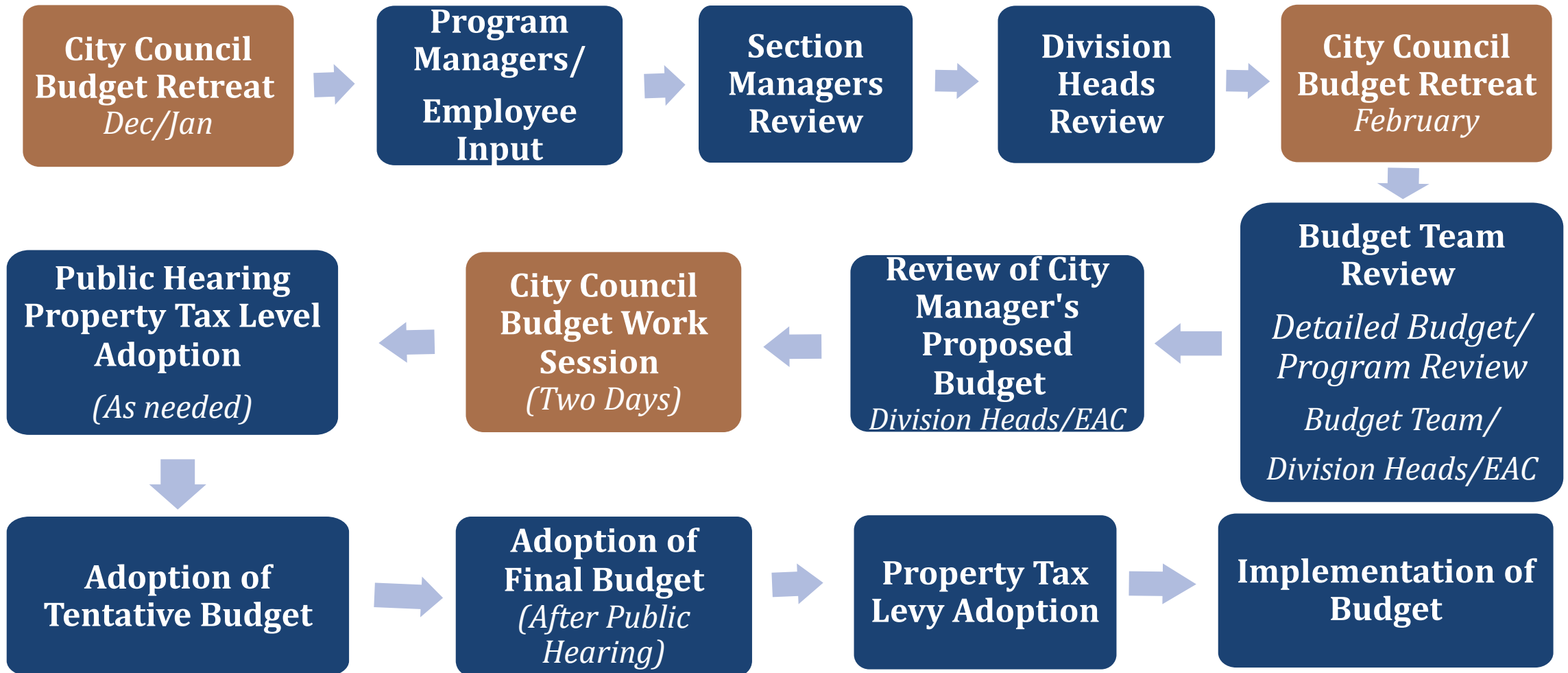


The
Budget Team
CITY OF FLAGSTAFF



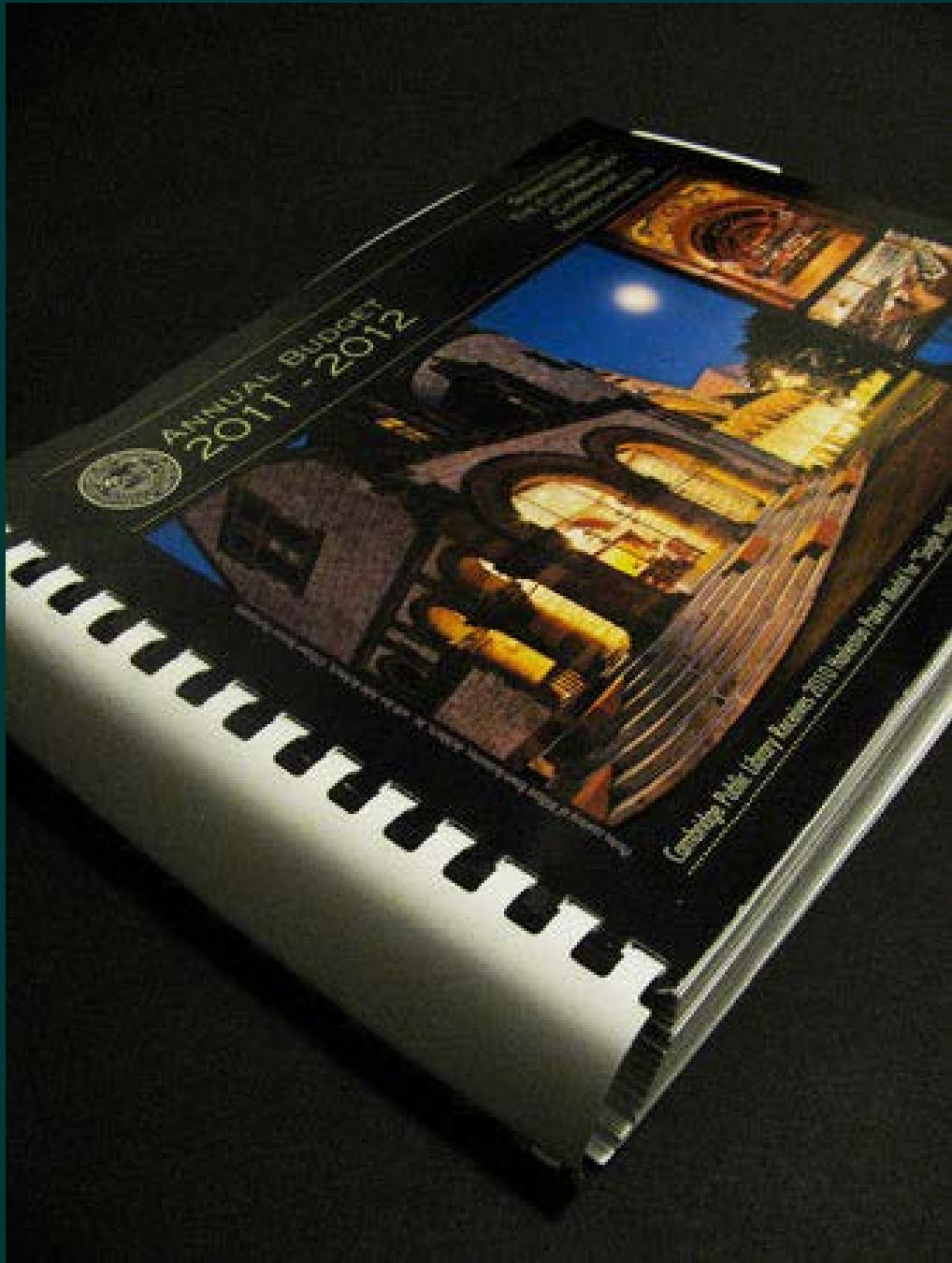
Council's Role in the Budget Process

Process



What does their body language tell you?





City-Wide

	2022 Auditee Amount
Taxes	
Property Tax	\$ 5,31
Penalties & Interest	
Specific Ownership Tax	4c
Sales Tax	24,31
Marijuana Sales Tax	1,11
Food Sales Tax	1,3c
Penalties & Interest	11
Use Tax	3,6c
Building Materials Use Tax	1,51
Audit Transactions	€
Accommodations Tax	34
Occupational Tax	1
Total Taxes	38,41
Intergovernmental	
NURA IGA	1
School Resource Officers	12
North Metro Task Force	€
Traffic Light IGA	
Open Space Tax	4c
DUI Proceeds	2
Uninsured Motorist Revenue	
Seat Belt Violations	
Drug Surcharge	
Transportation Tax	1,34
Road & Bridge Tax	3c
Motor Vehicle Registration	€
Tobacco Tax	4
Severance Tax	1c
Mineral Lease Proceeds	2
Lottery Proceeds	4c
Highway Users Tax	1,0c
County Grants	1c
State Grants	€
Federal Grants	4,11
Total Intergovernmental	8,51
Licenses & Permits	
Sales/Use Tax Licenses	1
Contractor Licenses	1
Liquor/Marijuana/Tobacco Licenses	1
Pawn Shop Licenses	
Amusement Licenses	
Short-Term Rental Licenses	
Peddlers Licenses	
Building Permits	71
Electrical Permits	1c
ROW Construction Permits	2c
Sign Permits	1
Park Use Permits	€
Total Licenses & Permits	1,3c

General Fund Summary

	2022 Audited Amounts	2023 Adopted Budget	2023 Year-End Forecast	2024 Adopted Budget
Revenue:				
Taxes	\$ 26,778,760	\$ 26,386,000	\$ 26,525,552	\$ 29,001,198
Intergovernmental	2,649,551	2,651,694	2,840,972	2,730,601
Licenses & Permits	1,300,576	1,047,000	1,415,124	1,124,700
User Charges & Fees	3,294,852	3,384,848		
Fines & Forfeitures	618,448	632,000		
Other Revenue	586,457	595,000		
Total Revenue	35,228,644	34,696,542		
Expenditures:				
Personnel	\$ 21,295,752	\$ 25,211,618	\$	
Purchased Services	5,828,410	6,667,946		
Supplies/Non-Capital Equipment	2,868,729	3,152,069		
Capital Outlay	1,344,549	841,560		
Miscellaneous	278,447	335,865		
Contingency	-	50,000		
Total Expenditures	31,615,887	36,259,058		
Excess/(Deficiency) of Revenues Over Expenditures	3,612,757	(1,562,516)		
Other Financing Sources/(Uses):				
Transfers In/(Out)	(16,700,000)	-		
Debt Issuance/(Payments)	-	-		
Sale of Assets	18,000	-		
Contributed Capital	-	-		
Insurance Recovery/(Claims)	(12,736)	(125,000)		
Economic Incentives	(88,881)	-		
Claims/Awards	-	-		
Total Other Financing Sources/(Uses)	(16,783,617)	(125,000)		
Net Change In Fund Balance:	(13,170,860)	(1,687,516)		
Cumulative Fund Balance				
Beginning Fund Balance	28,611,657	13,984,657		
Ending Fund Balance	15,440,797	12,297,141		
Less Restrictions, Commitments, & Assignments:				
3% TABOR Reserve Restriction	1,011,290	1,091,522		
Operating Reserve Commitment	7,416,126	8,004,493		
Unassigned Fund Balance	\$ 7,013,381	\$ 3,201,126		



Capital Projects Fund Summary

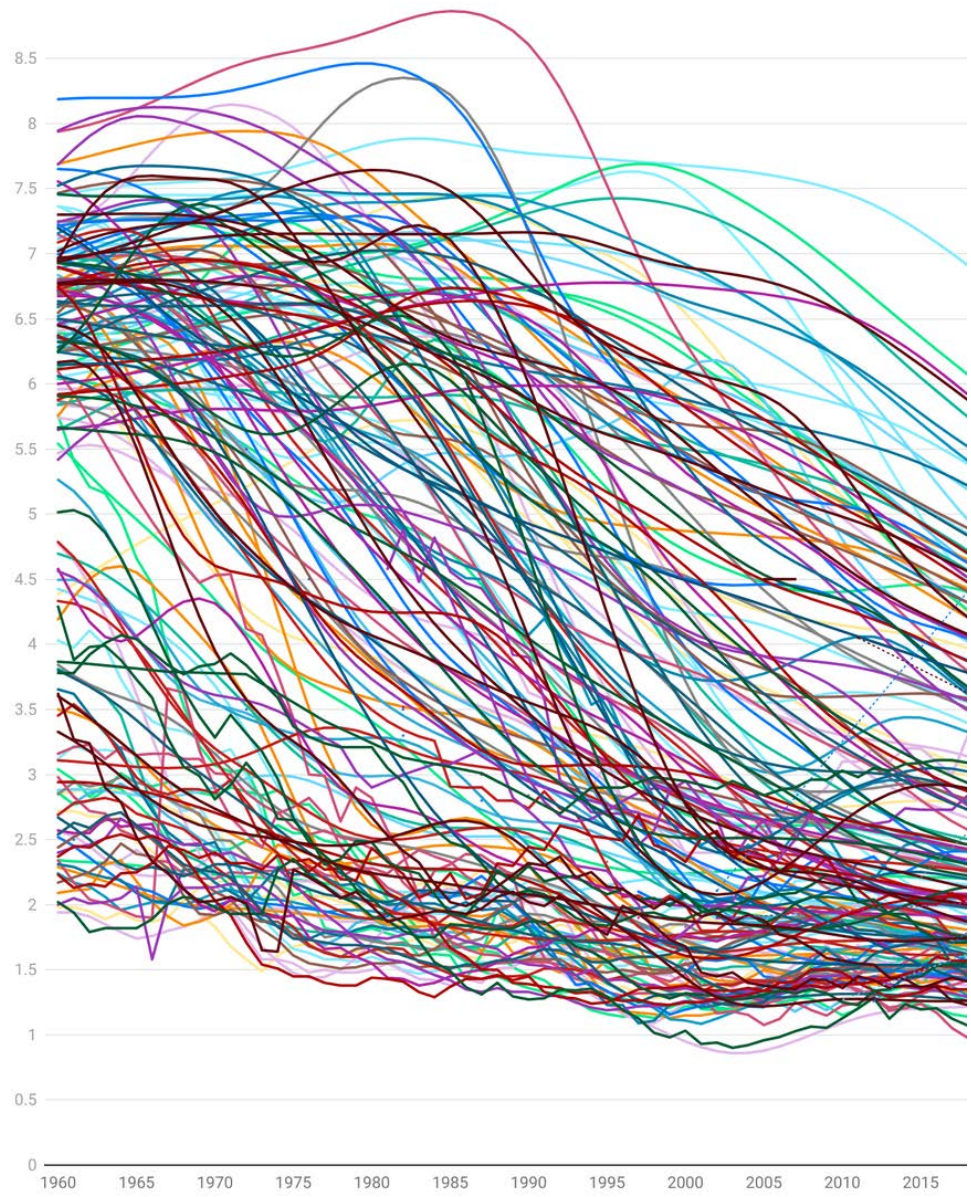
	2022 Audited Amounts	2023 Adopted Budget	2023 Year-End Forecast	2024 Adopted Budget
Revenue:				
Taxes	\$ 6,651,212	\$ 6,484,000	\$ 6,364,304	\$ 6,835,819
Intergovernmental	3,822,973	13,834,080	11,182,924	2,145,000
Other Revenue	(310,391)	532,000	2,864,950	756,200
Total Revenue	10,163,794	20,850,080	20,412,178	9,737,019
Expenditures:				
Capital Outlay	8,087,389	70,476,730	64,011,931	4,525,000
Total Expenditures	8,087,389	70,476,730	64,011,931	4,525,000
Excess/(Deficiency) of Revenues Over Expenditures	2,076,405	(49,626,650)	(43,599,753)	5,212,019
Other Financing Sources/(Uses):				
Transfers In/(Out)	16,700,000	-	-	-
Debt Issuance/(Payments)	(4,140,149)	(4,135,819)	(4,137,819)	(4,143,319)
Total Other Financing Sources/(Uses)	12,559,851	(4,135,819)	(4,137,819)	(4,143,319)
Net Change In Fund Balance:	14,636,256	(53,762,469)	(47,737,572)	1,068,700
Cumulative Fund Balance				
Beginning Fund Balance	34,001,385	48,637,641	48,637,641	900,069
Ending Fund Balance	48,637,641	(5,124,828)	900,069	1,968,769
Less Restrictions, Commitments, & Assignments:				
4.000 Mill Restricted Fund Balance	6,516,914	(1,146,766)	(1,146,766)	180,553
1/2% Sales/Use Tax Restricted Balance	17,348,066	(1,663,524)	(1,663,524)	(1,228,343)
Marijuana Sales Tax Restricted Balance	4,602,382	243,382	243,382	223,382
ADCOO Restricted Fund Balance	1,993,143	(140,814)	(140,814)	(266,814)
ADCOT Restricted Fund Balance	372,398	164,216	164,216	810,216
Debt Restricted Fund Balance	820,285	820,285	820,285	820,285
Unassigned Fund Balance	\$ 16,984,453	\$ (3,401,607)	\$ 2,623,290	\$ 1,429,490



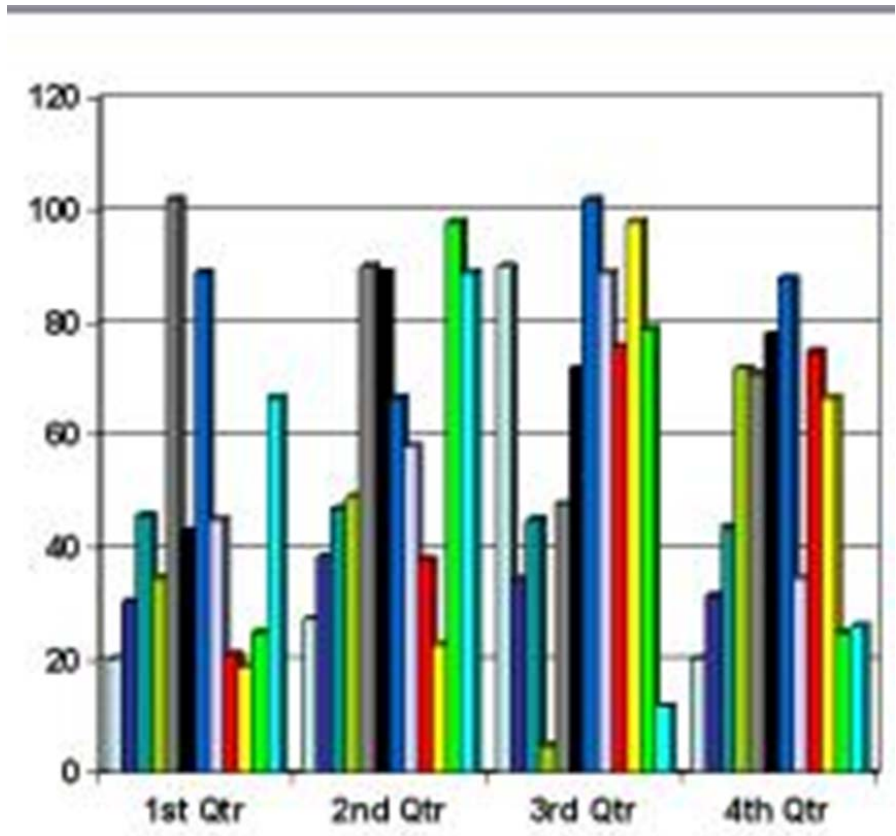


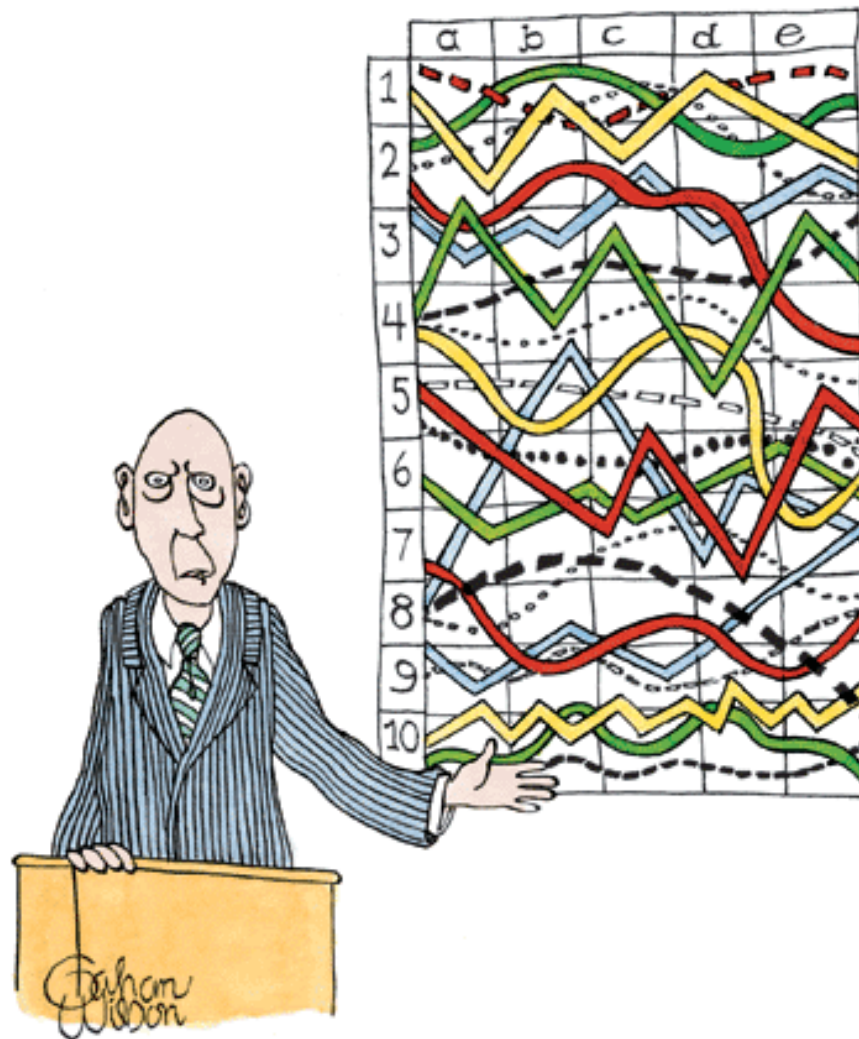
Staff tried.....

- Spread it out....by department
- Budget video
- Show and tell.....
- Using graphs...



Created with Datawrapper





"I'll pause for a moment so you can let this information sink in."

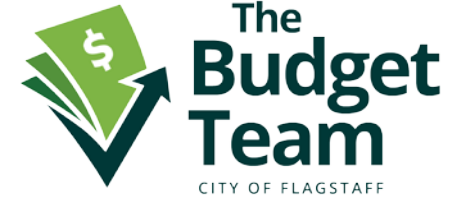
**"I'll pause
for a
moment so
you can let
this
information
sink in."**



So, what am I supposed to do
with this?



What does this mean?



- What do all these numbers really tell me?
 - Is everything ok?
 - Do we need to make cuts?
 - Do we need to raise taxes or fees?
 - Do we have money to spend?
- What do you want me to decide and vote on?

OR

- Are you just wanting my “rubber stamp” of approval ?

Council's Response



- Check the Math.....
- Compare the columns.....
 - Budget to Budget?
 - Budget to Actual?
 - Actual to Actual?
- Line item discussions.....Big numbers? What looks out of line?
 - Office Supplies?
 - Subscriptions?
 - Travel and Training?



Frustrations:

- We just sit through hours of presentations, asking questions, but don't really have any input.....
- When we ask questions, we're often met with defensive staff members or are treated like we "just don't understand."
- "Just trust us, we are the experts, after all....."
- No room in the budget for any of our ideas.....
- There are "untouchables" in the budget that we just can't discuss.
- ***How do I know we are actually spending our dollars effectively and are doing what we and our citizens want done?***

Elected Officials Want to Know:

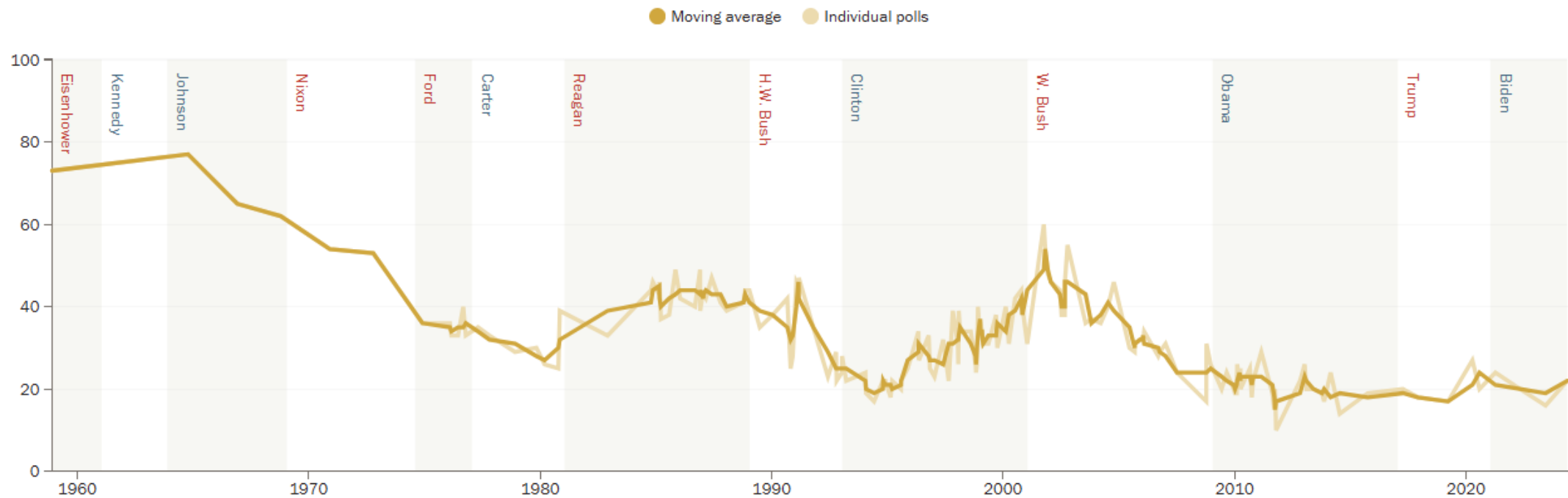
- What are the questions I should be asking?
 - How do I not look stupid?
- What do I need for staff to “show me”?
 - How do I ask the questions without staff thinking that I’m **“micromanaging”** or **“out to get them”**?
- How can all this “data” be turned into “information” that we can use to make decisions and set policy?
- How can we have better conversations about our resources and what we are trying to do during the budget process?

Trust



Public trust in government near historic lows

% who say they trust the government to do what is right just about always/most of the time



Sources: Pew Research Center, National Election Studies, Gallup, ABC/Washington Post, CBS/New York Times, and CNN surveys.

PEW RESEARCH CENTER

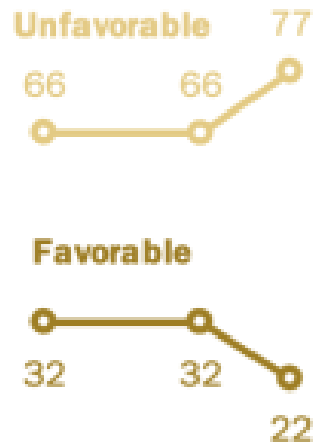
<https://www.pewresearch.org/politics/2024/06/24/public-trust-in-government-1958-2024/>

Americans' opinions of federal, state and local government have grown more negative since 2019

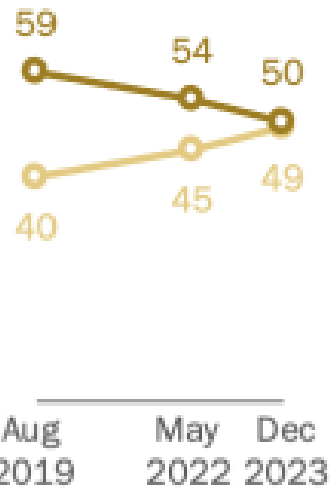
% who have a(n) ___ opinion of ...



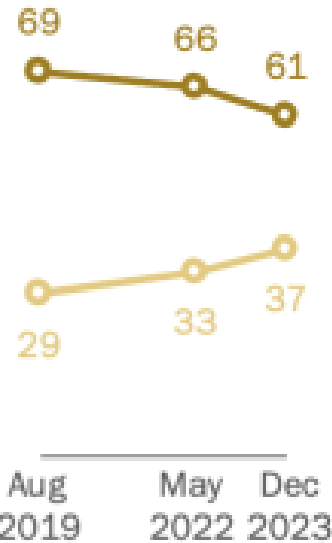
The federal government in Washington



Their state government



Their local government



Note: No answer responses are not shown.

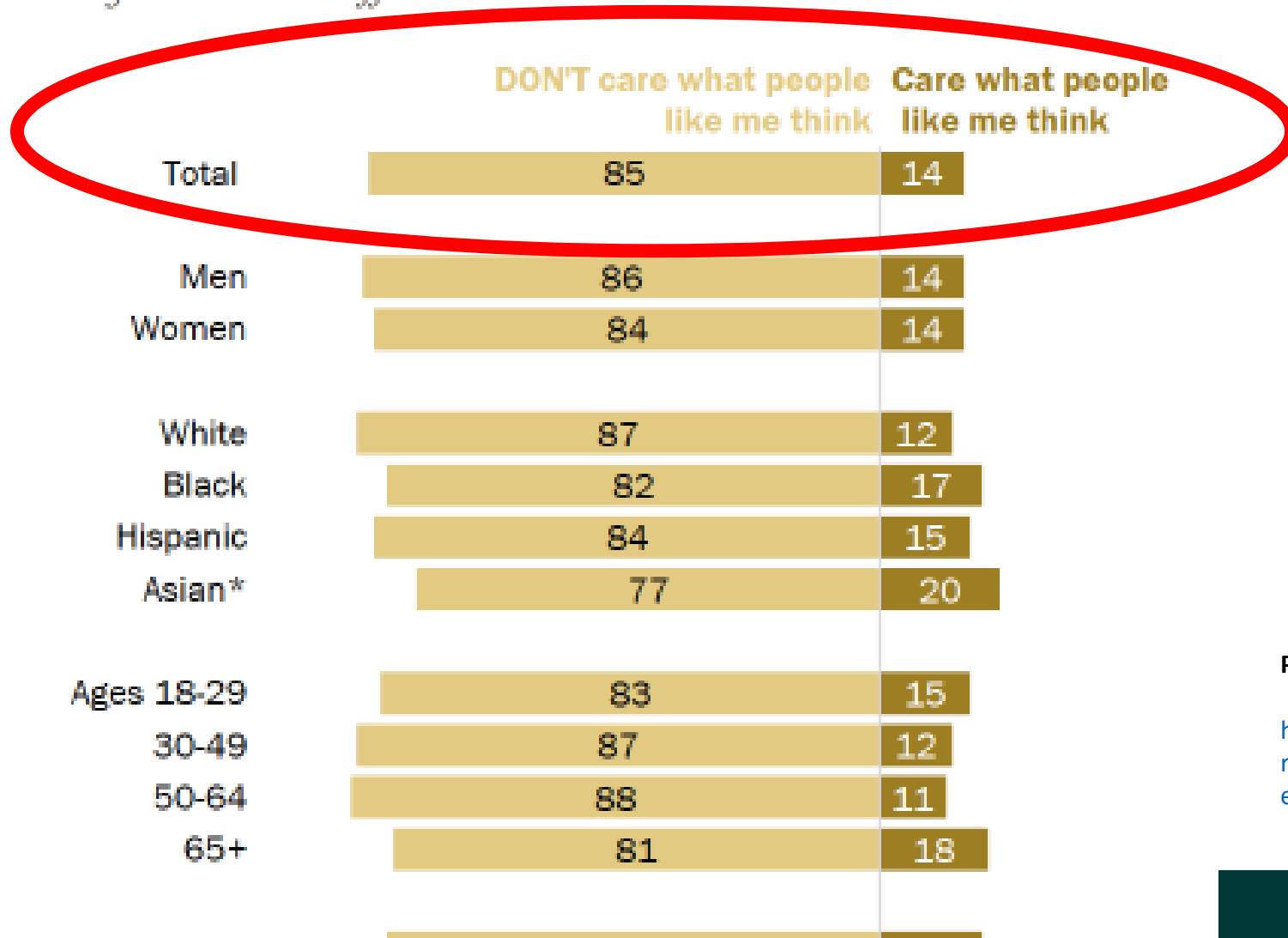
Source: Survey of U.S. adults conducted Nov. 27-Dec. 3, 2023.

PEW RESEARCH CENTER

<https://www.pewresearch.org/short-reads/2024/04/11/americans-rate-their-federal-state-and-local-governments-less-positively-than-a-few-years-ago/>

Overwhelming majority of Americans say most elected officials don't care what 'people like them' think

% who say most elected officials ...



Pew Research center Survey conducted in July 2023

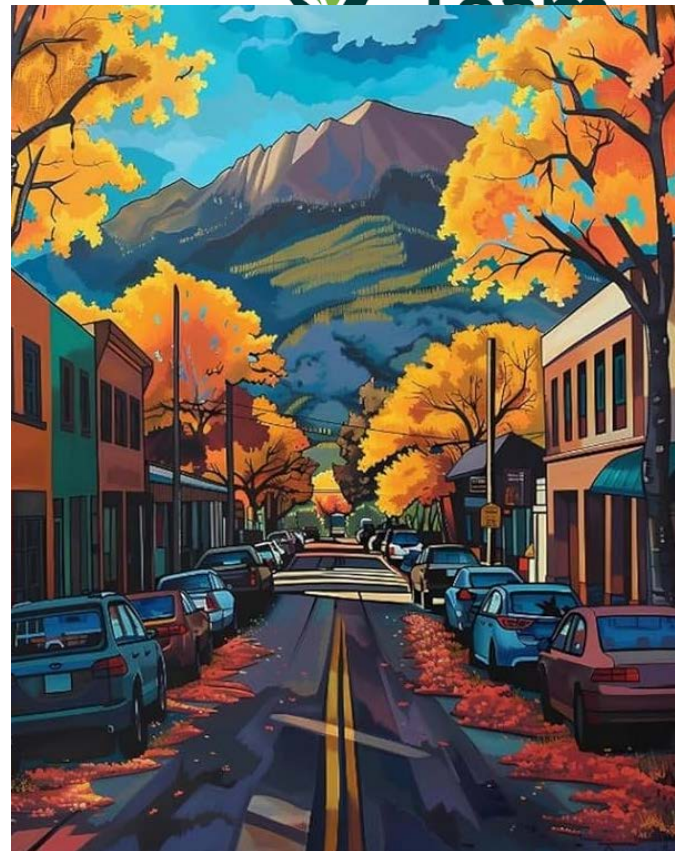
<https://www.pewresearch.org/short-reads/2024/04/30/more-than-80-of-americans-believe-elected-officials-dont-care-what-people-like-them-think/>



How does Priority Based Budgeting help?

Priority Based Budgeting Process





“The budget is the most important and powerful policy document.”










CITY OF FLAGSTAFF
Key Community Priorities



CITY OF FLAGSTAFF

Priority Based Budgeting Priorities and Objectives



GOVERNANCE PROGRAMS	COMMUNITY PROGRAMS					
 High Performing Governance	 Safe and Healthy Community	 Inclusive and Engaged Community	 Sustainable and Innovative Infrastructure	 Robust and Resilient Economy	 Livable Community	 Environmental Stewardship
Serve the public by providing high quality customer service	Enhance community engagement and strengthen relationships between the community and public safety services	Proactively foster community representation and civic engagement by enhancing opportunities for public involvement, in line with best practices	Deliver outstanding services to residents through a healthy, well-maintained infrastructure system	Support and strengthen a robust, diverse, and sustainable economy	Create a welcoming community through partnerships, resilient neighborhoods, and civic engagement	Promote, protect, and enhance a healthy, sustainable environment and its natural resources
Cultivate community communication engagement practices that are clear, consistent, and timely	Support social services, community partners, and housing opportunities	Advance social equity and social justice in Flagstaff by supporting social services	Utilize existing long-range plans that identify the community's future infrastructure needs and all associated costs	Maintain and enhance an equitable and effective business, retention, and expansion program throughout the community	Provide amenities and activities that support a healthy lifestyle	Engage community members through education and volunteer opportunities
Encourage public trust through transparency, accessibility, and use of the City's public participation policy	Provide and build upon the alternative response model, and other community partnerships to best serve the mental and behavioral health needs of the community	Facilitate and foster equity, diversity, and inclusivity, including support of trauma-informed policies and practices	Provide, manage, and maintain effective infrastructure for multimodal and active transportation	Enhance relationships between the development community, the City, and Flagstaff residents	Work with regional partners that provide equitable and inclusive educational and cultural opportunities for Flagstaff residents of all ages	Implement and enhance sustainable building practices, waste diversion programs, alternative energy programs, and multimodal transportation options
Maintain the organization's fiscal stability through strong financial policies and best practices	Provide public safety services with resources, staff, and training responsive to the community's needs	Enhance the City's involvement in community, education, and regional partnerships to strengthen the level of public trust	Facilitate, develop, and encourage carbon-neutral energy opportunities	Attract employers that provide high quality jobs and have a low impact on infrastructure and natural resources	Actively support attainable and affordable housing through the City's 10-Year Housing plan as well as other projects and opportunities	Encourage the private sector's investment in environmental stewardship
Implement and communicate innovative and efficient local government programs, new ideas, and best practices	Promote physical and mental well-being through providing recreational opportunities, parks, open space, and active transportation options	Ensure City facilities, services, and programs are accessible for all residents and representative of Flagstaff's diverse community	Support the community's social infrastructure needs; assist those partner organizations that provide services the City does not	Enhance the community's workforce housing and development programs; improve partnerships with the private and public sectors	Support diverse employment opportunities and high quality jobs	Implement, maintain, and further the Carbon Neutrality Plan (CNP) with awareness of social inequities
Be an inclusive employer of choice by providing employees with the necessary tools, training, support, and compensation	Ensure the built environment is safe through the use of consistent standards as well as best practices for building and land use	Promote environmental justice and the access to environmental benefits		Embrace and invest in responsible tourism opportunities to promote economic development	Achieve a well-maintained community through comprehensive and equitable code compliance and development	Strengthen Flagstaff's resilience to climate change impacts on built, natural, economic, health, and social systems

Conversations!



From these questions...



- What do all these numbers really tell me?
 - Is everything ok?
 - Do we need to make cuts?
 - Do we need to raise taxes or fees?
 - Do we have money to spend?
- How can all this “data” be turned into “information” that we can use to make decisions and set policy?

...to New Strategic Questions

- How do we figure out what is of the highest importance in our community?
- What should we be doing?
- What exactly do we do?
- How much does it cost?
- How well are we doing it?
- How do we know we are successful?
- What resources do we have available to do this?
 - How much do we have available to spend? (not “How much do we need”?)
 - Are we in a “good” place? (What does that look like?)
 - Why do we need to keep money in the bank, (reserves) and what are we doing with it?

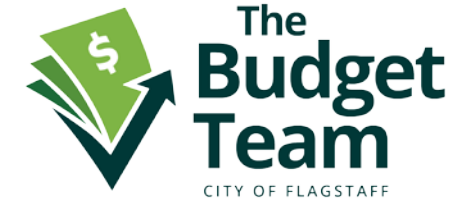


...to New Strategic Questions

- Which programs are of the highest priority in terms of achieving what is expected by the community?
 - And which are of lesser importance?
- Which programs are truly mandated for us to provide
 - And how much does it cost to provide them?
- Which programs are offered because they are “self-imposed” ?
- Which programs are offered for which there are no other service providers?
- Are there programs might lend themselves to public/private partnerships?

...to New Strategic Questions

- Who in the private sector is offering programs that are similar in nature?
 - And should we consider “getting out of that business”?
- Which programs are experiencing an increasing level of demand from the community?
 - And which are experiencing a decreasing need?
- Are there programs offered that are not helping us achieve our intended “Results”?
- What are we spending to achieve our “Results”?



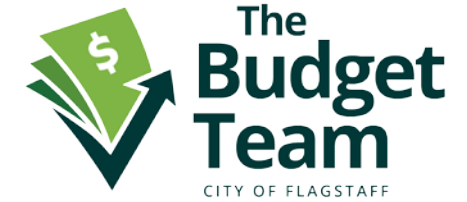
Strategic Questions

- What's our plan and what could cause it to change?
- What might our future look like?
- When things change, how can we anticipate, plan, respond?
- What if we.....???

Let's have the conversations we want to have about the things that are really important to all of us.



Congratulations!



- Flagstaff is one of about 200 local governments currently utilizing PBB!
- Key points:
 - Focus on Community priorities
 - Alignment with your goals
 - Transparency and accountability



The
Budget Team
CITY OF FLAGSTAFF



Priority Based Budget (PBB)



The
Budget Team
CITY OF FLAGSTAFF



Overview



The
Budget Team
CITY OF FLAGSTAFF



City of Flagstaff PBB

Goals



- Data-driven decision-making in the budget process
- Transparency and engagement in the budget process
- Align budget process with community priorities
 - Every City service and function are tracked as a program
 - Every program is evaluated against priorities and objectives
 - Determined by Community and Council
 - Excludes grants and capital budgets

Priority and Objective Development



- Summer 2019 - Began the PBB journey
- Fall 2019 - Engaged with Council on priorities and objectives
- Summer 2020 - Community outreach
- November 2020 - Council adopted priorities and objectives
- Summer 2023 - Reviewed priorities and objectives
 - Council and community input
- Fall 2023 - Adopted revised priorities and objectives
- Spring 2025 – Council review of priorities and objectives








CITY OF FLAGSTAFF
Key Community Priorities



CITY OF FLAGSTAFF

Priority Based Budgeting Priorities and Objectives



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Definitions

ALTERNATIVE RESPONSE MODEL –

Responding to appropriate 911 calls with a behavioral health professional and the ability to provide culturally sensitive care to those in crisis or needing mental health or substance use assistance

ACTIVE TRANSPORTATION –

The transport of people or goods through non-motorized means, based around human physical activity

COMMUNITY PARTNERS –

Governmental, nonprofit, and private organizations in the Flagstaff community that work with the City of Flagstaff to implement its programs, projects, and/or services

ENVIRONMENTAL JUSTICE –

The just distribution of the benefits of climate protection and alleviation of unequal burdens created by climate change

INFRASTRUCTURE –

The basic physical structures and facilities needed for the operation of the City (i.e. buildings, transportation networks, parks, various water networks, etc.)

MULTIMODAL TRANSPORTATION –

Interconnected transportation system that accommodates multiple modes of transportation, including walking, bicycling, public transportation systems, and driving

RESILIENT NEIGHBORHOOD –

A community with the capacity to anticipate, accommodate, and positively adapt and thrive amidst changing climate conditions, while building systems of equity, connection, and empowerment

SOCIAL EQUITY –

Actively working to counteract systemic inequalities to ensure that social services are delivered equitably and everyone in a community has access to the same opportunities and outcomes

SOCIAL INFRASTRUCTURE –

The background structures and systems that allow social, economic, cultural and political life to happen, including social services, transportation, housing, education, and healthcare

SOCIAL JUSTICE –

Fair and compassionate distribution of wealth, opportunities, and privileges

SOCIAL SERVICES –

Programs and services that provide support and assistance to improve the well-being of individuals, families, and communities

TRAUMA-INFORMED –

Understanding and considering the pervasive nature of trauma from exposure to abuse, neglect, discrimination, violence, or other adverse experiences and promoting environments of healing and recovery



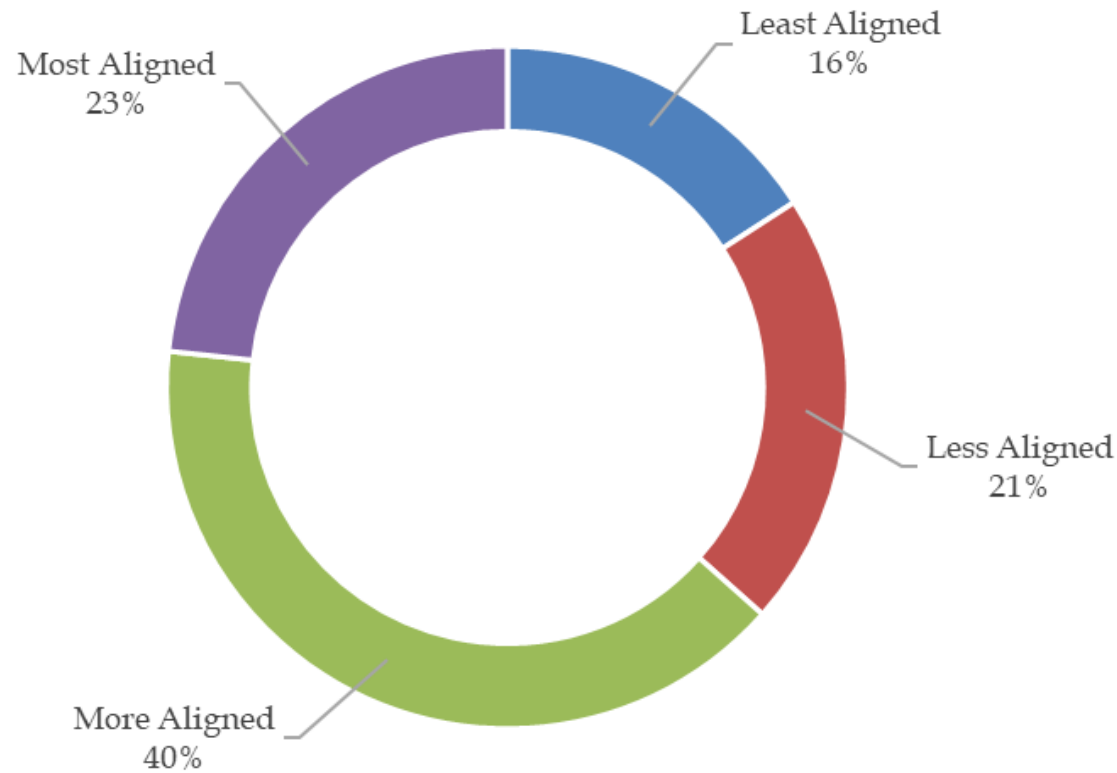
Annual Process



1. Review program inventory
 - Governance
 - Community
2. Allocate costs to PBB programs
3. Score new programs
 - Based on priorities and objectives
4. Submit and present budget requests
5. Analyze budget requests based on costs and program scores



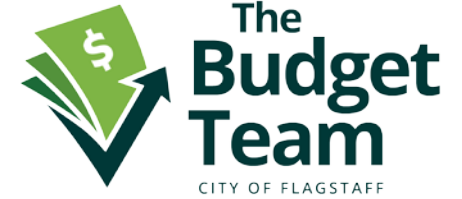
FY 2024-2025 by Quartile



Quartile	Total Approved
Most Aligned	\$ 6,577,381
More Aligned	11,327,952
Less Aligned	5,841,316
Least Aligned	4,480,909
Total	\$ 28,227,558

*Excludes grants, capital and reclassifications

Public Facing Data



<https://openpbbdata.net/Flagstaff/>

- Provides transparency over City funds
- "Mile-high" view of budget overview of operating budget
- Shows budget and scores for all programs
 - Can be sorted by goals, budget size, and program name
 - Does not show specific funds or accounts
 - Does not include capital expenditures



The
Budget Team
CITY OF FLAGSTAFF



Budget Team Focus/ Council Expectations

Investing in Employees



- Identify recruitment opportunities
- Market competitive pay
- Predictable pay plan advancement
- Compensate employees with good and strong performance
- Maintaining cost share levels for benefit coverage
- Maintain entry wage levels above minimum wage

Aligning with Priority Based Budget



- Enhance and increase utilization for budget decisions
- Continued improvements to the budget request process through enhanced tools
- Key Community Priorities and Objectives will guide budget initiatives and recommendations

Funding Requests



- Alignment with Carbon Neutrality Plan and 10-Year Housing Plan
- Prioritize infrastructure replacement/ maintenance needs
- Continue focus on transitioning remaining ongoing operating expenses funded one-time
- Work to align the Capital Improvement Plan within the constraints of the Expenditure Limitation
- Ensure ongoing maintenance needs are identified and funded appropriately



Council Discussion

- Expectations for the FY 2025-2026 Budget
- Focus Areas

Upcoming Retreats

February 13th and 14th Retreat Topics:

- Revenue updates and projections
 - Available resources and fixed costs
 - Resource allocations and needs
 - Balancing the needs
 - Any other topics?
- March 27th Capital Retreat Topics:
 - Funded
 - Unfunded
 - Any other topics?
 - April 24th and 25th Retreat Topics:
 - Recommended Budget
 - Any other topics?



The
Budget Team
CITY OF FLAGSTAFF



Public Participation



The
**Budget
Team**

CITY OF FLAGSTAFF



Color of Money – Fund Accounting

Many of the City’s revenues are restricted and can only be spent on specific functions or expenditures. Fund accounting is used to ensure proper tracking of those revenues and related expenditures.

City fiscal policies require that each fund must be balanced on an ongoing basis for a minimum of five years. In addition, each fund must maintain a minimum fund balance. Minimum fund balance is required to ensure liquidity and cash flow as well as provide financial stability should the City experience declining operating revenues. Minimum fund balance amounts vary by fund and range from 10% to 25% of operating revenues.

Below is background information on the various City’s funds and their restricted revenues.

Special Revenue Funds

Used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute, charter provision, or ordinance to finance a particular function or activity.

- Library - Secondary property tax and general fund transfer
- HURF (Streets) - Gasoline tax
- Transportation tax - 1.281% sales tax
 - » Transportation Improvements (.426%)
 - » Road Repair & Street Safety (.33%)
 - » Transit (.295%)
 - » Route 66 to Butler Overpass (.23%)
- BBB tax - 2.0% tax on bed, board & beverage
 - » Beautification (.40%)
 - » Economic Development (.19%)
 - » Arts & Science (.15%)
 - » Tourism (.60%)
 - » Recreation (.66%)
- ParkFlag
- Water Resource & Infrastructure Protection
- Housing & Community Services - Grants

Enterprise Funds

Self-supporting thru User Fees adopted by ordinance such as Water/Wastewater/Trash billings, Rent and Airport lease and fees.

- Water
- Wastewater
- Reclaim
- Stormwater
- Sustainability and Environmental Management
- Airport
- Solid Waste
- Flagstaff Housing Authority

Capital Project Funds

Used to account for major capital acquisition separate from ongoing operations

- Restricted Funding Sources -Voter Approved Bonds, Grants, Third Party Restricted Fees
- General Obligation Bond Projects:
 - » FUTS/Open Space
 - » Watershed Protection
 - » Courthouse
 - » Prop 441 & 442 (Infrastructure & Housing)
- USGS campus expansion
- Downtown Mile



Debt Service Funds

Used to account for the accumulation of resources and payments of the long-term debt

- **Restricted revenues**
 - » **General obligation bond fund - Secondary Property Tax**
 - » **Pension Bond Fund - Transfers from General Fund, Water Resource & Infrastructure Protection Fund & Airport**



General Fund

Accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government that are not accounted for in other funds and most revenues are unrestricted.

- **In other words,...everything else**

General Fund Revenues include:

- **1% City Sales Tax**
- **Franchise Tax**
- **Primary Property Tax**
- **State Shared Revenue (Sales, Income, Vehicle Tax)**
- **Licenses and Permits**
- **Fines and Forfeitures**
- **User Fees-Charges for Services**
- **CD, Recreation, Police, Fire, Cemetery**