

CITY COUNCIL BUDGET RETREAT
AGENDA

CITY COUNCIL BUDGET RETREAT - DAY 2
FRIDAY
FEBRUARY 14, 2025

AQUAPLEX
1702 NORTH FOURTH STREET
8:30 A.M.

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

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

Public comment may be given in-person or virtually

If you want to provide a virtual comment on an item that appears on the posted agenda, use the link below.

VIRTUAL 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

STAFF RECOMMENDED ACTION:

Presentation and Discussion Regarding FY 2025/2026 Budget

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 _____, 2025.

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.

To: The Honorable Mayor and Council
From: Stacy Saltzburg, City Clerk
Co-Submitter: Budget Team
Date: 02/11/2025
Meeting Date: 02/14/2025

City Council Budget Retreat

Presentation and Discussion Regarding FY 2025/2026 Budget

The budget for the City of Flagstaff is the policy document that reflects the goals and objectives of the City Council. Over the course of several months, the City Council meets to gather input on major budget issues prior to the preparation of the budget.

This retreat is set to provide a financial outlook to the Council and to provide additional information and receive City Council input on budget issues. The main goal of the retreat is for the City Council to provide FY 2025-2026 budget direction to the City Manager.

Attached to the staff summary is a Detailed Agenda and Presentation.

INFORMATION:

Attachments: [Detailed Agenda](#)
[Budget Retreat Presentation](#)
[Color of Money](#)
[AZCity 101 - State Shared Revenue in Arizona](#)
[Resource Toolkit](#)

City Council Budget Retreat

February 13-14, 2025

Detailed Agenda

Time	Duration (Min)	Topic	Staff
8:30am	15	Welcome and Objectives	Greg Clifton
8:45am	10	Budget Timeline/Color of Money	Heidi Derryberry
8:55am	10	Key Community Priorities and Objectives Overview	John Comer
9:05am	30	January Retreat Recap	Greg Clifton
9:35am	70	Revenue Updates - General Fund - Highway User Revenue Fund (HURF) - Transportation - Bed, Board and Beverage Funds (BBB) - Grants and Direct Spending	Rick Tadder Stacey Brechler-Knaggs
10:45am	15	Break	
11:00am	30	Available Resources and Fixed Costs - Pension Cost Trends - Fixed Costs – General Fund - Available Resources - General Fund - Other Considerations - Other Funds Fiscal Health - Solid Waste - Airport	Brandi Suda
11:30am	60	Investing in Employees Update - Benefits - Recruitment/Retention - Compensation	Kori Vogt Sarah Sorne
12:30pm	60	Lunch	
1:30pm	15	Investing in Employees Update Employee Advisory Committee	Jessica Vigorito Jared Wotasik Seth Gregar
1:45pm	45	Bond Project Updates - Public Safety - Stormwater - Wastewater - Housing	Mark Gaillard Ed Schenk Trevor Henry Lee Williams Sarah Darr
2:30pm	15	Break	

Please note: All times are estimates and items could be reordered during the meeting. Agenda items from 2/13/25 may be rescheduled to 2/14/25 as needed.

City Council Budget Retreat

February 13-14, 2025

Detailed Agenda

Time	Duration (Min)	Topic	Staff
2:45pm	60	Resource Allocations and Needs - Housing Emergency - Climate Emergency - City Infrastructure	Sarah Darr Nicole Antonopoulos Jennifer Brown
3:45pm		Closing Comments/Public Participation	
8:30am	15	Welcome	Joanne Keene
8:45am	45	Resource Allocations and Needs - Meeting Community Expectations - Ongoing cost of new infrastructure - Service levels - Staffing - Solid Waste - Staffing Requests - One-time to Ongoing	Rebecca Sayers Rick Tadder
9:30am	15	Break	
9:45am	120	Balancing the Needs - Solid Waste Operations - Secondary Property Taxes & Bonds - Primary Property Tax Capacity - Sales Tax - Rates and User Fees - Airport - Electric Vehicle Charging - Development Impact Fees 5-Year Review Requirement - Consideration of Additional Development Impact Fees	Scott Overton Brandi Suda Rick Tadder Brian Gall Jenny Niemann Michelle McNulty
11:45am	30	Lunch	
12:15pm	60	Council Forum and Budget Expectations for April Retreat	Mayor Daggett Greg Clifton
1:15pm		Closing Comments/ Public Participation	

Please note: All times are estimates and items could be reordered during the meeting. Agenda items from 2/13/25 may be rescheduled to 2/14/25 as needed.



**The
Budget Team**
CITY OF FLAGSTAFF



Council Budget Retreat

February 13 – 14, 2025



The
Budget Team
CITY OF FLAGSTAFF



Welcome and Objectives

Welcome



- Welcome
- Objectives
- Meeting Protocol

Agenda



- Budget Timeline/ Color of Money
- Key Community Priorities
- January Retreat Recap
- Revenue Updates
- Available Resources and Fixed Costs
- Investing in Employees Update
- Bond Project Updates
- Resource Allocations and Needs
- Balancing the Needs
- Council Forum/ Budget Expectations

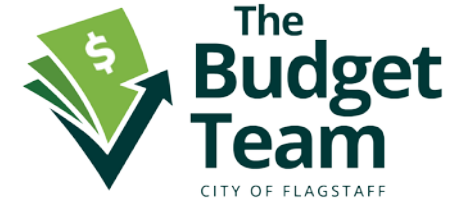


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Budget Timeline/ Color of Money

Budget Timeline



- February 13 & 14, 2025 – 2nd Council Budget Retreat
- March 27, 2025 - Capital Improvement Program (CIP) Retreat
- April 24 & 25, 2025 – City Manager Recommended Budget Retreat
- June 3, 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

Fund Types

General Fund

Special Revenue Funds	Debt Service Funds	Enterprise Funds	Capital Project Funds
• Housing & Community Service • Library • Highway User Revenue • Transportation Tax • Bed, Board and Beverage • Parking • Water Resource & Infrastructure	• General Obligation Bond • Pension Bond	• Drinking Water • Wastewater • Reclaimed Water • Stormwater • Solid Waste • Sustainability and Environmental Management • Airport • Flagstaff Housing Authority	• United States Geological Survey (USGS) Campus • Downtown Mile • Flagstaff Urban Trail System (FUTS)/Open Space • Watershed Protection • Proposition 441 - Infrastructure • Proposition 442 - Housing



Key Community Priorities

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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

THE OBJECTIVES LISTED IN THIS DOCUMENT WERE APPROVED BY COUNCIL NOVEMBER 2023.

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





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January Retreat Recap

economic prosperity
engagement smart growth
resource sustainability
community
growth
water
affordable
healthy
financial stability
fire mitigation
creativity
service
cost of living
fiscal health
safe community
medical services
excellent service
wellbeing
resiliency
delivery of services
preparedness
increase safety
affordable housing
quality of life
public safety
climate
housing
climate action
innovation
efficiency
safe
airport
resilience
public art
preparation
fair wage

Council Budget Considerations



- Investing in Employees



- Competitive Salaries



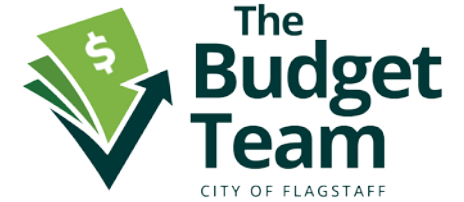
- Core Services Equipment and Staff



- Public Safety Mental Health



Council Budget Considerations



- Fire Resources including Wildland Fire



- Housing Support to Execute Programs



- Climate and Firewise



- Transform Downtown



Council Budget Considerations



- Childcare and Early Childhood Education



- Infrastructure Maintenance and Improvements



- Use City-owned Land for Housing



- Purchase Land for Housing





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Revenue Update

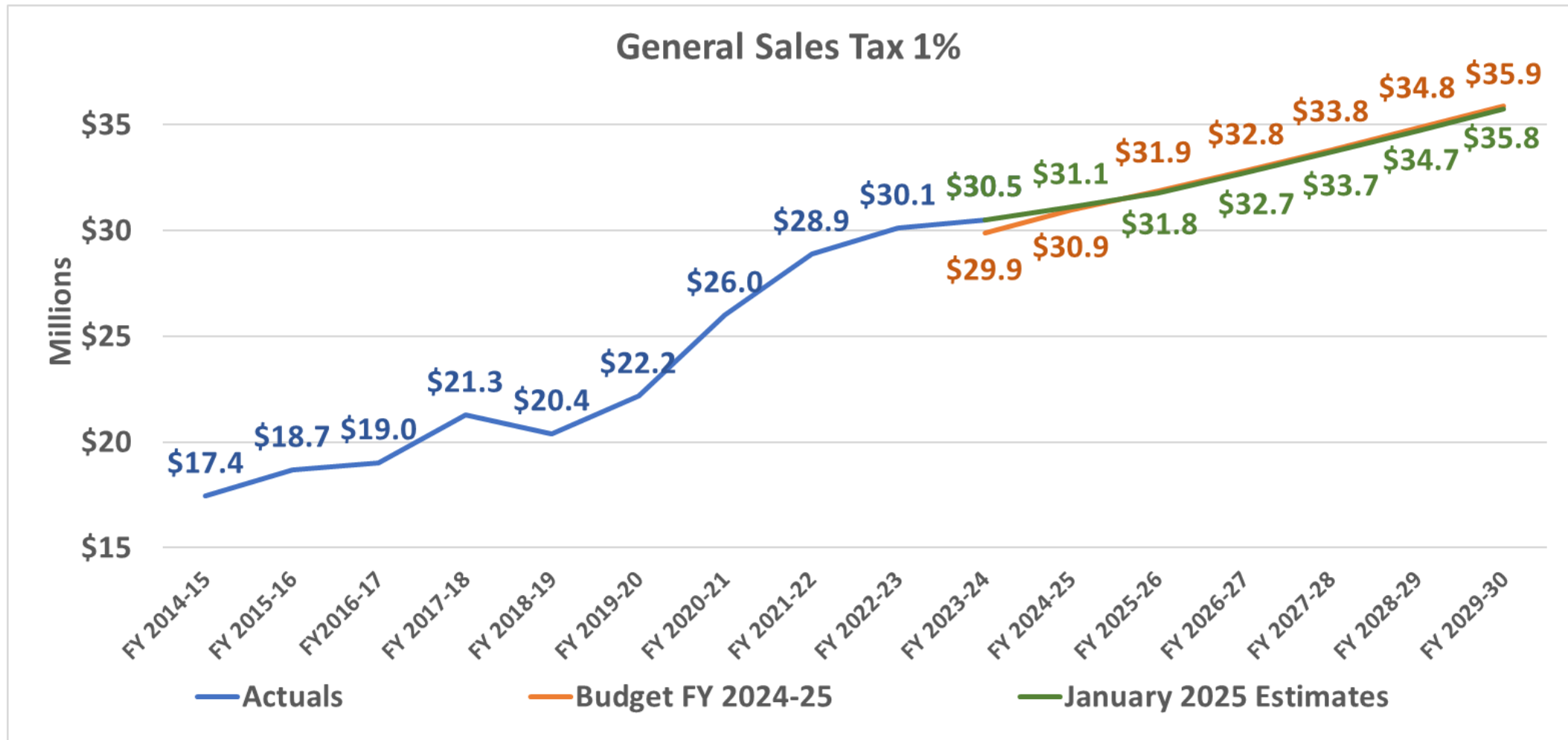
General Fund



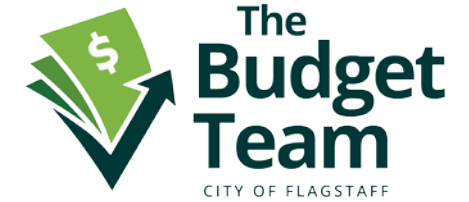
- \$83M annual operating revenues*
 - 37% - General sales tax 1%
 - 39% - State shared revenues
 - 24% - Property taxes, licenses, permits, user fees, court fees, and interest
- Built in recession planning in year six (not shown)
- Revenues support many divisions and sections

*Excluding: Lease revenues, grants, contributions, miscellaneous, financing resources and transfers.

General Fund

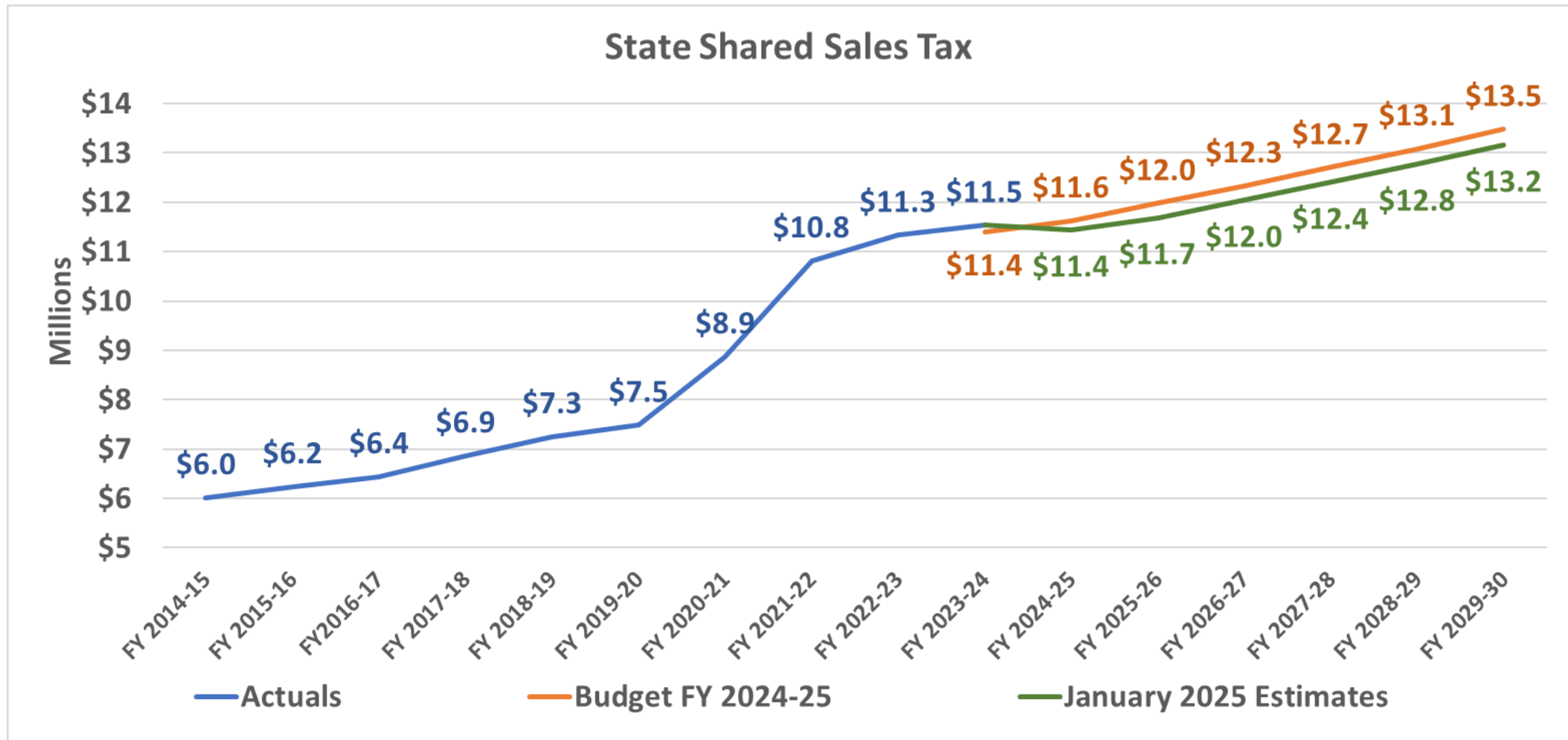


General Fund

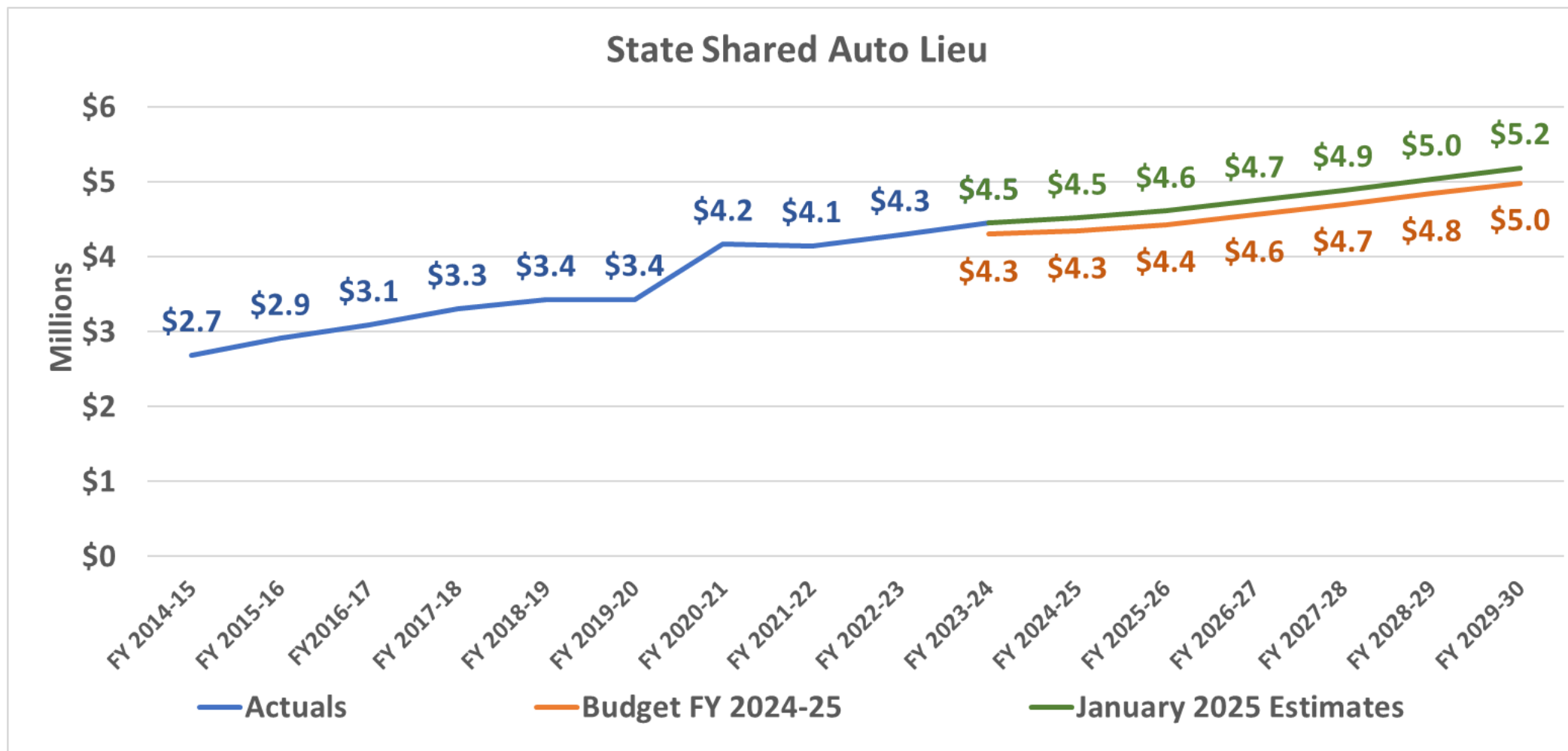


Category	FY 2023-24 Estimate	FY 2023-24 Actual	Estimate vs Actual	FY 2024-25 Budget	FY 2024-25 Estimate	Estimate vs Budget
Sales Taxes						
Utilities	\$ 1,255,000	\$ 1,271,290	\$ 16,290	\$ 1,280,100	\$ 1,304,000	\$ 23,900
Telecommunications	180,000	199,296	19,296	183,600	170,000	(13,600)
Restaurant/Bars	3,980,000	4,067,678	87,678	4,059,600	4,111,000	51,400
Amusements	113,000	118,765	5,765	114,100	131,000	16,900
Commercial Rental	1,330,000	1,374,959	44,959	1,343,300	1,375,000	31,700
Personal Property Rental	870,000	915,810	45,810	878,700	975,000	96,300
Contracting	2,900,000	3,217,330	317,330	2,900,000	3,060,000	160,000
Retail	14,700,000	14,762,851	62,851	14,847,000	14,585,000	(262,000)
Marketplace Retail	1,190,000	1,289,619	99,619	1,201,900	1,345,000	143,100
Hotel/Motel/STR	2,150,000	2,172,610	22,610	2,185,500	2,137,000	(48,500)
Miscellaneous	103,000	96,400	(6,600)	104,100	83,600	(20,500)
Use Tax	1,100,000	1,026,838	(73,162)	1,850,000	1,825,000	(25,000)
Sales Taxes Total	\$ 29,870,000	\$ 30,513,446	\$ 643,446	\$ 30,947,900	\$ 31,101,600	\$ 153,700

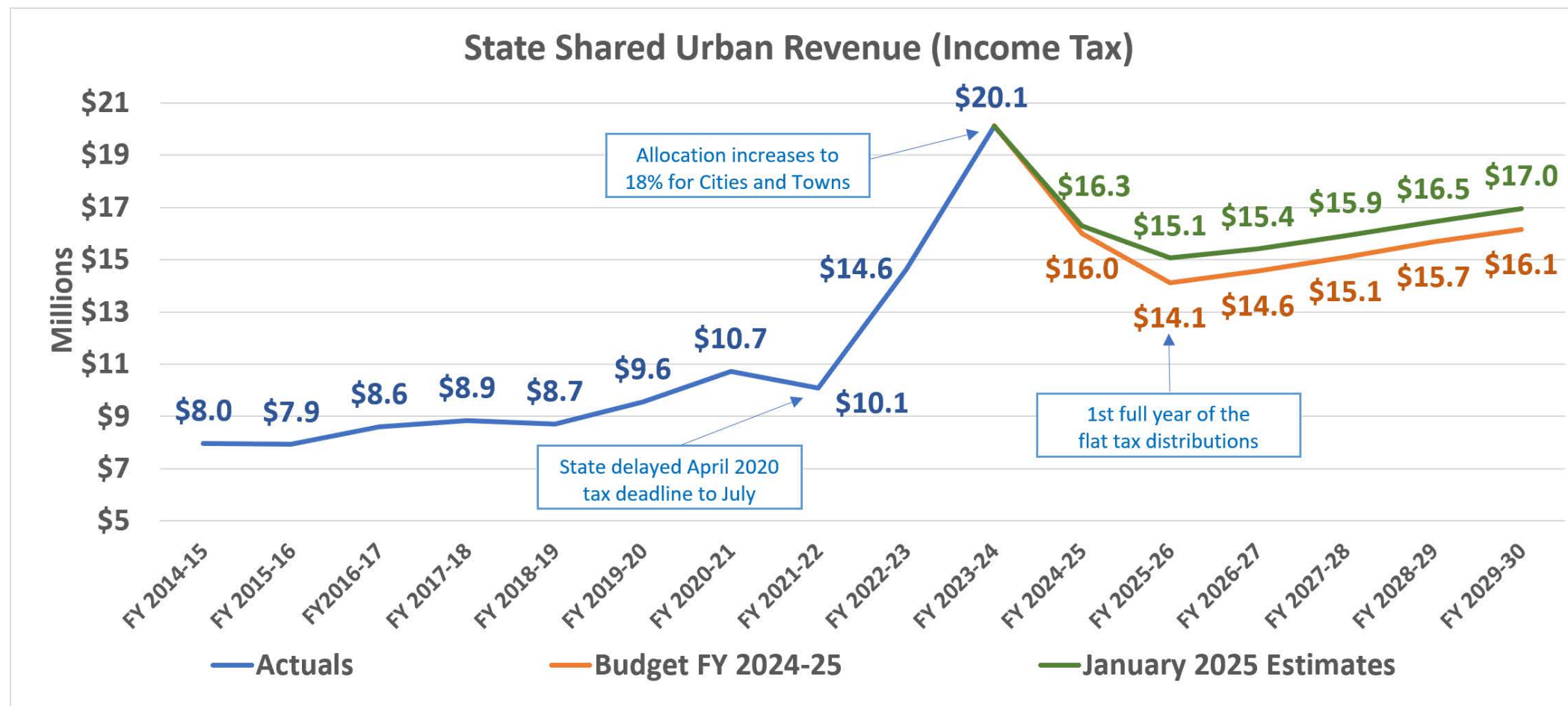
General Fund



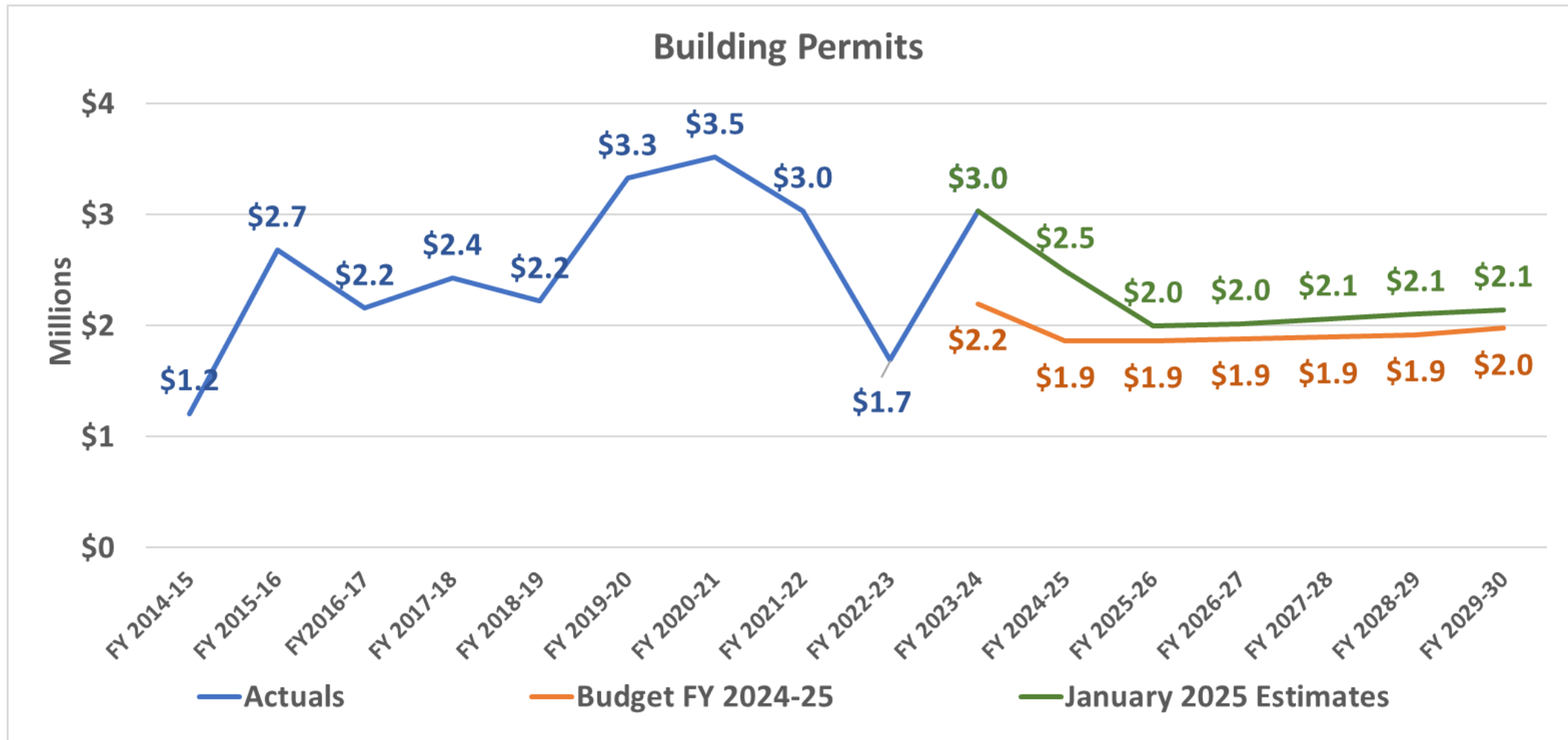
General Fund



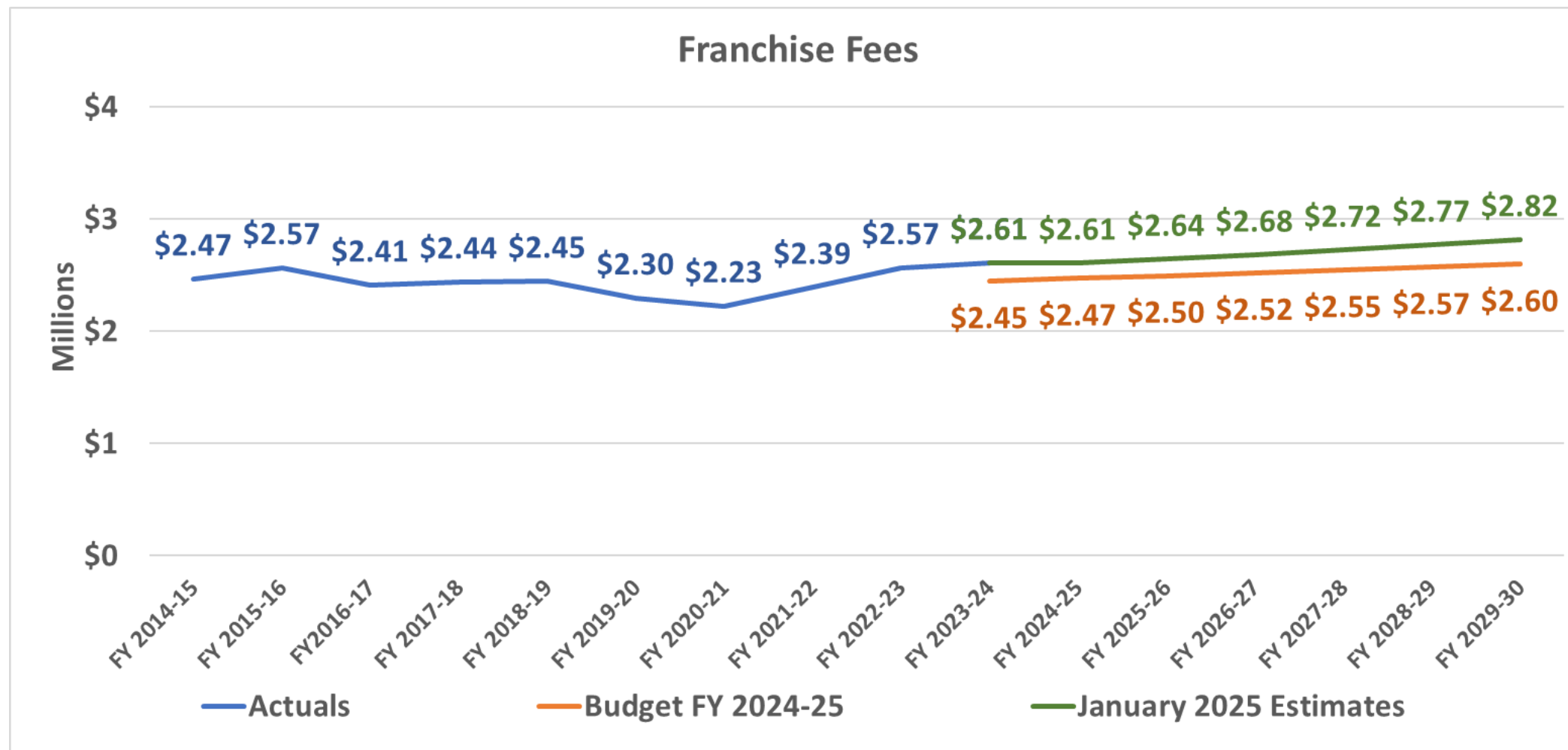
General Fund



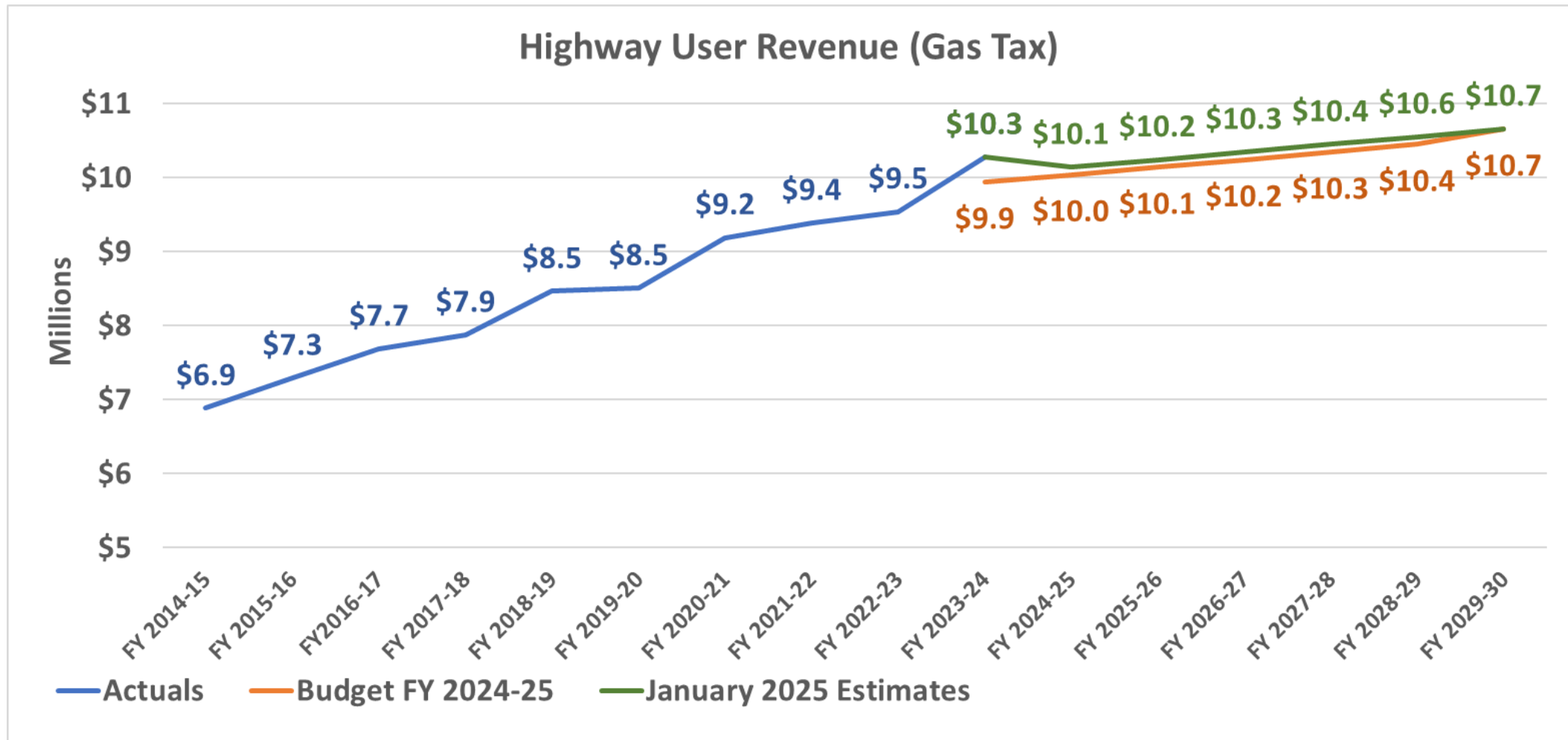
General Fund



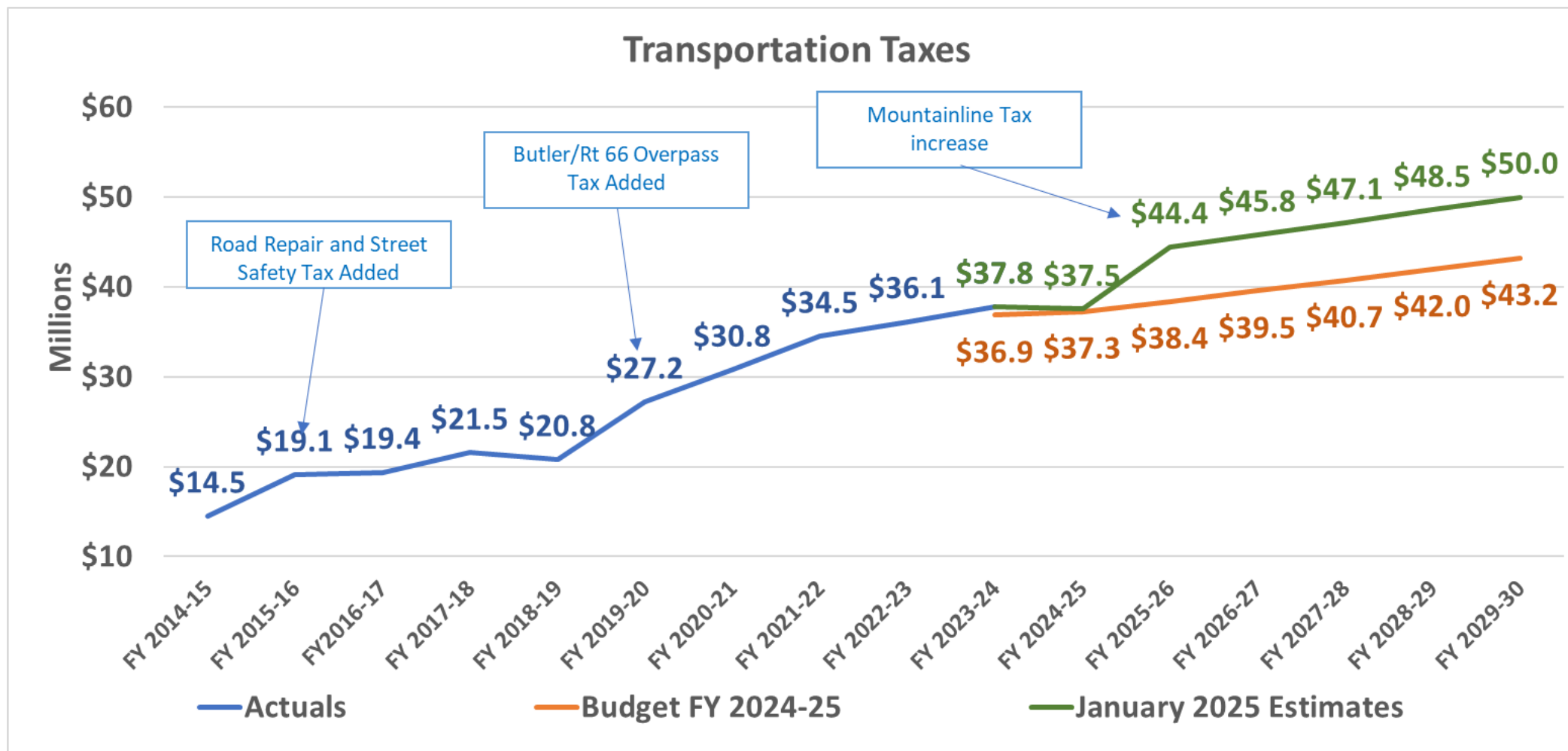
General Fund



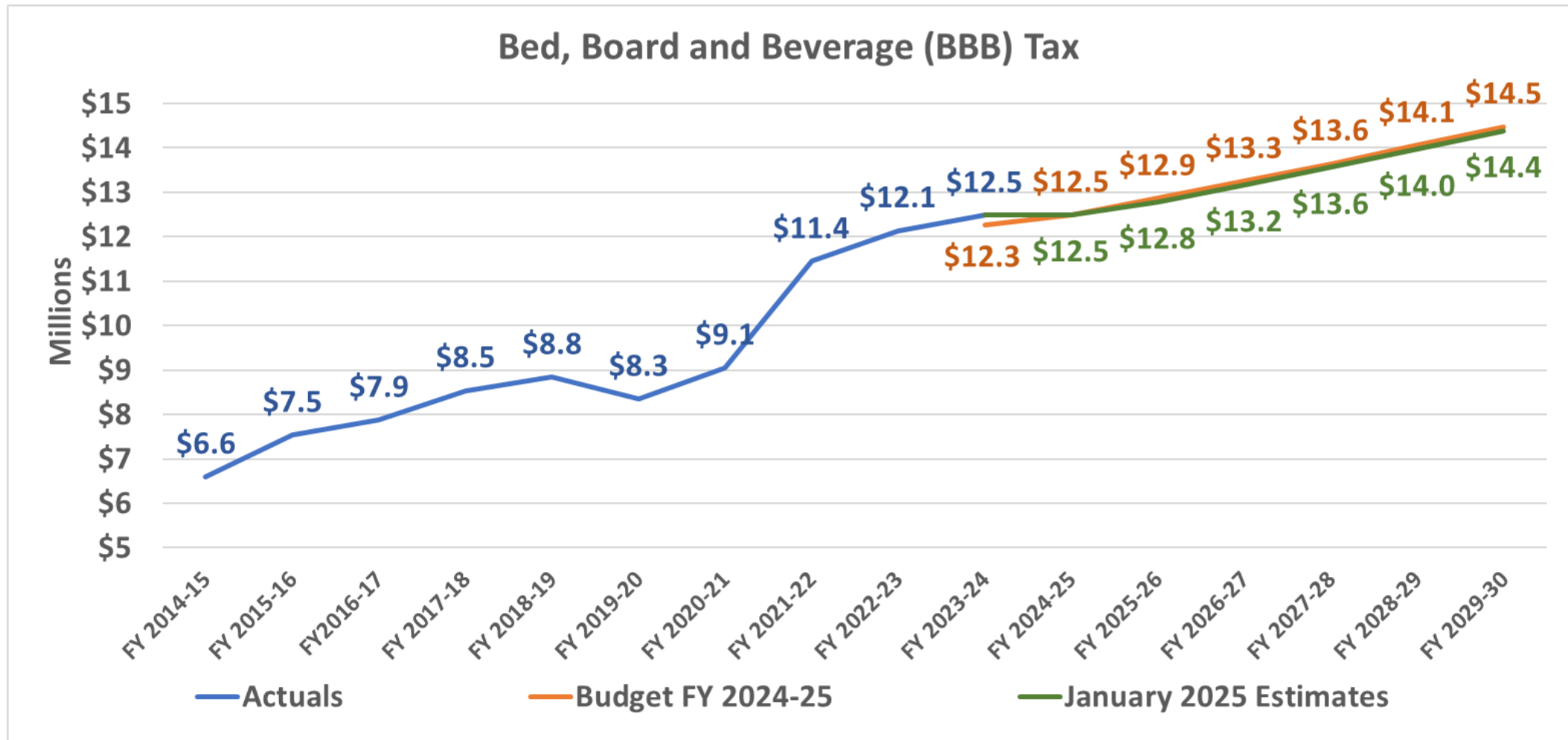
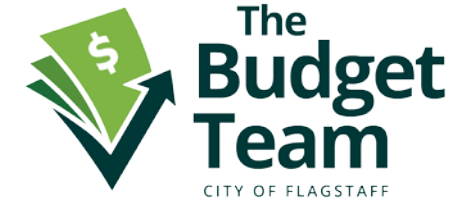
Highway User Revenue Fund



Transportation Taxes



Bed, Board and Beverage Funds

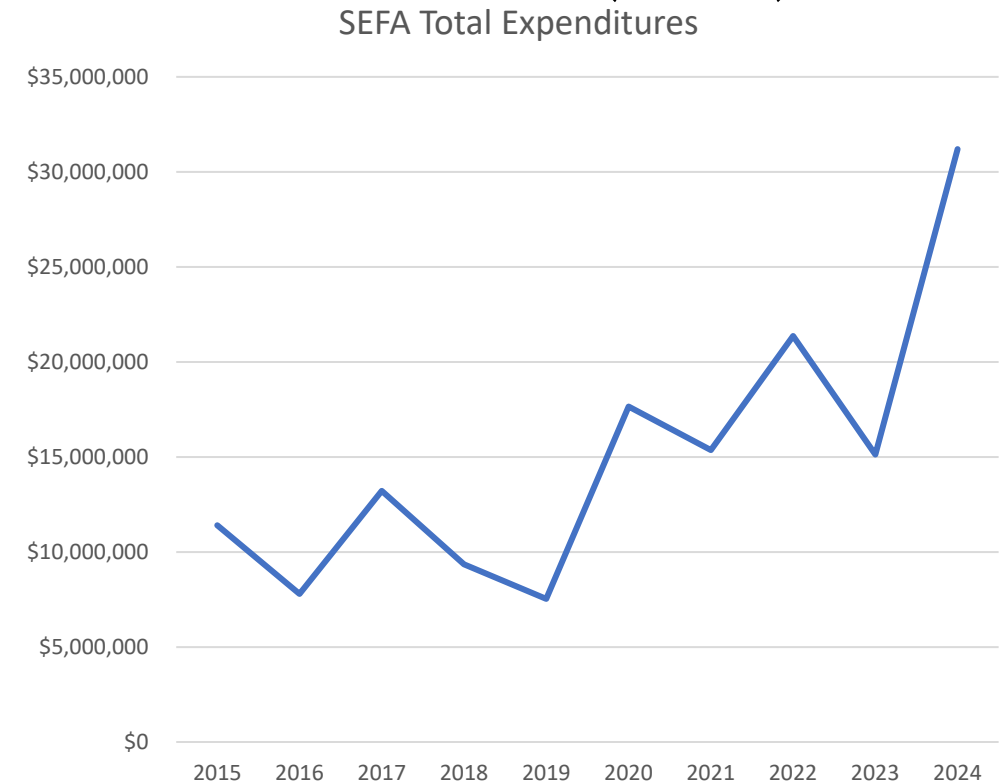


Grants and Direct Spending



Federal Grants – Schedule of Expenditures of Federal Awards (SEFA)

Fiscal Year	SEFA Total Expenditures
2015	\$11,409,215
2016	\$7,792,388
2017	\$13,218,572
2018	\$9,356,308
2019	\$7,534,627
2020	\$17,656,741
2021	\$15,362,728
2022	\$21,371,431
2023	\$15,126,081
2024	\$31,200,778



Grants and Direct Spending

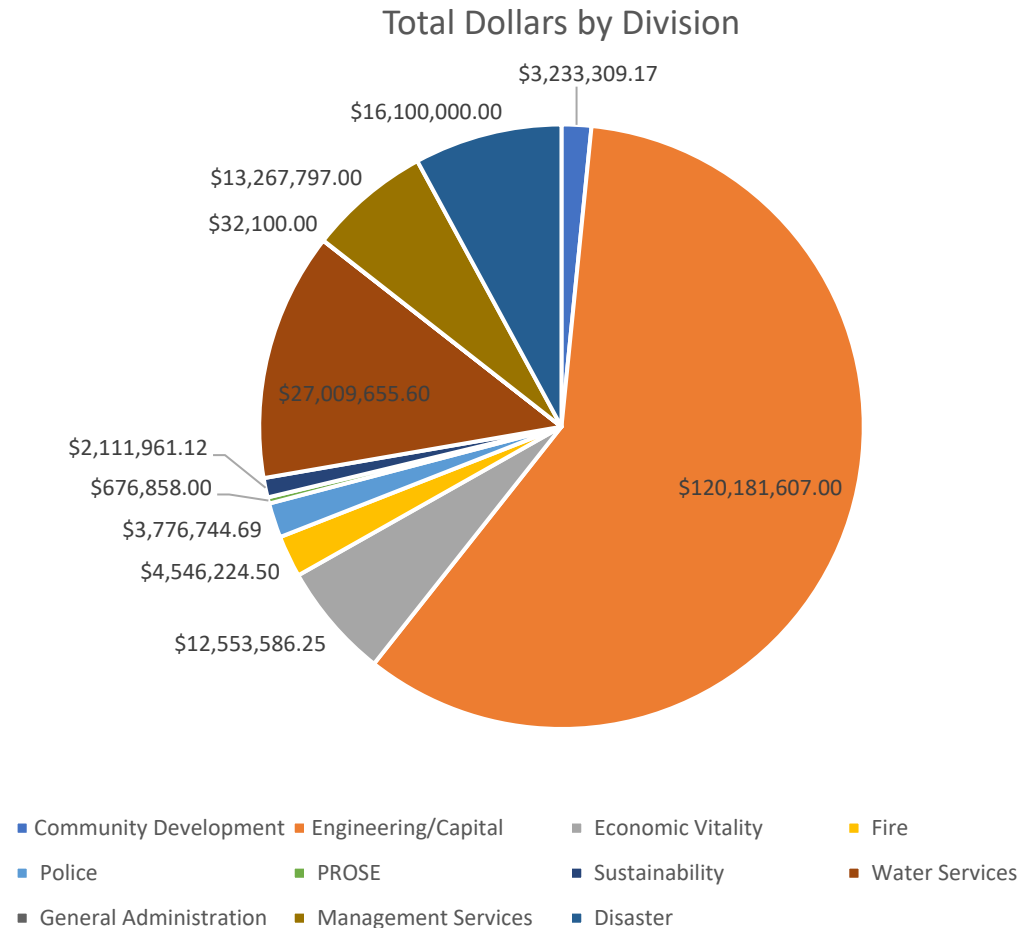


- In Progress Pending Submission (12)
- Submitted Pending Award (22)
- Active Grants (103) = \$203,489,843

Grants and Direct Spending



Division	Total Dollars by Division
Community Development	\$ 3,233,309.17
Engineering/Capital	\$ 120,181,607.00
Economic Vitality	\$ 12,553,586.25
Fire	\$ 4,546,224.50
Police	\$ 3,776,744.69
PROSE	\$ 676,858.00
Sustainability	\$ 2,111,961.12
Water Services	\$ 27,009,655.60
General Administration	\$ 32,100.00
Management Services	\$ 13,267,797.00
Disaster	\$ 16,100,000.00

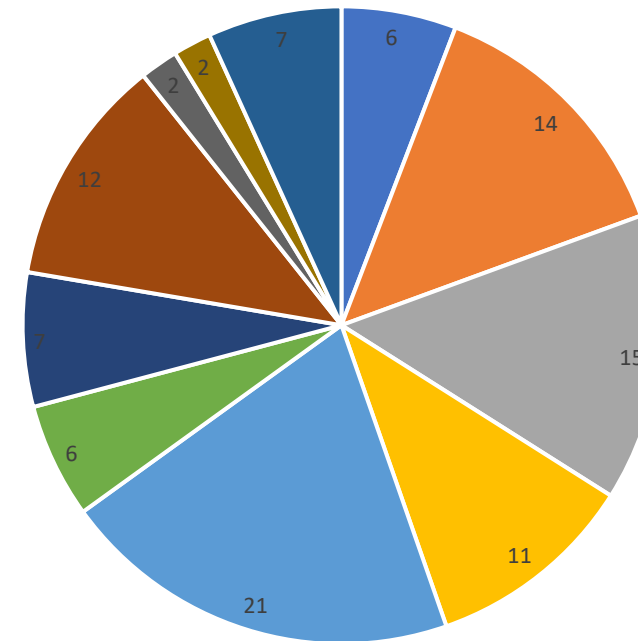


Grants and Direct Spending



Total Number by Division

Division	Total Number by Division
Community Development	6
Engineering/Capital	14
Economic Vitality	15
Fire	11
Police	21
PROSE	6
Sustainability	7
Water Services	12
General Administration	2
Management Services	2
Disaster	7



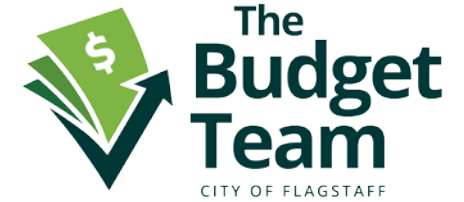
- Community Development
- Engineering/Capital
- Economic Vitality
- Fire
- Police
- PROSE
- Sustainability
- Water Services
- General Administration
- Management Services
- Disaster

Grants and Direct Spending



- \$56,300,000 – Federal Railroad Administration, Downtown Mile
- \$29,198,120 – Federal Highway Administration, Butler Avenue and Fourth Street Safety and Multimodal Improvements
- \$16,100,000 – Department of Fire and Forestry Management, Inner Basin Waterline Restoration
- \$12,014,989 – Federal Highway Administration, Safe Streets for All Butler Avenue Complete Street Conversion
- \$13,252,816 – Department of Treasury, American Rescue Plan Local Fiscal Recovery Funds
- \$7,000,000 – Forest Service, Coconino National Forest, Spruce Wash The Wedge Detention Basin (Congressionally Directed Spending)
- \$8,987,000 – SB1720 Appropriations for Stormwater Maintenance
- \$6,237,000 – Federal Railroad Administration, Flagstaff Amtrak Station Accessibility Project

Grants and Direct Spending



- AZ Department of Transportation, AZ SMART Match
 - \$3,000,000 - Downtown Mile
 - \$2,402,998 - Safe Streets for All Butler Avenue Complete Street Conversion
- Other Outside Contributions
 - \$11,000,000 - BNSF for Downtown Mile
 - \$8,987,000 - SB1720 Appropriations Post-Fire Mitigation, including detention basin maintenance, operations, and drainage improvements
 - \$5,000,000 - 2025 Water Resource Development Act, Advanced Wastewater Treatment Facility
- FY 2025 Congressionally Directed Spending Appropriated
 - \$1,200,000 - Airport Terminal Expansion and Drainage Improvements
 - \$3,850,000 - Amtrak Station Platform Improvements (reallocate to another project)
 - \$1,105,800 - Sustainable Biochar Facility



**The
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BREAK

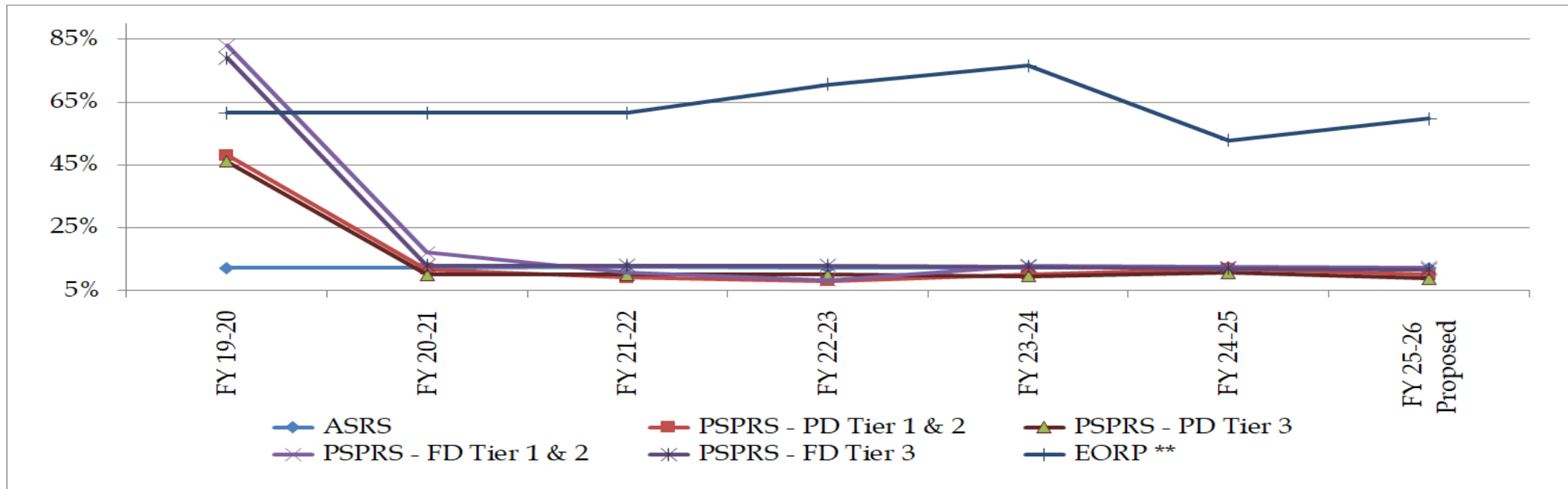
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Available Resources and Fixed Costs

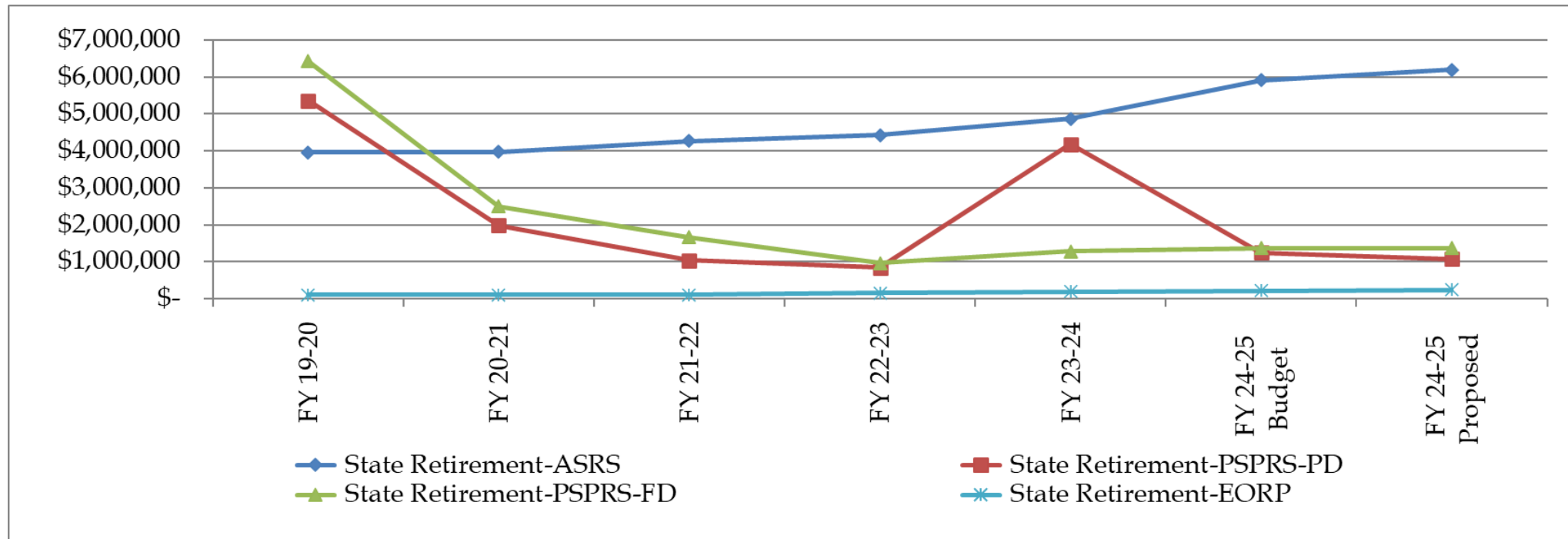
Pension Contribution Rates

	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26 Proposed
ASRS	12.11%	12.22%	12.41%	12.17%	12.29%	12.27%	12.00%
PSPRS - PD Tier 1 & 2	48.09%	11.67%	9.04%	8.00%	10.13%	11.83%	9.97%
PSPRS - PD Tier 3	46.10%	9.94%	9.94%	9.94%	9.56%	10.52%	8.69%
PSPRS - FD Tier 1 & 2	83.03%	17.03%	10.77%	8.35%	12.86%	12.42%	12.35%
PSPRS - FD Tier 3	78.99%	12.94%	12.94%	12.94%	12.56%	11.89%	11.69%
EORP **	61.50%	61.55%	61.55%	70.59%	76.66%	52.76%	59.75%



Pension Expenditures

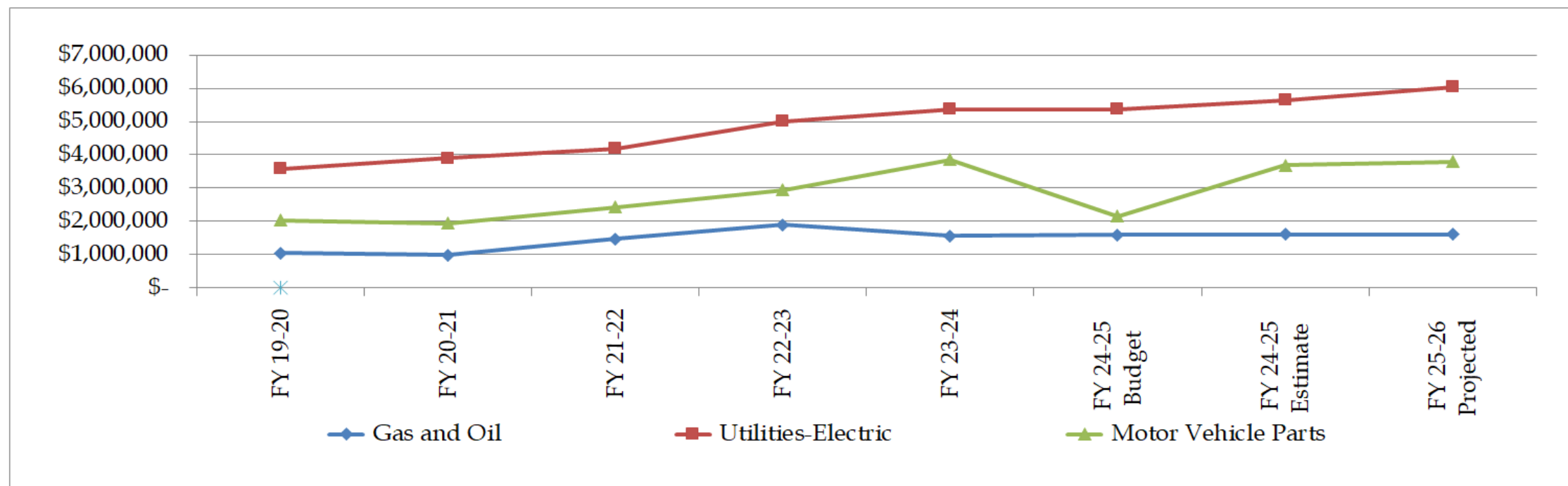
	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25 Budget	FY 25-26 Proposed
State Retirement-ASRS	3,957,519	3,973,921	4,270,225	4,424,530	4,863,673	5,910,644	6,185,937
State Retirement-PSPRS-PL	5,356,624	1,987,409	1,034,798	845,958	4,177,427	1,249,268	1,080,004
State Retirement-PSPRS-FL	6,421,350	2,498,080	1,669,895	966,279	1,282,256	1,367,497	1,363,359
State Retirement-EORP	106,743	107,039	103,258	154,913	196,958	217,463	245,733
	15,842,236	8,566,449	7,078,176	6,391,680	10,520,314	8,744,872	8,875,033



Other Fixed Costs



	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25 Budget	FY 24-25 Estimate	FY 25-26 Projected
Gas and Oil	1,038,970	985,487	1,461,994	1,887,894	1,564,427	1,592,351	1,610,000	1,610,000
Motor Vehicle Parts	2,034,116	1,935,853	2,422,236	2,940,765	3,860,601	2,151,166	3,690,000	3,800,700
Utilities-Electric	3,575,688	3,895,475	4,194,595	5,014,361	5,378,602	5,372,459	5,647,000	6,042,290



Available Resources – General Fund



General Fund	One-Time	Ongoing
FY 2023-24 Revenue Growth	\$ 2,750,000	\$ -0-
FY 2023-24 Expenditure Savings	4,100,000	-0-
FY 2024-25 Revenue Estimate	2,440,000	-0-
FY 2024-25 Revenue Projection Growth	1,900,000	1,900,000
Total Capacity	\$ 11,190,000	\$ 1,900,000
Option: Primary Property Tax (12% Increase)	-0-	910,000
	\$ 11,190,000	\$ 2,810,000

Fixed Costs – General Fund



General Fund	Ongoing
Pay for Performance/Step Increases FUNDED!	\$ 2,100,000
Pension Cost Increase (Net Neutral)	-0-
Medical Insurance – Maintaining Cost Share Ratio	75,000
Utility Rate Increases	192,000
Liability and Property Insurance	180,000
Workers’ Compensation	50,000

Other Funds Fiscal Health



Other Funds	
Highway User Revenue Fund	
Transportation Taxes Fund	
Library Fund	
Bed, Board, Beverage (BBB) Funds	
Water Resources and Infrastructure Protection Fund	
Water, Wastewater and Reclaimed	
Stormwater	
Solid Waste Fund	
Sustainability & Environmental Management Fund	
Airport Fund	

Solid Waste Fund



- Operational costs are out pacing revenue growth
 - Fuel, parts and staffing costs
 - Material Recovery Facility (MRF)/recycling contract impacts
 - Operating costs have exceeded budget for the three prior fiscal years
- Ongoing structural deficit of \$230,000 + annually
- Recently implemented service delivery changes to offset operational cost increases

Airport Fund



- Operational costs are outpacing revenue growth
 - Paid parking not generating as much revenue as anticipated
 - No commercial advertising revenues
 - Index B requiring ARFF 24/7 operations since FY2021
 - TSA law enforcement officer reimbursement discontinued
 - Maintenance cost of runway continue to increase significantly
- Starting in FY 2025 – no longer self sufficient - \$200,000 annual support from General Fund
- Additional ongoing structural deficit of \$150,000+ annually starting in FY 2026
- Staff actively working on:
 - 2nd airline
 - Airport revenues are being analyzed and evaluated for opportunities for growth



The
Budget Team
CITY OF FLAGSTAFF



Investing in Employees Update

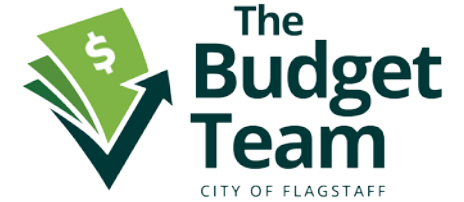
Human Resources & Risk Management



- Primary Focus on the Employee Experience (EX)
 - Service
 - Support
 - Safety
- Empower Employees and Leadership
 - Benefits
 - Total Rewards
 - Attract
 - Retain



General Fund Benefits - Other



FY 2025-2026 Renewal (Projected):

- Medical
 - 3% increase, using reserves to buy down rate increase to 1.5% average
 - Trust approved the following contribution increases:
 - Buy-up = 6%, Base = 1.25%, High Deductible Health Plan (HDHP) = 0.5%
 - \$110,000 increase to maintain cost share ratio
- Dental and Vision Improvements
 - Expanding to three plans each, providing employees with more choices
- Northern Arizona Public Employees Benefit Trust (NAPEBT) will remain financially responsible trying to balance healthy reserves with anticipated future claim risk

Benefits – Medical Insurance



1.5% Increase (Projected)

Impact if cost share percentage is maintained: (monthly cost)

Plan	Coverage	New			Employee		Total
		New Total Cost	New City Cost	Employee Cost	Employee Increase	City Increase	
Buy Up	Employee	\$ 930.46	\$ 764.68	\$ 165.78	\$ 42.98	\$ 9.70	\$ 52.68
	Empl +1	\$ 1,802.58	\$ 1,092.76	\$ 709.82	\$ 88.56	\$ 13.48	\$ 102.04
	Family	\$ 2,496.70	\$ 1,512.78	\$ 983.92	\$ 122.66	\$ 18.66	\$ 141.32
Base	Employee	\$ 784.68	\$ 764.68	\$ 20.00	\$ -	\$ 9.70	\$ 9.70
	Emp +1	\$ 1,517.72	\$ 1,092.76	\$ 424.96	\$ 5.26	\$ 13.48	\$ 18.74
	Family	\$ 2,101.10	\$ 1,512.78	\$ 588.32	\$ 7.28	\$ 18.66	\$ 25.94
HDHP*	Employee	\$ 684.58	\$ 764.68	\$ (80.10)	\$ (6.28)	\$ 9.70	\$ 3.42
	Emp +1	\$ 1,321.12	\$ 1,012.66	\$ 308.46	\$ (0.62)	\$ 7.20	\$ 6.58
	Family	\$ 1,827.68	\$ 1,432.68	\$ 395.00	\$ (3.28)	\$ 12.38	\$ 9.10

* \$80.10 – Employer contribution to Health Savings Account

Total Rewards

- Competitive Pay
- State Retirement with 100% Match
- 457 Deferred Compensation Options
- Thirteen Paid Holidays
- Flexible & Health Savings Accounts
- Short & Long-Term Disability
- Life Insurance and AD&D
- First-Time Homebuyer Assistance
- Employee Discounts: Bus EcoPass, Aquaplex, Recreation Centers

Pay

- Sick and Vacation Accruals
- Paid Leaves, Four Week Paid Parental Leave
- Donated Leave
- Employee Clinic & Telehealth
- Employer Assistance Program (EAP)
- Wellness Program and Incentives
- Tobacco Cessation Program
- Volunteer Opportunities

Wellness

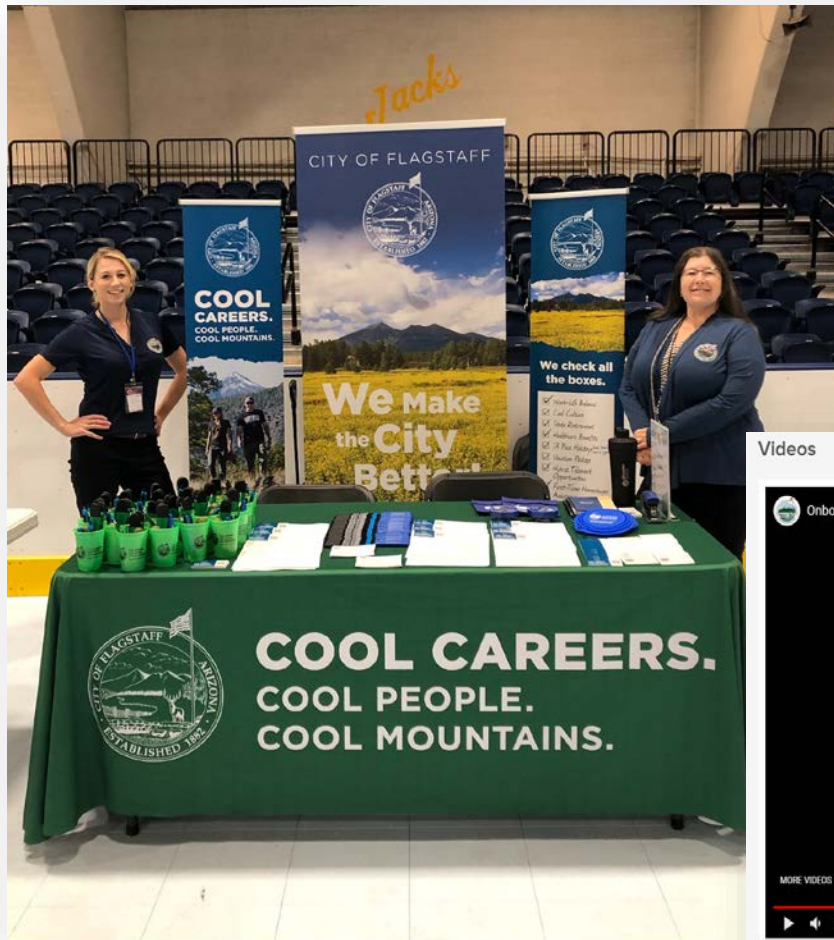
- Pay for Performance/Step Increases
- On-the-Spot (OTS) Rewards
- Wonderful Outstanding Worker (WOW) Awards
- 7K Award
- Quality Service Increase
- City Manager's Excellence Awards
- Workaversary/Service Awards and Gifts

Performance
&
Recognition

Learning
&
Development

- Tuition Assistance
- Student Loan Forgiveness
- Transfer and Promotional Opportunities
- Leadership Training
- Committee Participation
- Customized Training and Learning Management System (LMS)
- Refresh Opportunities

Recruitment



**CITY OF
FLAGSTAFF**

WE'RE HIRING!

**INFORMATION SYSTEMS
COORDINATOR - COURTS**

- 2 year degree (or equivalent experience)
- 3+ years of IT Technician experience
- Basic knowledge of LAN's, WAN's, and network hardware (routers, switches, firewalls)
- Experience with DOS, Windows NT, Windows 2000, XP, Vista, Version 8.1 and Version 10, Office, Access

COOL CAREERS.

APPLY TODAY AT:
FlagstaffCityCareers.com

Start your career in Flagstaff...



☒ State Retirement
☒ Healthcare Benefits
☒ Four Seasons
☒ Outdoor Adventure *(its epic!)*
☒ Diverse Population
☒ Great Schools
☒ Mountain Town Vibe
☒ Smile More

Check all the boxes.
at FlagstaffCityCareers.com

Video 

Videos



Recruitment Data



Vacancy Rate:

- January 2025: 12.25% ↑ 0.75%

Applications:

- Jan-Dec 2024: 6936 ↑ 30%
 - 72% In-State: ↓ 6%
 - 68% Local: ↑ 12%

Recruitments:

- Jan-Dec 2024: 187 Requisitions ↓ 8%
- Jan-Dec 2024: 305 Hires ↓ 15%
 - Internal Movements - Transfers, Voluntary Reassignments, and Promotions: 24% ↑ 4%

Time to Fill:

- Jan-Dec 2024: 79 days ↑ 9%
 - Peer Average: 121 days ↓ 35%

Recruitment Data



Salary Exceptions:

- Jan-Dec 2024: 35 = 16%
 - Supported by Salary Calculation: 24%
 - Accepted: 83%
 - 3% Average Increase
 - 31% Difficult to Fill

Declined Offers:

- Jan-Dec 2024: 101
- Decline Rate: 24% ↑ 2%
 - Due to Salary: 34% ↑ 9%

Turnover Rate:

- Jan-Nov 2024: 12.7% ↓ 11.1%
 - Bureau of Labor Statistics Average: 18.8%
 - Flagstaff Police Department: 17.7% ↓ 9.9%
 - Flagstaff Fire Department: 1.5% ↓ 2.0%

Successful Efforts to Date

- New Employee Welcome Video
- Employee Referral Program (1 in 4 Hires)
- Increased attendance at Job and Hiring Fairs:
 - NAU, CCC, FUSD, Indigenous Peoples Day, Disability Resource Fair
- Rapid Response Outreach to Business Closures:
 - Schuff Steel, Grimaldi's, Peter Piper Pizza, Big Lots, etc.
- Shortened Application Process
- SparkHire: Virtual Interviews and Screening
- Targeted Advertisements on LinkedIn
- Intake and Difficult-to-Fill Meetings
- NEW! Walk-in Wednesdays
- Market adjustments for competitive pay



Opportunities for Improvement



- NEOGOV
 - Two failed integrations (Onboard, Accusource)
 - Lack of customer support and communication on system updates
- OccMed Provider Request for Proposal
 - Lack of communication on staffing and available services (x-ray, etc.)
 - Inconsistent billing for services/results not provided in their entirety
 - Candidates prematurely dismissed before all requested services have been completed
- Streamlined Recruitment Processes
 - Workload (high of 77 open recruitments and 22 hires processed in one week)
 - Improved technology to enhance data accuracy and timeliness to provide relevant metrics
 - Enhance Employer Value Proposition (EVP)
- Longer-Term Recruitment Challenges
 - Competitive Pay for Snow Operations
 - Candidate pipeline for Commercial Drivers License (CDL) positions
 - Lack of desired skills and experience for specialized roles (water services, maintenance technician, accounting, procurement, etc.)

Compensation Terminology

Employee Increase Terminology

- Compa Ratio
 - A metric used to assess the relationship between an employee's salary and the full salary range for their job

$$\text{Compa Ratio} = \frac{\text{Employee's Current Salary}}{\text{Maximum of Salary Range}} \times 100$$

- Minimum Wage (City of Flagstaff is currently \$17.85/hour)
 - The lowest legal hourly pay that employers are required to pay their employees, as set by federal, state, or local laws
- Starting Wage (currently \$18.50/hour)
 - Team Flagstaff initiative
- Market Adjustment
 - Ranges (and employees) adjusted upward to maintain competitive position with benchmarks
 - Amounts may vary by position
- Pay for Performance Increase (Regular Pay Plan)/Step Increase or Merit (Step Plans)
 - Eligibility and amount received normally based on performance

Compensation – Recap

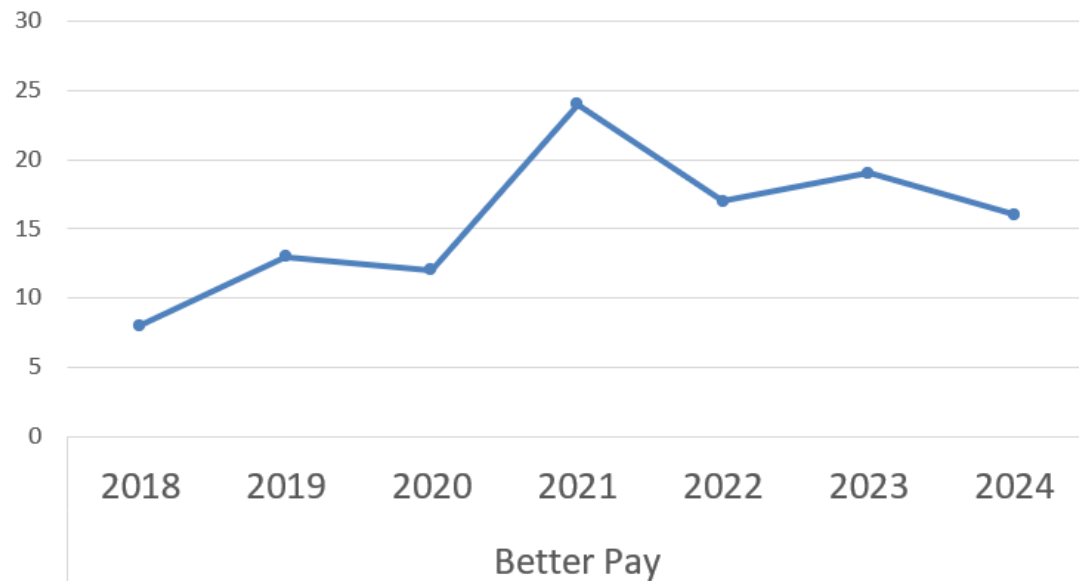


- **Market Based Pay**
 - Evergreen Study completed in 2021
 - Four-year process - goal of reviewing 25% of positions annually
 - As of FY 2025, data has now been collected on all positions
 - Benchmarked against other municipalities similar to Flagstaff
- **Market Adjustments**
 - Goal to adjust pay for positions identified as furthest from the market
 - Mid-year market adjustment funds available for difficult-to-fill, internal impacts from other adjustments
 - Fire previously only partially funded due to prohibitive cost, this year proposing full adjustment and increase to paramedic add pay
 - Proposing market adjustments to bring our Police Pay Plan fully to market (Police Officer and Deputy Chief)

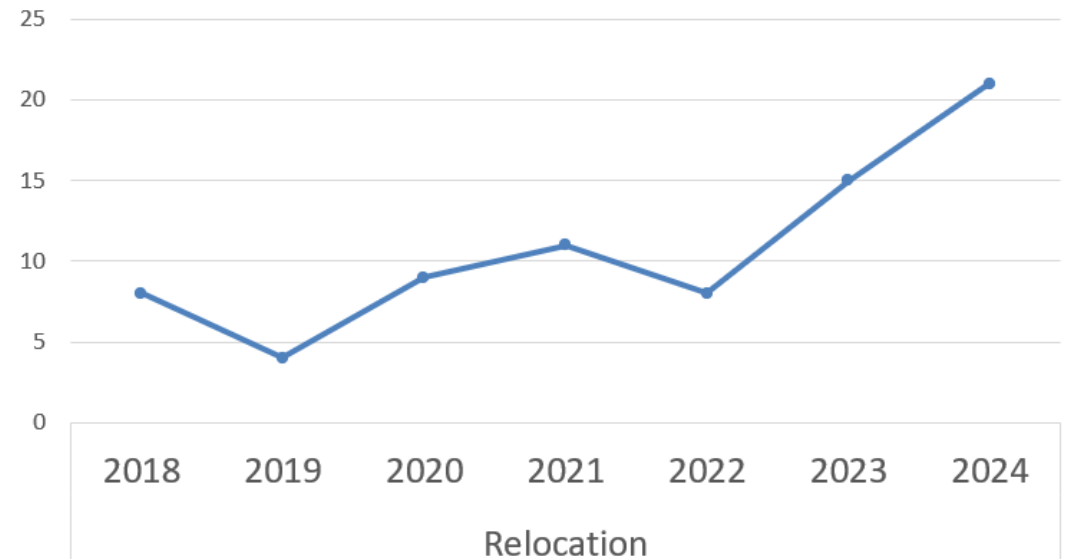
Compensation – Exit Survey Data



Primary Reason For Leaving City of Flagstaff



Primary Reason For Leaving City of Flagstaff



Compensation – FY 2026 Priorities



- Merit/Pay for Performance Increases (Funded)
 - Continue one step merit increases in Step Pay Plans
 - Continue Pay for Performance in Regular Pay Plan (2% - 4%)
- Market Adjustments
 - Positions identified as furthest from the market including staff from the Regular pay plan, Police and Fire step pay plans as well as Division Directors and Executive level staff
 - Re-fund the Mid-Year Market Adjustment Budget

Compensation – FY 2026 Priorities Cost Analysis



- Market Adjustments
 - Regular Pay Plan Adjustments: \$1,200,000
 - Police Step Plan Adjustments: \$900,000
 - Fire Step Plan Adjustments: \$1,700,000
 - Includes increasing Paramedic Pay
- FY 2025-2026 Mid-Year Market Adjustment Budget: \$250,000

Total Estimate: \$4,050,000

Notes and assumptions: 1) turnover will impact the cost, 2) burdened cost listed



Questions



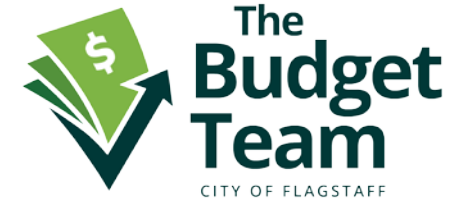
LUNCH BREAK

Return at approximately 1:30 p.m.



Employee Advisory Committee (EAC)

Priorities



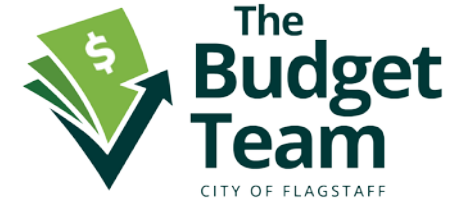
- Support compensation recommendations
 - Complete the four-year cycle of market adjustment by fully funding those identified positions
 - Several positions have never fully been brought up to market since the Evergreen study in 2021
- Continue to stay competitive with medical cost sharing ratios
- Expansion of parental leave
- Future potential priority of adjusting sick leave payout

Market Adjustments



- Number one voiced concern by employees
- Council, City Leadership and Budget Team have made compensation and market adjustments a priority over the last five years!---THANK YOU!
- Need to focus on fully funded market adjustments
- Market adjustments directly affect recruitment and retention, which impact the entire organization

Medical Cost Sharing



- Estimated increase in medical premiums to be 0.5% (HDHP), 1.25% (Base) and 6.0% (Buy-Up)
- We recommend that the City maintain the competitive cost share ratio it currently has (Base-72% City, 28% employee)
- We recommend that the City maintains the base employee only plan to be free to the employee with wellness participation
- Cost to City
 - \$110,000

Expansion of Paid Parental Leave



- Comparable agencies have expanded their leave to twelve weeks
 - Northern Arizona University
 - State of Arizona
 - Federal Government
 - City of Phoenix
- EAC recommends expanding the current four-week benefit to a greater amount
- Eight more weeks ~ \$580,000



The
Budget Team
CITY OF FLAGSTAFF



Bond Project Updates

Proposition 441: Public Safety



- \$2,185,000 in bond funding to replace two (2) Type 3 wildfire engines and two (2) water tenders
- **(2) Type 3 wildfire engines:** Purchased in fall of 2023
 - Units were delivered and put in service early summer of 2024
- **(2) water tenders:** Budget Team approved funding for the identified shortfall of \$108K in FY 2024-2025
 - Ordered two new Water Tenders in mid-summer of 2024
 - Flagstaff Fire Department apparatus team met with vendor to complete specifications and designs in December 2024
 - Estimated arrival, summer of 2026

Proposition 441: Stormwater

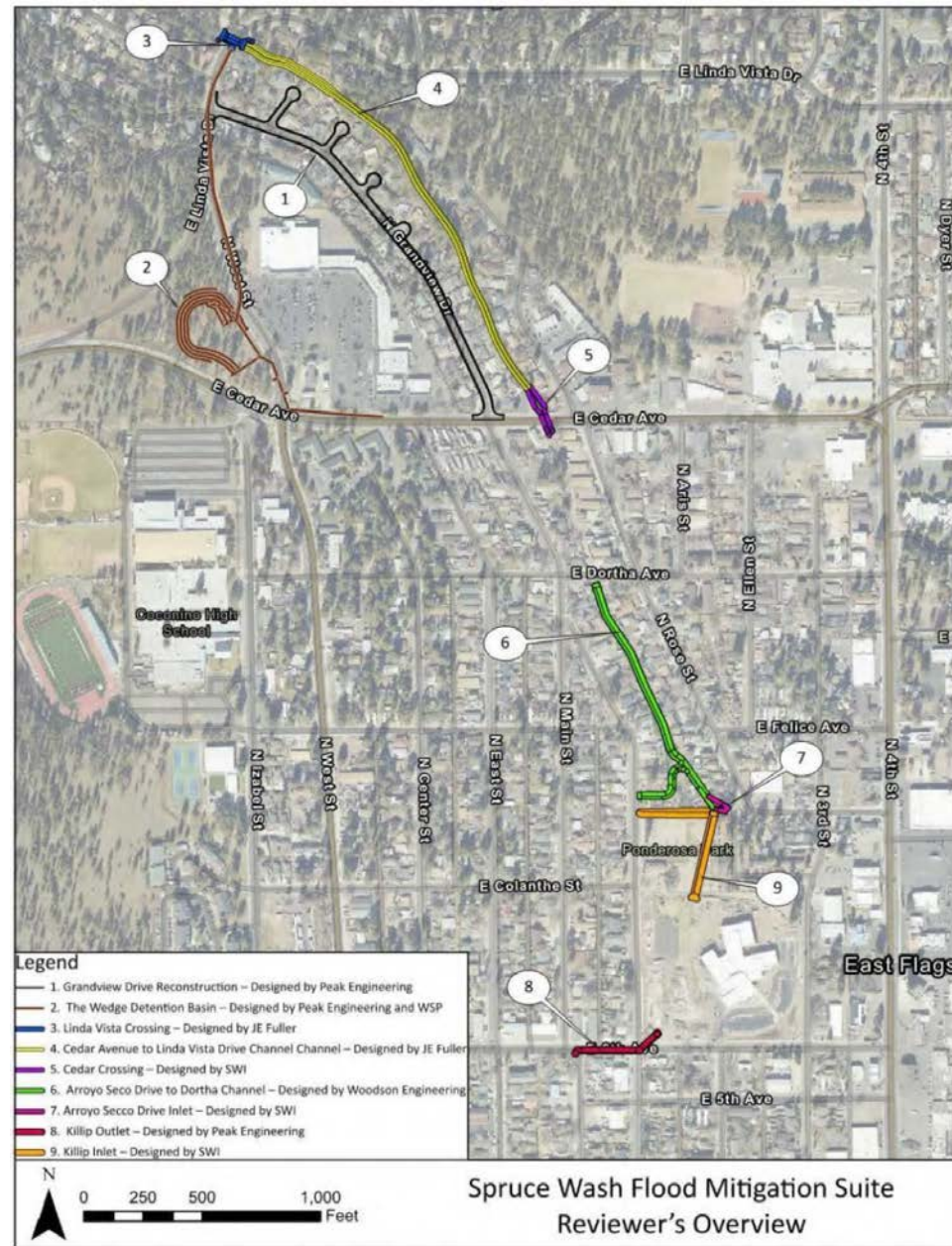


- \$26M bond for Spruce Wash flood mitigation
- On schedule for delivery within three years (**currently ahead of schedule!**)
- Bi-weekly Monday meetings with engineers, City staff, and construction manager at risk
- Routine meetings with Finance Team
- Bi-weekly meetings with Franchise Utilities

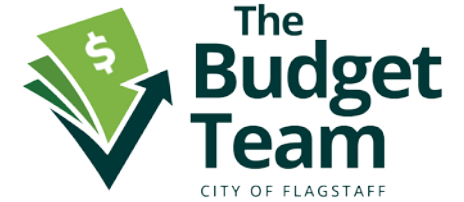


Map for Spruce Wash Suite of Projects – Nine Total

#1 complete
#2, 3, 4, 5 underway



Proposition 441: Stormwater



- Actively pursuing Grants and Congressional Directed spending to supplement bond funding, avoid short-fall. Current total project cost is just shy of \$40M

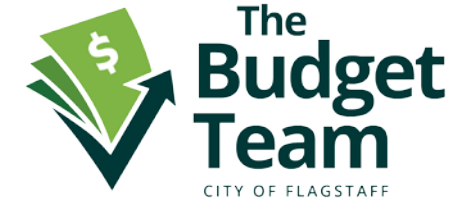
- **Total Estimated Project Costs: \$39M**
- Funding Sources:
 - Bond (Proposition 441) - \$26M
 - Water Services (Drinking, Storm & Waste Water) - \$0.7M
 - Streets (Road Repair & Street Safety) - \$5.5
 - Transportation (Proposition 419) - \$0.5M
 - USFS (Wedge Basin) - \$3.5M
 - FEMA HMGP (Cedar Crossing) - \$1M
 - USACE (Killip Inlet) - \$1.5M
 - FEMA/DEMA (Ponderosa Park Area) - \$1.5M
 - **TOTAL: \$40M**
- PENDING GRANT (Killip Secondary Outlet): \$1.7M

Proposition 441: Wastewater

- \$29 million bond
- \$5.1 million grant for generators
- Increasing wastewater treatment capacity and implementing energy efficiency upgrades at Water Reclamation Plants



Proposition 441: Wastewater

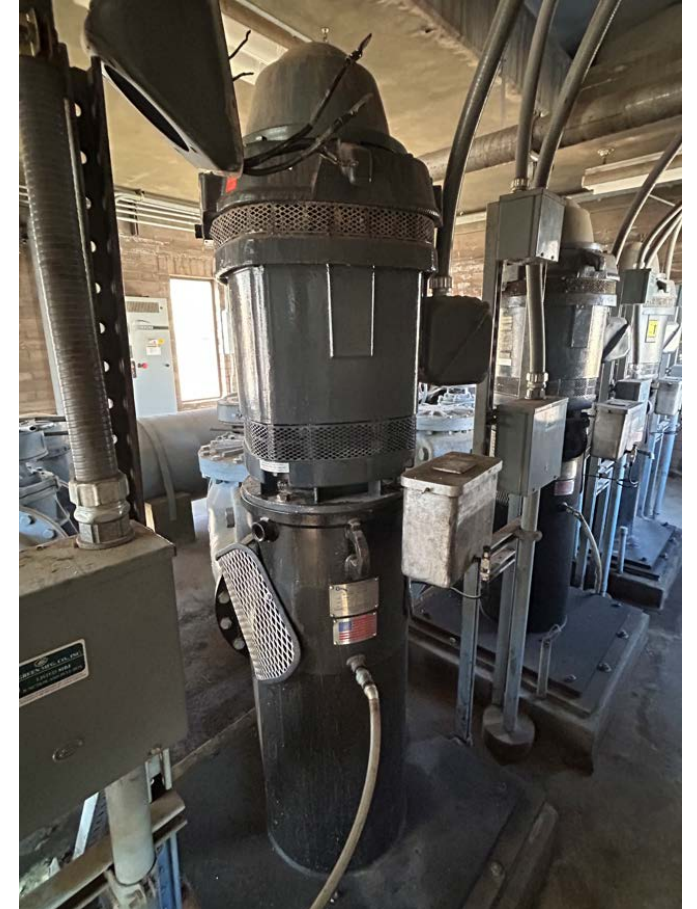


Project Description	Funding Source	Budget 2024-2025	Budget 2025-2026	Budget 2026-2027	Budget 2027-2028	Budget 2028-2029	Budget 2029-2030	Total Projects
Wastewater								
15 Wildcat Digesters	Bond	-	-	4,855,207	5,000,540	5,000,040	-	16,503,658
16 Wildcat Pumps	Bond	3,022,385	2,000,000	-	-	-	-	5,022,385
17 Wildcat Co-Generation	Bond	-	-	149,289	2,700,000	1,850,000	-	4,940,077
18 Generators	Bond/Grant	455,600	3,500,000	1,734,400	-	-	-	5,719,848
19 Turbo Blowers	Bond	100,000	840,000	500,000	-	-	-	1,440,000
19 Available Capacity	Bond	-	-	-	-	705,754	-	705,754
		3,577,985	6,340,000	7,238,896	7,700,540	7,555,794	-	34,331,722

Proposition 441: Wastewater

Wildcat Hill solids handling and gas recapture, as well as primary effluent pump station

- Digester rehab is at 30% design
- PEPS is at 100% design and bid package is with procurement
- Co-gen is at 60% design
- A construction manager at risk has been contracted for the digester rehab project at WCH project
- Projects are being reviewed for value engineering opportunities and going through an alternatives analysis before moving to final design



Proposition 441: Wastewater

Rio de Flag Water Reclamation energy efficiency and resiliency

- Projects to improve efficiency and resiliency in the facility power are currently under discussion
- A DEMA grant was awarded for the generator project and bond money will be used for the local match portion and overages
- Blowers upgraded in 2017 using funds earmarked for Energy Efficiency Initiatives and are currently in design to add SCADA controls to blower system to increase efficiency



Proposition 442: Housing

Creating rental and homeownership opportunities for residents of Flagstaff - \$20 Million

Incentivize Private Sector to Incorporate Affordable Rental Units - \$5 Million

Expand the Homebuyer Assistance Program - \$7 Million

Repurpose Existing Buildings into Rental Units - \$3 Million

Redevelop City Owned Housing to Create Additional Rental Units - \$5 Million

Proposition 442: Housing

Rental Incentive Bond Program - \$5 Million

First program awards made March 19, 2024 - \$3,330,000

Foundation for Senior Living

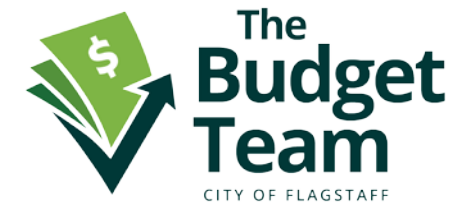
San Francisco Square Apartments (Phase 1) – \$1,680,000

Aspen Lofts (Phase 2) - \$1,650,000

Second Round of Funding Awards Underway

Available Funding - \$1,670,000

- October 14, 2024 – 2nd Notice of Funding Availability posted
- January 17, 2025 – Application Deadline
- **March 18, 2025 – Tentative City Council approval**



Proposition 442: Housing

Expansion of Homebuyer Assistance Program - \$7 Million

Housing Commission and City Council Guidance – Fall 2024

Legal consultation

Request for Statement of Qualifications (RSOQ) in final review

Anticipated RSOQ Posting date – March 2025

Proposition 442: Housing

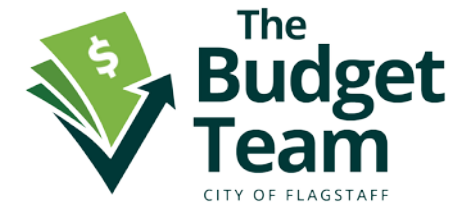


Adaptive Reuse- \$3 Million

Housing and Planning are coordinating on zoning code amendments to better allow for adaptive reuse of Flagstaff's existing building stock

Proposed code amendments will be discussed at the February 27th Housing Commission meeting

Adaptive Reuse Bond Program will be brought to City Council after adoption of the code amendments



Proposition 442: Housing

Redevelop City Owned Housing to Create Additional Rental Units - \$5 Million

All public housing residents will continue to have housing

Request for Proposals (RFP) for Rental Assistance
Demonstration (RAD) Consultant in final review

Anticipated RSOQ Posting date – March 2025



The
Budget Team
CITY OF FLAGSTAFF



BREAK

Return at approximately 2:45 p.m.



Resource Allocations and Needs

Housing Emergency

Resolution 2020-66 approved December 1, 2020

Declares a Housing Emergency ...and recognizes the need to make housing a leading priority for the organization and community

10-Year Housing Plan

City of Flagstaff prioritization of housing efforts, utilizing the Housing Plan as the foundational framework for establishing work programs, **prioritizing staff work** and allocating necessary funding for implementation



Housing Emergency



Legal

Finance

Planning

Sustainability



...prioritizing staff work and allocating necessary funding for implementation

Budget Team

Clerk's Office

Procurement

City Council

Grants & Contracts

Building Inspection

Public Affairs

City Manager's Office

Housing Emergency

Furthering Fair Housing

Public education campaign

... continue to lobby and support federal and state legislation

Explore and support additional local funding resources for the creation of affordable housing units and expansion of programs



PROGRESS TOWARD OVERARCHING GOAL

February 15, 2022 - December 31, 2024



Residents Impacted
since 02/15/2022 of
6,000+ goal
(Element One)



Market Rate Units
created or preserved since
02/15/2022 of 7,178 goal*
(Element Two)



Affordable Units
created or preserved since
02/15/2022 of 798 goal**
(Element Two)

*The goal is to create or preserve 7,976 housing units by 2031 with 10% being affordable (7,976 - 10% = 7,178).

**10% of 7,976 total units created or preserved is 798.

Housing Emergency

Critical Success Factors:

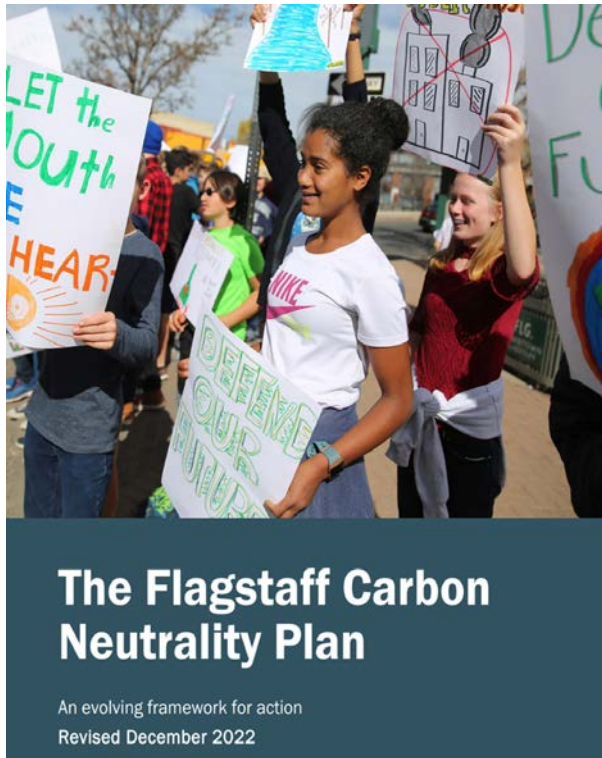
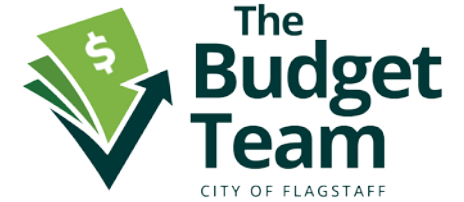
Ongoing Funding Source

Staffing and Staff Development

Progress Towards Alignment of City processes
with Housing Needs



Climate Emergency – Carbon Neutrality Plan (CNP)



1. Achieve **carbon neutrality** by 2030
2. Prepare Flagstaff's communities, systems, and resources to be more **resilient** to climate impacts
3. Address climate change in a manner that **prioritizes those most impacted** and ensures the costs and benefits of climate adaptation and mitigation are equitably distributed

The City is at a pivotal point in the Climate Emergency as we shift from laying strong foundations to systems change and implementation

CNP: Strategic Approach

LAYING FOUNDATIONS

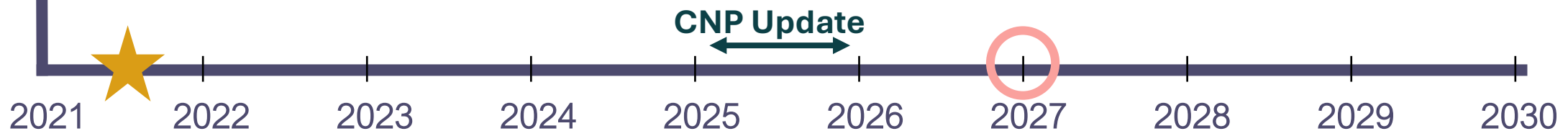
- Building capacity
- Fundamentals
- New community resources
- Industry development
- Behavior change campaigns

SYSTEMS CHANGE

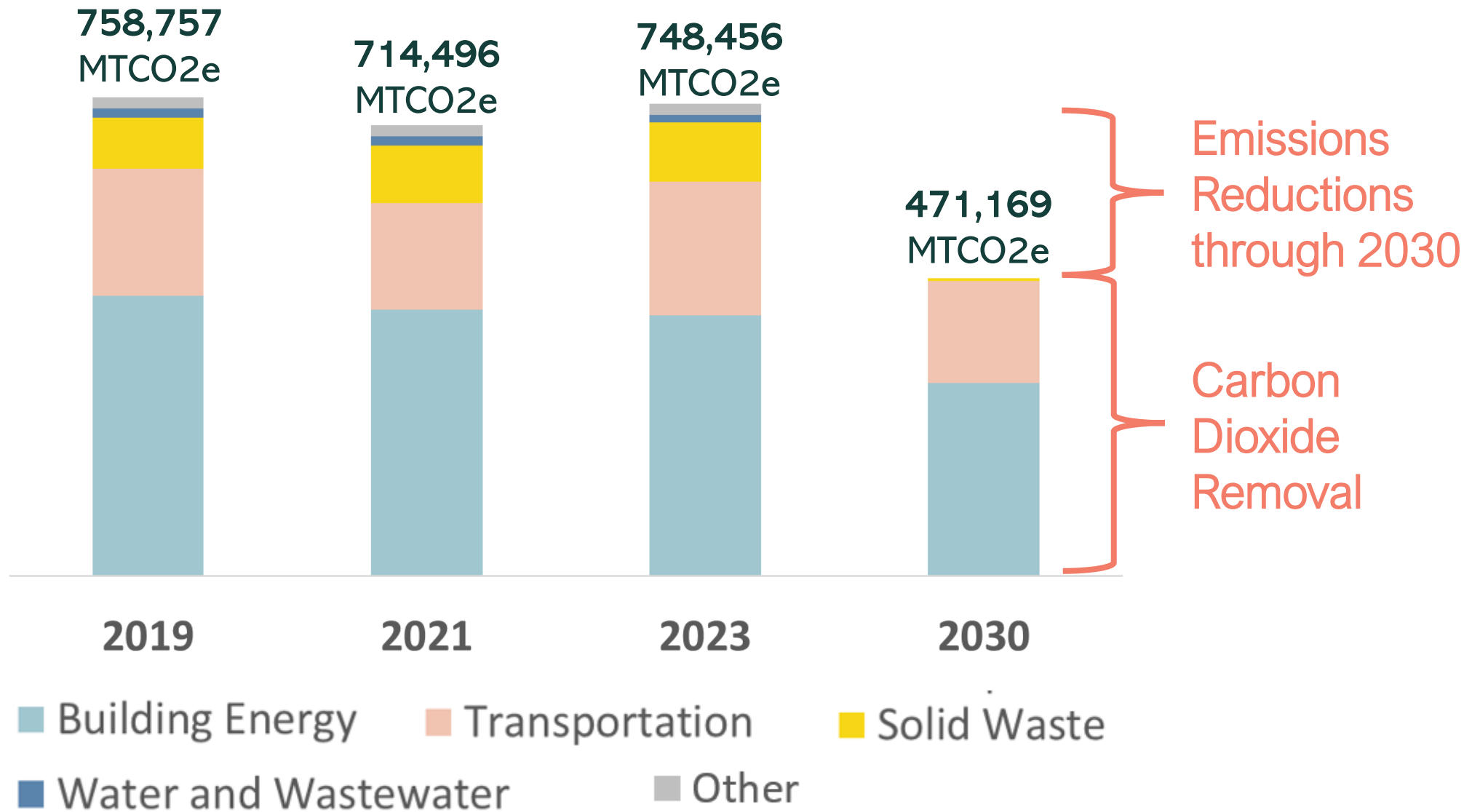
- Increased incentives
- Code and policy revisions
- Municipal infrastructure
- Strategic investment
- Technological advancement
- Local and regional leadership

IMPLEMENTATION

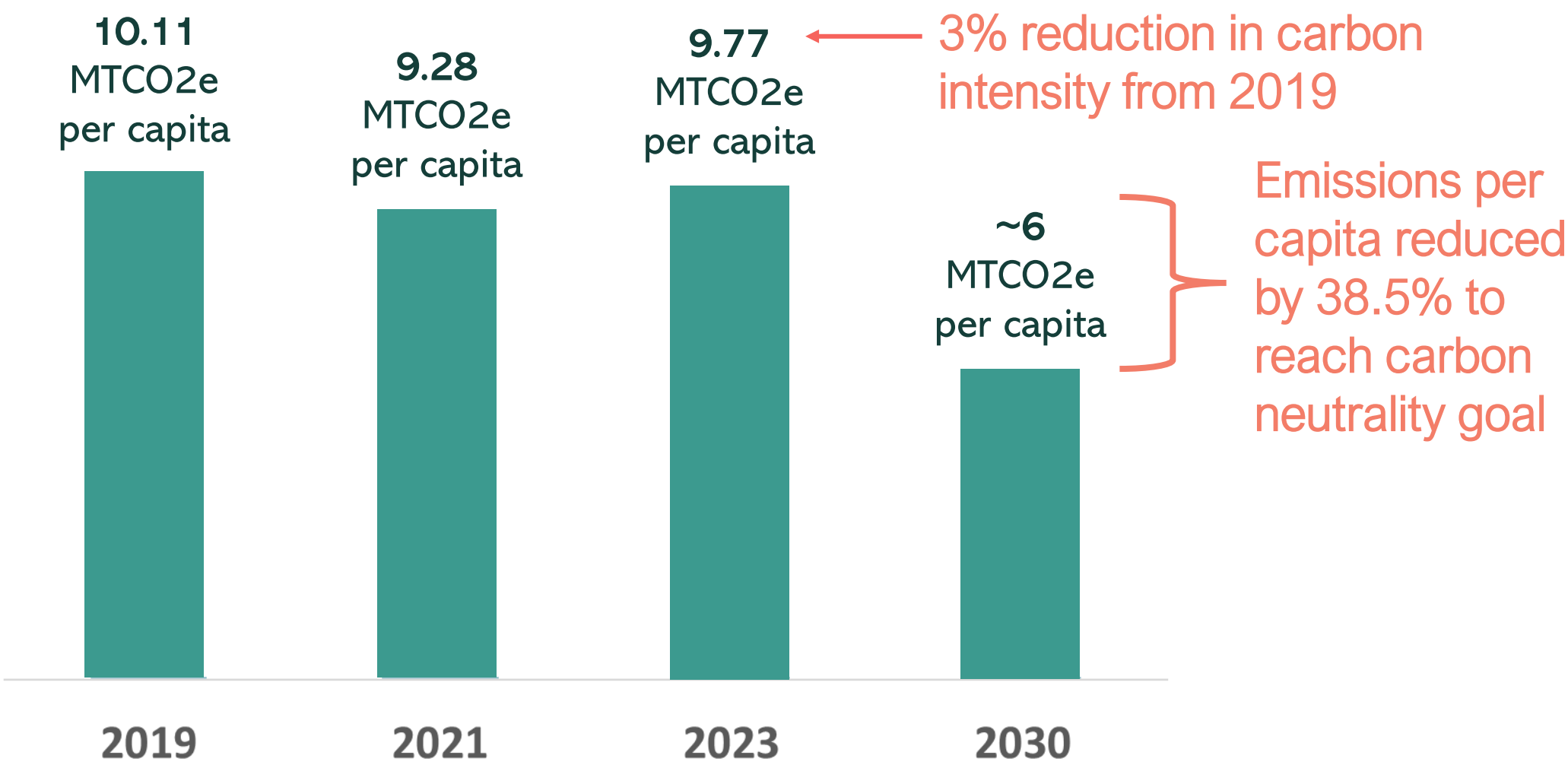
- Climate action and resilience are the status quo
- Leadership and accountability



Community Emissions

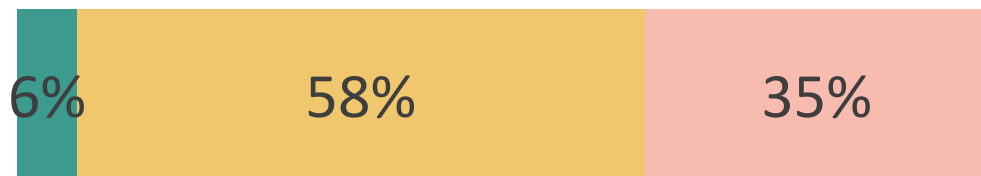


Community Emissions Per Capita

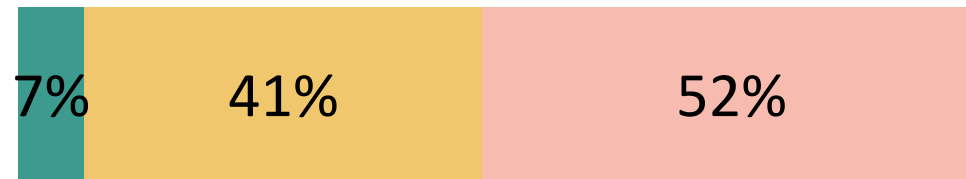


CNP Actions Update - % completed

Priority 1: Neighborhoods



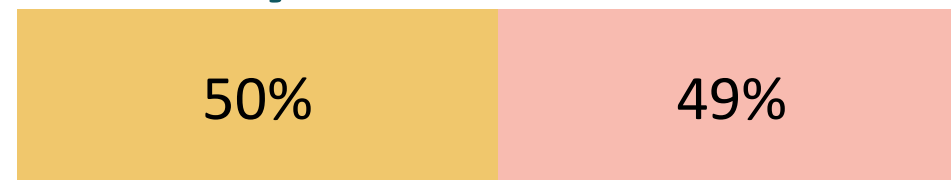
Priority 2: Energy



Priority 3: Consumption



Priority 4: Commitments



■ Done ■ In Progress ■ Not started

CNP: Critical Municipal Infrastructure

- Municipal building electrification
- Fleet electrification
- Biochar for liability biomass
- Clean energy investments



CNP: Critical Community Resources



- Building retrofit and electrification incentives
- Increased support for local businesses
- Electric vehicle charging stations
- Building neighborhood resilience



CNP: Code and Policy Change



- Land Availability and Suitability Study and Code Analysis Project (LASSCAP)
- Regional Plan 2045
- Building Code Updates
- Safe Streets Master Plan

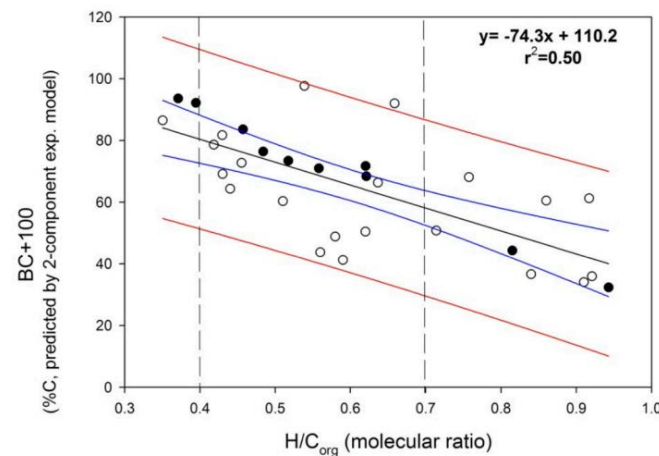


CNP: Technological Advancement

- Local carbon dioxide removal
- Liability biomass
- Electric vehicle market



Biomass S31 and Post Pyrolysis OC_S31



Facilities



- Facilities is a team of 13.5 technicians
 - Two Public Works Project Managers for Facilities capital renewal projects
- Maintain and support maintenance for over 100 buildings
 - Equating to over one million square feet of City owned facilities
- New asset management/ work order support (Brightly Software) - active and working well
- City-wide facilities condition assessments were completed, and the data is informing future capital budget discussions
- Working to address ADA and accessibility with each project.

Facilities Advisory Committee



- Collective City-wide group of facility representation, leadership and finance
- The team works to manage and coordinate work, funding, and priorities for all City facility capital renewal projects
- Identified \$30M of deferred or needed projects City-wide
- Infrastructure reserve fund of \$600K expended – City Hall chillers
- The team continues to invest the General Fund annually allocated \$230,500 dedicated for capital renewal
 - One-time funding last year was extremely helpful - \$3M
 - \$1 million on-going is the goal to address deferred maintenance

Facilities Projects Progress



Human Resources/ Restroom Remodel

Aquaplex Siding

City Hall Boilers/Chillers

Library Boilers

City Hall Stair Entry

Jay Lively Drainage Project

Jay Lively Chillers Repair Phase 1

Fleet Services



- What does Fleet Services do?
 - Performs repair and maintenance of all City rolling stock
 - Manages parts warehouse and inventory (\$400,000)
 - Manages fuel distribution center (gasoline, diesel, DEF)
 - Manages vendor relationships, coordination, warranties, and recalls
 - Manages City pool vehicle program
- Assets
 - 800+ pieces of equipment and vehicles
 - Unique uses, complex needs, and mixed funding resources
 - Snowplows, fire apparatus, landfill compactors, emergency response, etc.
 - Current replacement value ~ \$60M (based on original price)
 - Replacement value is significantly larger
 - Robust replacement criteria (mileage, age, repair and maintenance costs, serviceability/parts)

Fleet Management Committee



- Citywide representation to provide oversight and review of vehicle/equipment replacements, additions, and utilization
- Reviews and approves priority scoring and ranking for fleet replacements
- Reviews and approves fleet related policies (e.g., electric vehicle-first, utilization and maintenance benchmarks, etc.)
- Provides recommendations to Budget Team and Council

Fleet Replacement Funding



- **General Fund**
 - Ongoing - \$765,000
 - General Fund – Fleet true up - \$47,000
 - Unallocated balance FY 2024-2025 - \$143,500
 - Total FY 2025-2026 - \$955,500
- **Special Revenue and Enterprise Funds**
 - Varies by division, section, and program and is unique to fund
- **Catastrophic Fund**
 - Housed in Fleet for unforeseeable repairs, failures, and replacements
 - Current balance ~ \$413,500 (carried forward annually)
- **Electrification Fund**
 - Developed to offset additional cost of acquiring electric vehicles
 - One-time available in FY 2024-2025 ~ \$110K remaining

Fleet Recommendations



General Fund Replacement Vehicles (17) - \$955K

Contingent Vehicles (7)/New FTE*

All Other Vehicles/Equipment (15) - \$2.4M

Contingent Vehicles/Equipment (6)/New FTE*

Reassigned Underutilized Units

FY 2024-2025 Fleet Successes



- Climate Action and City Fleet Policy Group
- The electrification funding has offset the cost of electric vehicles being added to the city fleet for a total seventeen fully electric vehicles
- Twelve electric vehicle charging stations at Core Services
- Staff promotions, training and retention efforts are successful
- 4,976 fleet work orders processed! 416 per technician!



The
Budget Team
CITY OF FLAGSTAFF



Closing Comments / Public Participation



The
Budget Team
CITY OF FLAGSTAFF



Council Budget Retreat

February 14, 2025



Resource Allocations and Needs

Meeting Community Expectations



- Ongoing cost of new infrastructure
- Service levels
- Staffing

Ongoing Cost of New Infrastructure



- New infrastructure requires maintenance
- Ensure ongoing maintenance needs are identified and funded appropriately
- Examples
 - Beulah and University landscaping
 - New roadway construction with developments
 - New buildings such as the Courthouse



Service Levels

- With new developments, services need to expand to continue providing equitable services to all
- Community needs can drive new expectations, increased services, or a change in service levels
- Examples
 - Parks and other amenities to serve newly constructed neighborhoods/ areas
 - Increase in residential solid waste and snow operations - services to serve new neighborhoods
 - Adding contractual services and/or personnel



New Personnel Requests



FY 2025-2026 Division Requests	Ongoing
New Positions (28.5 FTEs) – General Fund	\$ 2,961,000
Add Pay Requests – General Fund	224,000
Reclass Requests – General Fund	37,000
New Positions (12.94 FTEs) – All Other Funds	1,198,000
Reclass Requests – All Other Funds	75,000

New Position Requests



Fund	FY 2025-2026		FY 2024-2025		FY 2023-2024	
General Fund	28.5	\$ 2,961,000	40	\$ 4,242,000	31	\$ 3,101,000
Library Fund	.45	19,000	0	0	3	273,000
HURF Fund	3	245,000	0	0	0	0
Water Services Fund	2	208,000	2	123,000	8	816,000
Solid Waste Fund	0	0	0	0	1	69,000
SEMS Fund	2.49	217,000	.85	25,000	3	254,000
Airport Fund	3	252,000	2	209,000	1	69,000
FHA Fund	2	257,000	0	0	1	86,000
Total Requests	41.44	4,159,000	44.85	4,599,000	48	4,668,000
Funded Requests			9.34	764,000	28	2,628,000

*Excludes mid-year changes

Ongoing Expense with 1X Budget



- FY 2024-2025
 - \$2,089,000 General Fund
 - \$152,000 Airport Fund
 - \$213,000 Sustainability
- FY 2023-2024
 - \$4,254,000 General Fund
 - \$496,000 Airport Fund
 - \$391,000 Water Funds
 - \$446,000 Sustainability
 - \$75,000 Other Funds
- Ongoing resources have been focused on employee investments
- One-time funding has been available to cover these operational needs



**The
Budget Team**
CITY OF FLAGSTAFF



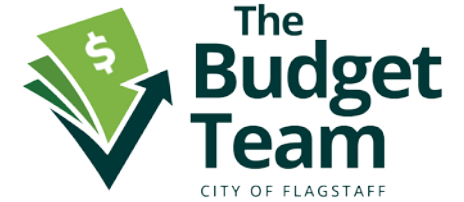
BREAK

Return at approximately 9:45 a.m.



Balancing the Needs

Solid Waste Fund



Operation adjustments underway to realize savings as soon as possible:

- Holiday recognition - \$6,000 per holiday
- Bulk program frequency - \$160,000
- Commercial account focus
- Waste stream diversions/process improvements
- Recycling evaluation – transportation and processing

Resource Toolbox

-    • User Fees
-    • Rates
 - Property Taxes –
 - Primary
 - Secondary
-    • Transaction Privilege Tax (Sales Tax)
-    • Debt
-    • Development Fees
-  • Capacity Fees
-    • Grants
-    • State and Federal Funding



General Fund



Special Revenue Funds



Enterprise Funds

Transaction Privilege Tax

- Also know as sales tax
- Voter approval required
- Dedicated or unrestricted
- Sunset or no sunset date
- Model City Tax Code
- All 91 cities have a sales tax
- Flagstaff is the 29th lowest
 - based on the Retail category
 - 1/2 of cities have a rate 3.00% or higher

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 Taxes and General Obligation Bonds



- Cities are allowed to issue several types of debt
 - General obligation bonds, revenue bonds, leases, loans, etc.
 - Per Charter, the City must receive voter approval for certain facilities (Article XVI: Amendment 2), currently over \$3.15M
- Our focus will be about General Obligation Bonds (GO Bonds)
 - For the City to issue GO bonds, we must receive voter approval
 - The City may levy a secondary property tax for payment
 - Secondary property tax can only be used to pay back GO Bonds

Secondary Property Taxes & Bonds



- Legal Limits – Assessed Valuations (State Statute)
 - 20% Limitation: Water, sewer, artificial lighting, parks, open space, recreational facilities, public safety, law enforcement, fire and emergency services and street and transportation facilities
 - Bond capacity in this limitation = \$303M
 - 6% Limitation (i.e., Housing)
 - Everything else
 - Currently no issuance under this limitation
 - Bond capacity in this limitation = \$100M

Secondary Property Taxes & 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 2046-2047

Secondary Property Taxes & Bonds

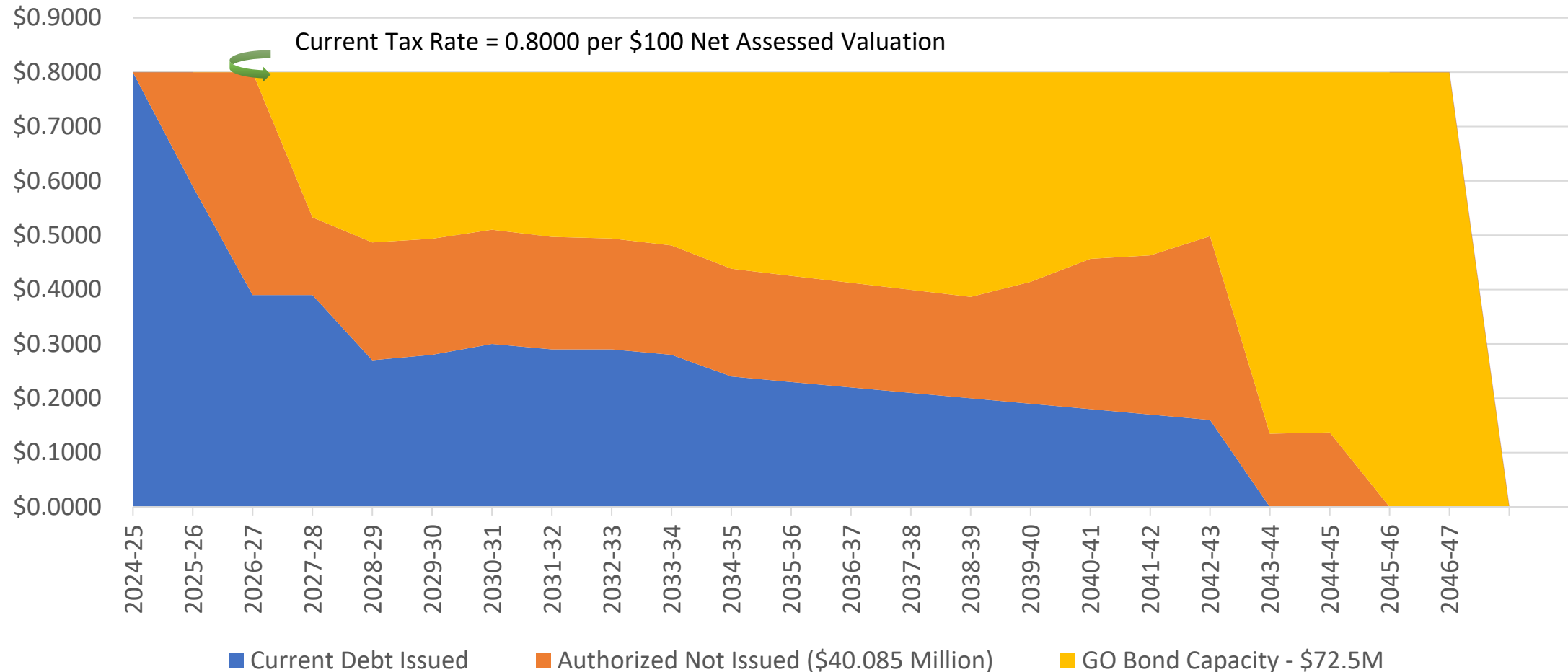


- \$72.5 million debt capacity available in secondary property tax at current rate of 0.8000
- Money is available upon bond approval and issued as needed
- Authorized but unissued GO debt is \$40.085 million
- Additional capacity added annually as debt paid off

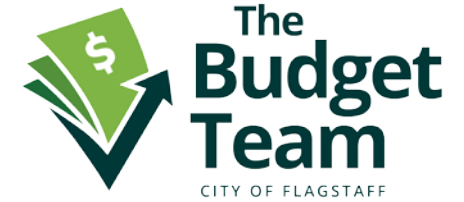
Secondary Property Taxes & Bonds



Secondary Property Tax Rate Capacity

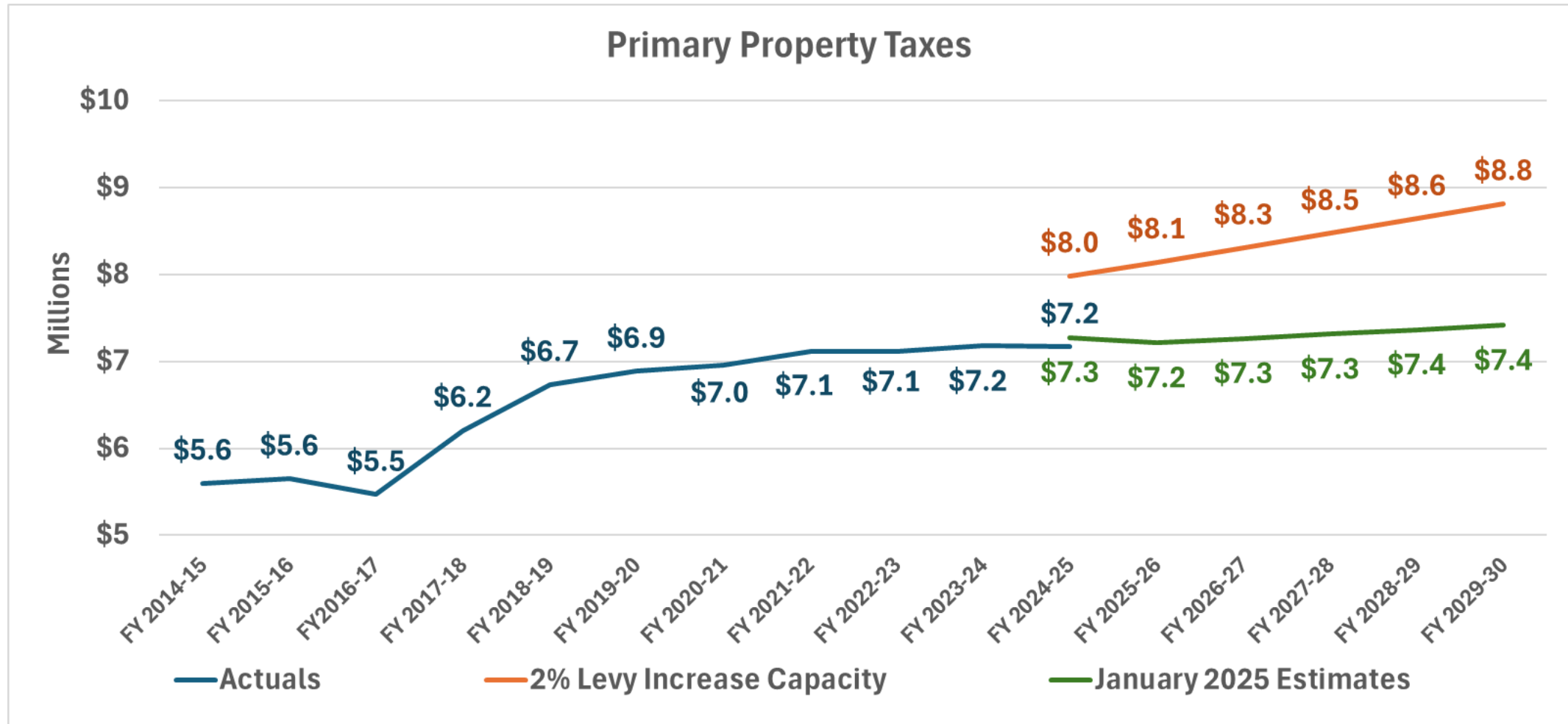


Primary Property Tax Capacity



- 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 2%
- FY 2025-2026 capacity up to 12%, approximately \$912,000 levy increase
- Requires 60-day public notice prior to adoption of an increase in the tax levy (excludes new construction added)
 - No later than 04/17/2025, prior to April Budget Retreat
 - We can add language as we feel appropriate about the postings
- If increase direction given at April Retreat, City will also follow Truth In Taxation requirements for tax adoption

Primary Property Tax Consideration



Primary Property Tax Consideration



- Seeking Council Direction on 60-day notice
 - Shall Management Services post a 60-day notice?
 - Posting a notice does not require any tax levy increase
 - If we do not post by April 17th, we will not have the option at the April Retreat or at Budget/Tax Adoption

Council Direction

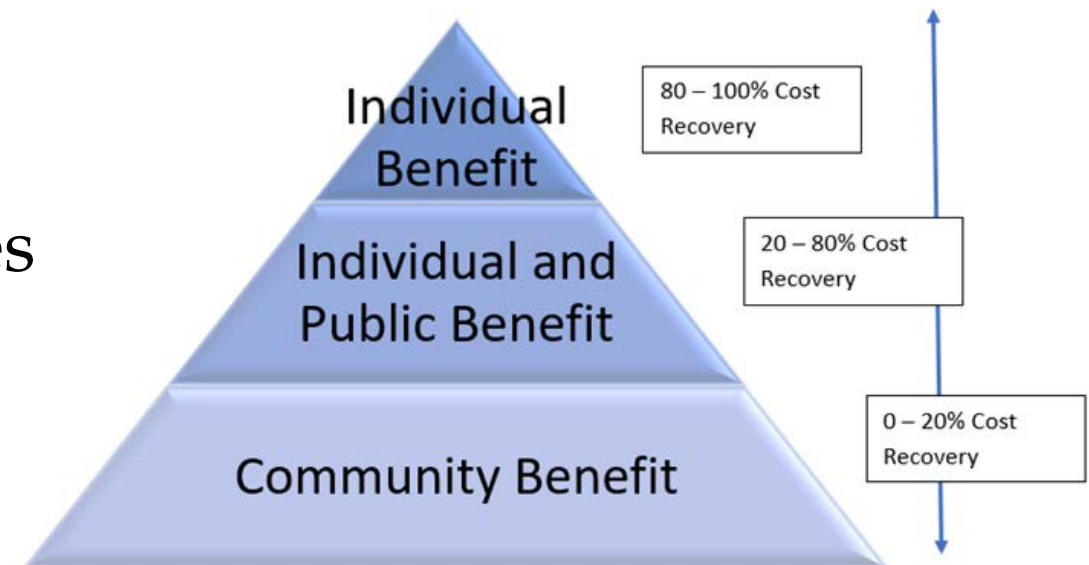
Rates and User Fees

Why Do Cities Charge for Services?

- Revenue Generation
- Cost Recovery
- Equitable Distribution

How Service Charges Benefit Cities

- Sustainability and Budgeting
- Incentivizing
- Support Service Delivery



Rates and User Fees



Division	Revenue Area	Year of Last Full Review
Sustainability	Sustainability	2007
Community and Civic Engagement	Community and Civic Engagement	2007
Police	Police Operations	2008
Economic Vitality	Airport	2011
Municipal Court	Municipal Court	2014
City Attorney	Prosecution	2015
City Engineering	Engineering	2017
Community Development	Planning and Development	2017
Economic Vitality	ParkFlag	2017
Fire	Fire Operations	2017
Parks, Recreation, Open Space and Events	Recreation	2017
Parks, Recreation, Open Space and Events	Cemetery	2015
Public Works	Solid Waste – Landfill and Collections, Facility Maintenance, Street Constructions	2018
Management Services	Revenue	2018
Fire	Watershed Protection	2020
Water Services	Stormwater	2023
Water Services	Water, Wastewater, Reclaimed Water	2024

Rates and Fee Adoption Timeline



Complexity of the fees/rates and the time to develop

- Low effort, short completion: 6-9 months
- Moderate effort, medium length of completion: 9-12 months
- High effort, large community involvement, long length of completion: 12-18 months

State Statute requires posting a notice on the City's website 60 days or greater and through social media. Must include written report

Rate adopted by City Ordinance: No earlier than 30 days after second read

Rates and Fee Adoption Timeline



Consideration of Airport and EV Charging Rates

February 28, 2025	Post Report 60-Day Public Notice
March/April 2025	Community Outreach
May 6 and 20, 2025	Ordinance brought to Council for First Read and Second Read
July 1, 2025	Fee Implemented

Airport Fees

Color of Money – Enterprise Fund

- Ongoing Revenue Sources: leases, license agreements, and fees
- One-time Revenue Sources: Federal and State grants
- Revenue used to fund:
 - Maintenance
 - Pavement
 - Facilities
 - Airport Operations
 - Staff
 - Programs (security, parking, etc.)
 - Utilities, contracts, commodities



Airport Fees

Current Airport Fees:

- Aircraft Storage Permits (hangars, shades, and tie downs)
- Landing Fees (charged to airlines and air cargo companies)
- Fuel Flowage Fees
- Ground Transportation Permits
- Fuel Flowage Fees
- Parking



Airport Fees

Recommended Approach to Fee Review:

- Aeronautical Fees – rates and charges study by a consultant
 - Aircraft storage permits
 - Landing fees
 - Fuel flowage fees
 - Lease rates
 - Commercial use permits
- Non-Aeronautical/ Admin Fees – developed by staff
 - Parking fees
 - Security badging/background check fees
 - Ground transportation permits



Electric Vehicle (EV) Charging Fees



- The City currently provides **free** EV charging to the public at 18 stations
- Costs the City \$40,000+ annually
- In 2024, the City Council advised implementing a fee for public to recover costs
- Staff evaluated costs and analyzed market rates to develop recommended fees

Electric Vehicle (EV) Charging Fees



Recommendation for cost recovery fee structure

While Charging	Energy cost + 10%* Current rate: \$0.39 / kWh
Idling Fee (after fully charged)	\$1/ 15-min for Downtown stations \$1/ 15-min for Airport after 3-hour limit (up to \$100) \$2/ hour for Aquaplex

*The cost of providing energy is calculated as the total APS bill for public EV accounts divided by the total energy (kWh) consumed for the most recent year, or most recent quarter following an APS rate increase. The additional 10% is the fee assessed to the City by the vendor for using the billing software.

Electric Vehicle (EV) Charging Fees



Example of estimated cost recovery

**Estimated Costs
for FY24-25** \$60,000

**Estimated Cost
Recovery
if Fee had been
Implemented** \$41,500 - \$76,000*
depending on
idling behavior

What this means to the customer

Charging for 4 hours	\$10.14
Idling for 1 hour Downtown	<u>\$4.00</u>
	\$14.14

For ~100 miles of charge
Comparable to gas at \$2.75 a gallon

*Any revenues above the actual cost will be used to install more charging stations.



The
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CITY OF FLAGSTAFF



Development Impact Fee Discussion

Development Impact Fees



What is a Development Impact Fee?

- A fee that is imposed by a local government on a new or proposed development project to pay for all or a portion of the cost of providing public services to the new development
 - Results in a beneficial use to the development
 - Calculated based on an adopted infrastructure improvements plan
 - Proportional share of the cost of necessary public services, based on service units, needed to provide necessary public services to the development
 - Based on the same level of service provided to existing development in the service area

Development Impact Fees



Types of Public Facilities

- Water facilities
- Wastewater facilities
- Stormwater, drainage and flood control facilities
- Library facilities
- Street facilities
- Fire and Police facilities
- Neighborhood parks and recreational facilities

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 improvements 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 stricter safety, efficiency, environmental or regulatory standards
- Upgrading, updating, expanding, correcting or replacing existing necessary public services to provide a higher level of service to existing development

Development Impact Fees

What impact fees does Flagstaff have?

- Public Safety Impact fees for police and fire
 - Facilities
 - Apparatus/vehicles
 - Communications equipment
 - Development Impact Fee Reports
- State Statute requires review and update every five years
 - We will be starting the update soon!



Development Impact Fees



History

- In 2005 the City hired TischlerBise to complete a study for a development fee program which examined the City's future needs related to Library, Parks & Recreation, Open Space and Trails, Police, Fire, Public Works, General Government, and Transportation (allowable costs at the time the report was completed)
- The study concluded that for a single-family home, the cost of providing all needed facilities would be approximately \$15,199

Development Impact Fees



Breakdown of Proposed Fees in 2005

- Library \$896
- Parks & Recreation \$5,590
- Open Space and Trails \$587
- Police \$261
- Fire \$444
- Public Works \$1,195
- General Government \$353
- Transportation \$5,872

Development Impact Fees



Advantages

- Development fees are an organized, predictable method of paying for facilities and services need to support new developments
- Developers know their costs upfront
- City receives funds to support the expansion of facilities and services to support new growth

Development Impact Fees



Current Method – Exactions (Excluding Public Safety)

- The City and developer negotiate the developer's contribution to facilities critical to support proposed development based on an impact analysis
- These obligations are often required as a condition of the development approval process or in a development agreement
- Items such as vehicles and equipment are often not included in this method
- May be a fee or may be the construction of an improvement

Development Impact Fees



Discussion

- Staff is looking to receive Council direction on the use of development fees for programs other than Public Safety:
 - Pursue additional development fees through the development of a new Infrastructure Improvement Plan?
- OR
- Maintain status quo and continue to use the exaction process on each individual development to address the impacts of growth?



LUNCH BREAK

Return at approximately 12:15 p.m.



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Council Forum/ Budget Expectations



The
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Closing Comments / 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.

- | | |
|---|---|
| <ul style="list-style-type: none">• Library – Secondary property tax and general fund transfer• HURF (Streets) – Gasoline tax• Transportation tax – 1.281% sales tax<ul style="list-style-type: none">» Transportation Improvements (.426%)» Road Repair & Street Safety (.33%)» Transit (.295%)» Route 66 to Butler Overpass (.23%) | <ul style="list-style-type: none">• BBB tax – 2.0% tax on bed, board & beverage<ul style="list-style-type: none">» 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.

- | | |
|---|---|
| <ul style="list-style-type: none">• Water• Wastewater• Reclaim• Stormwater | <ul style="list-style-type: none">• Sustainability and Environmental Management• Airport• Solid Waste• Flagstaff Housing Authority |
|---|---|



Capital Project Funds

Used to account for major capital acquisition separate from ongoing operations

- | | |
|---|--|
| <ul style="list-style-type: none">• Restricted Funding Sources -Voter Approved Bonds, Grants, Third Party Restricted Fees• General Obligation Bond Projects:<ul style="list-style-type: none">» FUTS/Open Space» Watershed Protection | <ul style="list-style-type: none">» Courthouse» Prop 441 & 442 (Infrastructure & Housing)• USGS campus expansion• Downtown Mile |
|---|--|



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**
 - » **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**

AZ League Connection

Keep up with important news for Arizona Cities and Towns!

AZCity 101: State Shared Revenue in Arizona



Overview: All residents of Arizona benefit from a robust revenue distribution system, commonly referred to as State Shared Revenue, that efficiently spreads certain statewide tax collections across all rural and urban communities. It should be noted that the counties and school districts also receive some state shared revenues to varying degrees. State Shared Revenue is a bit of a misnomer, implying that the state is “benevolently sharing” its revenue with local jurisdictions, when the reality is more nuanced. The shared revenue programs in effect today were created for various reasons, such as replacing a more cumbersome local taxing system; as a trade-off in exchange for cities and towns agreeing to forego some specific taxing authority; or as compensation for some other revenue reduction instituted by the State. Today’s system of state distributed revenue recognizes and preserves the symbiotic connection between rural and urban Arizona and ensures that one community’s success is everyone’s success.

“State Shared Revenue is a bit of a misnomer, implying that the state is ‘benevolently sharing’ its revenue with local jurisdictions, when the reality is more nuanced.”

This document is focused on the four taxes collected by the State that make up the shared revenues distributed to cities and towns: State sales tax or Transaction Privilege Tax (TPT), State income tax via Urban Revenue Sharing (URS), Vehicle License Tax (VLT), and the Highway Users Revenue Fund (HURF).

State Shared Revenues in General

State shared revenues typically make up about 1/3 of a city’s or town’s General Fund revenue, but they can easily represent more than 1/2 of total revenues if a city or town doesn’t have a primary property tax. It’s easy to understand why cities and towns protect shared revenues so zealously, given the impact these funds have on their day-to-day operations. Cities and towns are free to use their shared revenue distributions from TPT, URS, and VLT for any municipal public purpose, i.e., any General Fund expense. HURF is collected for a specific purpose that’s restricted by statute, meaning it can only be used for street and highway expenditures.

“It’s easy to understand why cities and towns protect shared revenues so zealously, given the impact these funds have on their day-to-day operations.”

Each shared tax type has a specific source and a detailed statutory formula. These statutes determine the total sharing distribution base for each tax type, the portion cities and towns collectively receive from the base, and an allocation method to determine how much an individual city/town receives from the aggregate city/town distribution. Allocations by city are generally based on the U.S. Census Bureau’s current estimate of a city’s population in relation to the population of all incorporated cities and towns. Finally, each tax type has its own distribution timing which determines when a city/town receives its share of the various funds.

State Transaction Privilege Tax (TPT)

Description: Cities and towns share in a portion of the total collections of TPT (sales tax) imposed at the State level. Each tax classification (i.e., Retail, Contracting, Utilities, etc.) has a designated sharing percentage that goes into the distribution base and cities and towns receive 25% of that base. These funds may be expended for any municipal public purpose.

Distribution: A municipality receives its share of the state shared sales tax based solely on its population in relation to the total population of all incorporated cities and towns. Distributions are made on a semi-monthly basis, consisting of State TPT collected since the last distribution.

Urban Revenue Sharing (URS)

Description: Originally enacted by the voters in 1972, URS provides that 15% of the net income tax collected during a given fiscal year is distributed to cities and towns. In exchange, cities and towns gave up the authority to assess local income taxes and local luxury taxes (liquor and tobacco). Beginning in FY 2024, cities and towns will receive 18% of the total state income tax collected. The increased share is the result of negotiations intended to minimize the negative impact on cities and towns when the State chose to create a flat 2.5% individual income tax rate. The annual amount of money distributed is based on the net income tax collections during the fiscal year two years prior to the year that a city or town receives the funds. These funds may be expended for any municipal public purpose.

Distribution: This money is distributed to a city or town based solely on its population in relation to the total population of all incorporated cities and towns. Distributions are made monthly and are based on 1/12 of the total distribution available for that fiscal year. (Note: the nine smallest cities and towns receive their shares of URS based on a designated minimum population figure of 1,500.)

Vehicle License Tax (VLT)

Description: VLT in Arizona is an *in-lieu ad valorem* tax. An *ad valorem* tax is one that is levied based on the assessed value of the item, such as a property tax. VLT is an *in-lieu* tax because it is levied in-lieu of a traditional property tax. Prior to enactment of the VLT system, the assessed

value of personal vehicles appeared on the property tax rolls of the state, cities, counties, and school districts, making these amounts subject to ordinary property taxes. This is why VLT revenue is still distributed to those same entities today, and it's also why, despite being largely vehicle-related, the use of VLT revenue is not restricted to street and highway expenses like HURF. Approximately 20% of the revenues collected by ADOT for the annual registration of motor vehicles are distributed to cities and towns. These funds may be expended for any municipal public purpose.

Distribution: A city or town receives its share of the vehicle license tax collections based on a formula that considers the “county of origin” where vehicles are registered, coupled with its population in relation to the total incorporated population in their county. Distributions are made on a semi-monthly basis, consisting of the amounts collected since the last distribution.

Highway User Revenue Fund (HURF)

Description: This is sometimes referred to as the “gas tax” but there are a number of additional sources that contribute to HURF including a portion of VLT revenues, a portion of the excise taxes collected on marijuana sales, and others. All HURF monies are statutorily restricted and can only be used by a city or town for street and highway expenditures.

Distribution: Cities and towns receive 27.5% of the total collected from all sources during a given fiscal year. One-half of the monies that an individual city or town receives is based on a statewide per capita figure that roughly equates to the municipality's population in relation to the population of all incorporated cities and towns in the state. The remaining half is allocated based on a factor related to the “county of origin” of gasoline sales, coupled with the municipality's population as compared to the population of all incorporated cities and towns in their county. The three largest cities also receive a separate distribution of 3% of the total collected, allocated based on their populations. Distributions are made monthly, consisting of the amounts collected since the last distribution.



Resource Toolkit

User Fees



- Need statutory authorization from State
- City may charge user fees for cost of providing a service from the people who benefit
- Must be reasonably related to recovering costs of providing the service
- Citywide Cost Recovery Policy in the works
- Examples: plans review, permits, admissions, ramada rentals, special events applications, fingerprinting, liquor license, parking fees

Rates



- Generally set on a consumption base
- Tends to be more inclusive of cost recovery to deliver the service or program; operation and maintenance, debt service, capital additions and replacement, overhead
- Customer classes may have varying rates based on impact
- Most common for Enterprise Funds

Property Tax

Primary Property Tax



- Rate adopted by City Council to impose a levy
- State restrictions on annual increase in levy 2%
- FY 2024-2025 capacity is up to 10%, \$740,000 levy increase

Secondary Property Tax



- Voters must authorize using secondary property tax
- Only used to pay general obligation bond debt
- Rate must match the current amount of debt service requirements
- State limits total general obligation debt outstanding

Transaction Privilege Taxes/Sales Taxes

General Fund Sales Tax 1%



- Voter approval is required
- 10-year approval, can change with over approval
- Effective through June 30, 2035
- Next election November 2032
- No tax on food and residential rentals
- Can increase rates with voter approval

Transportation Sales Taxes



- Voter approval is required
- No tax on food and residential rentals
- Can increase rates with voter approval

Tax Type	Rate	Last Voter Approval	End Date	# of Years
Roadway, Pedestrian, Bicycle, and Safety	0.426%	Nov. 2018	06/30/2041	20
Road Repair and Street Safety	0.330%	Nov. 2014	12/31/2034	20
Transit Services	0.295%	Nov. 2016	06/30/2030	20
Lone Tree Overpass	0.230%	Nov. 2018	06/30/2039	10

Bed, Board and Beverage Taxes



- Voter approval is required
- 2% additional sales tax on restaurants/bars, Hotels, motels, short-term rental
- 15-year approval, can change with voter approval
- Effective through May 31, 2028
- Next election November 2024
- Can increase rates with voter approval

Debt Options



- Require a future resource to pay obligations
- General Obligation Bonds
 - Requires voter approval in a November election
 - Backed by Secondary Property Tax levy
 - Examples: Courthouse, Housing
- Revenue obligations
 - Only the sales tax backed bonds require voter approval
 - Backed by various tax and fee revenues
 - Examples: Business Incubator, Water, Wastewater, Road Repair and Street Safety
- Certificates of Participation
 - No voter authorization required
 - Pledges assets of the City, lease purchase agreements
 - Payment resources vary
 - Examples: Core Service Facility, Courthouse, Public Safety Pensions
- Loans
 - No voter authorization required, unless using secondary property tax
 - Water Infrastructure Finance Authority of Arizona (WIFA)
 - Examples: Water, Wastewater and Stormwater
- Capital Leases
 - No voter authorization required
 - Purchase of equipment and smaller capital improvements
 - Examples: Solar equipment, copier, parking kiosks, airport hangers
- Special Improvement District Bonds
 - No voter authorization required

- Development tool for delivering major infrastructure enhancements
- Obligation to pay is on the property owners, based on benefits
- Backed with the full faith of the City, default issues
- Examples: Downtown, Aspen Place, possible John Wesley Powell

Development Fees (Impact Fees)

- Public Safety renewed in Fall 2020
- Revisit every five years to address new growth and evaluate through Development Growth model and Infrastructure Improvement plan
- Study budgeted for \$75,000 on integrating development agreements into impact fees
- Other areas allowed are libraries, parks, recreation facilities, street facilities, water, wastewater, stormwater

Capacity Fees

- Fees allowed for Water, Wastewater and Stormwater infrastructure growth

Grants

- Many levels of grants: Federal, State, County, Local, and Foundations
- Federal grants broken out by various federal agencies
- State matching grants programs, such as Arizona Department of Transportation (ADOT) Aeronautics, ADOT AZ SMART Program
- Can be formula, entitlements or competitive
- Often require local matches
- Generally not used for ongoing programs, prefer funding projects

State and Federal Appropriations

- Annual legislative budget processes
- Congressionally directed spending vs competitive appropriation
- Arizona Environmental Infrastructure Program through the US Army Corp of Engineers
- Federal and State lobbyist advocacy and provide grant application congressional letters of support
- Examples: Stormwater, Forest Health, Sustainability, Public Safety

Color of Money



General Fund



Special Revenue Funds



Enterprise Funds