

## AGENDA

CITY COUNCIL BUDGET RETREAT  
FRIDAY  
DECEMBER 19, 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](mailto:publiccomment@flagstaffaz.gov). All comments submitted via email will be considered written comments and will be documented in the record as such.

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## 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 2026/2027 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](mailto: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  
**Co-Submitter:** Budget Team  
**Date:** 12/11/2025  
**Meeting Date:** 12/19/2025



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**TITLE****City Council Budget Retreat****STAFF RECOMMENDED ACTION:**

Presentation and Discussion Regarding FY 2026/2027 Budget

**EXECUTIVE SUMMARY:**

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 2026-2027 budget direction to the City Manager.

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

**INFORMATION:**

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**Attachments:** [Detailed Agenda](#)  
[Presentation](#)  
[Color of Money](#)

# City Council Budget Retreat

## December 19, 2025

### Detailed Agenda

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Time	Duration (Min)	Topic	Staff
8:30am	15	Welcome and Objectives	Joanne Keene Jeff Kennedy
8:45am	30	Budget Introduction <ul style="list-style-type: none"> <li>• Budget Team</li> <li>• Process</li> <li>• Timeline</li> <li>• Color of Money</li> </ul>	Heidi Derryberry
9:15am	60	Revenue Updates <ul style="list-style-type: none"> <li>• Economic Outlook</li> <li>• General Fund</li> <li>• Other Funds</li> <li>• Recession Plan</li> </ul>	Rick Tadder
<b>10:15am</b>	<b>15</b>	<b>Break</b>	
10:30am	60	Council Activity	Jeff Kennedy
11:30pm	30	Council Retreat Planning <ul style="list-style-type: none"> <li>• Retreat Materials</li> <li>• Future Retreat Planning</li> </ul>	Joanne Keene Jeff Kennedy
<b>12:00pm</b>	<b>30</b>	<b>Lunch</b>	
12:30pm	75	Declared Emergencies <ul style="list-style-type: none"> <li>• Climate</li> <li>• Housing</li> </ul>	Nicole Antonopoulos Sarah Darr
1:45pm	45	Updates <ul style="list-style-type: none"> <li>• Employee Survey Highlights</li> <li>• Investing in Employees</li> <li>• Service Partner Request Process</li> </ul>	Erin Young Ryan Saxby Rick Tadder
<b>2:30pm</b>	<b>15</b>	<b>Break</b>	
2:45pm	30	Retreat Wrap Up	Joanne Keene
3:15pm		Public Participation	

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



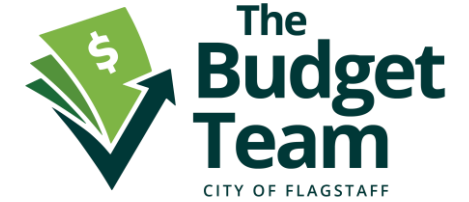
The  
**Budget Team**  
CITY OF FLAGSTAFF



# Council Budget Retreat

December 19, 2025

# Agenda



- Budget Introduction
- Revenue Updates
- Council Activity
- Council Retreat Planning
- Declared Emergencies
- Updates
- Wrap Up



The  
**Budget Team**  
CITY OF FLAGSTAFF



# Budget Introduction



Joanne Keene  
City Manager



Shannon Anderson  
Senior Deputy City  
Manager



Kevin Fincel  
Interim Deputy City  
Manager



Mark Gaillard  
Fire Chief



Rebecca Sayers  
Parks, Recreation,  
Open Space and  
Events Director



Seth Gregar and  
Jared Wotasik  
EAC



Rick Tadder  
Management Services  
Director



Brandi Suda  
Finance Director



Ryan Saxby  
Human Resource and  
Risk Management  
Director



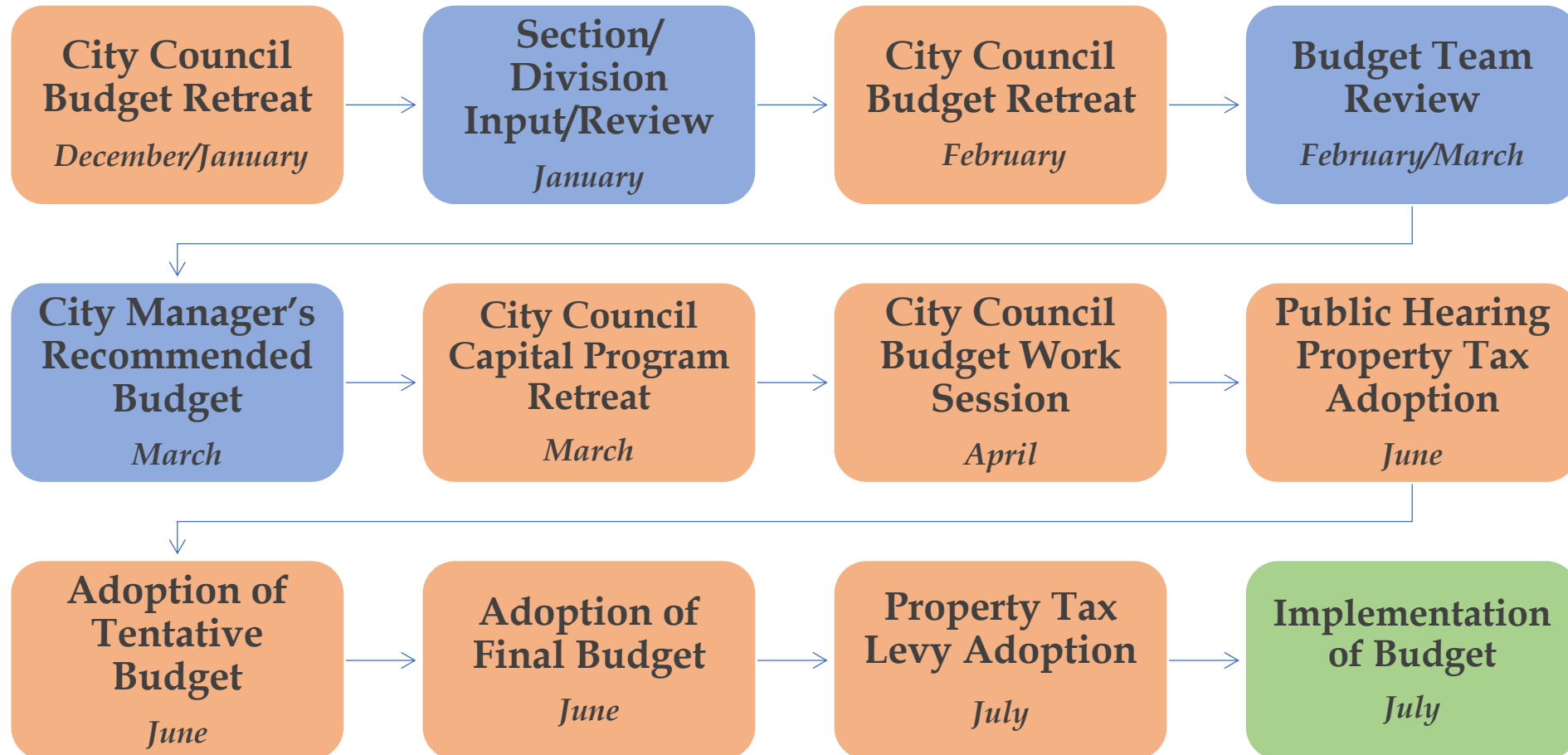
Heidi Derryberry  
Budget Director



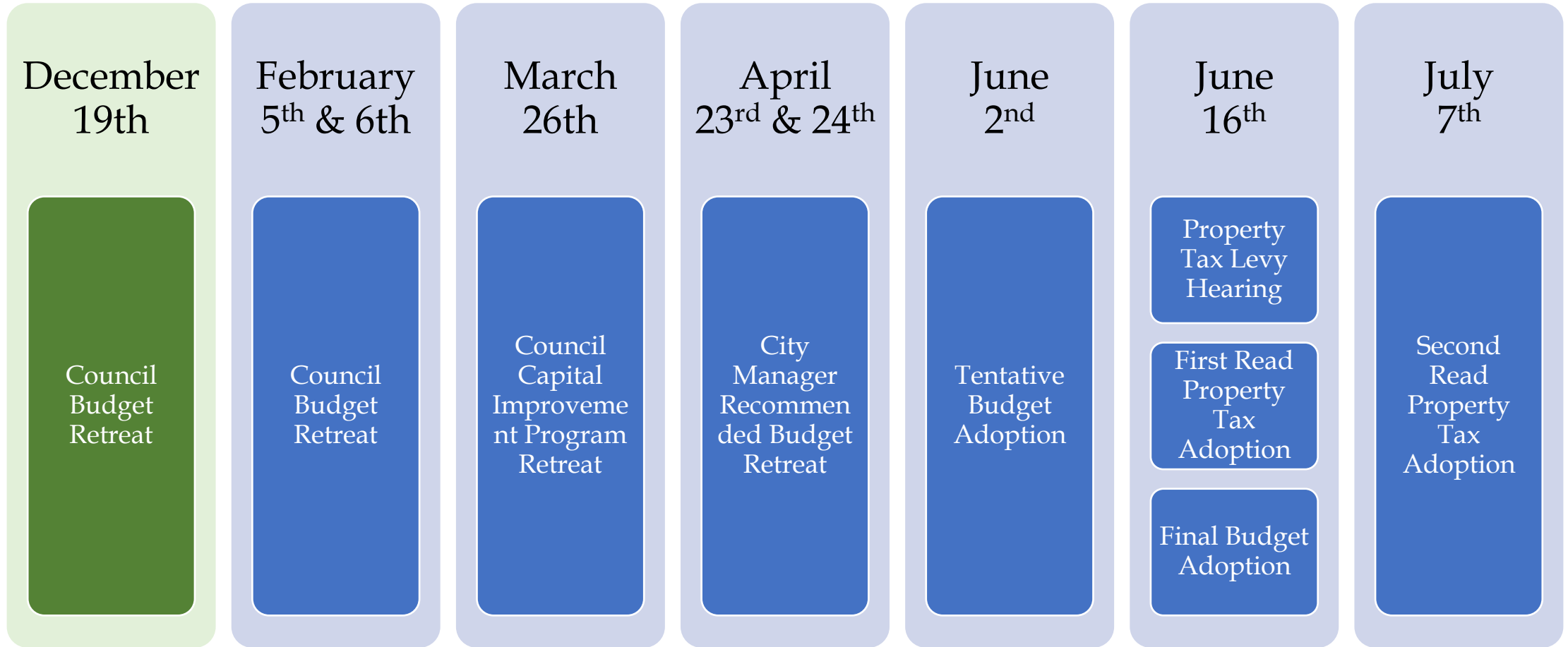
Scott Overton  
Public Works  
Director




# Process



# Timeline



# 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

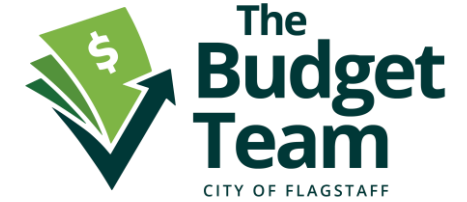
- **Special Revenue Funds**
- **Enterprise Funds**
- **Capital Project Funds**
- **Debt Service Funds**
- **General Fund**

# Special Revenue Funds



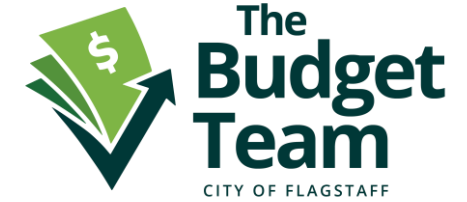
- These funds are used to account for revenues derived from specific taxes or other earmarked revenue sources
- Are usually required by statute, charter provision, or ordinance to finance a particular function or activity

# 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%)
  - 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



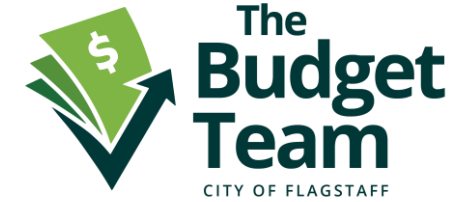
## Self-supporting thru User Fees

- 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



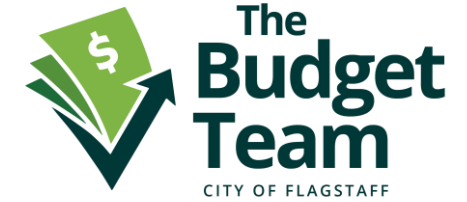
- Debt service funds are used to account for the accumulation of resource and payment of long-term debt
  - Restricted revenues
    - General obligation bond fund – secondary property tax
    - Pension bond fund – General Fund, Water Resource and Infrastructure Protection Fund and Airport Fund transfers

# 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



The  
**Budget Team**  
CITY OF FLAGSTAFF



# Revenue Updates

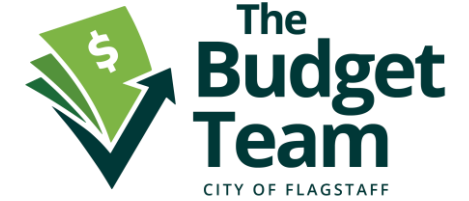
# General Fund - Sales Tax



## General F

Category	FY 2024-25 April Est.	FY 2024-25 Actual	FY 2024-25 Actual vs Estimate
<b>Sales Taxes</b>			
Utilities	\$ 1,316,000	\$ 1,310,782	\$ (5,218)
Telecommunications	164,000	149,987	(14,013)
Restaurant/Bars	4,105,000	4,187,579	82,579
Amusements	131,000	138,550	7,550
Commercial Rental	1,382,000	1,391,673	9,673
Personal Property Rental	967,000	1,022,632	55,632
Contracting	3,090,000	3,153,622	63,622
Retail	14,554,000	14,591,282	37,282
Marketplace Retail	1,332,000	1,424,782	92,782
Hotel/Motel/STR	2,134,000	2,095,261	(38,739)
Miscellaneous	82,500	76,672	(5,828)
Use Tax	1,818,000	1,757,421	(60,579)
<b>Sales Taxes Total</b>	<b>\$ 31,075,500</b>	<b>\$ 31,300,243</b>	<b>\$ 224,743</b>

# General Fund - Sales Tax



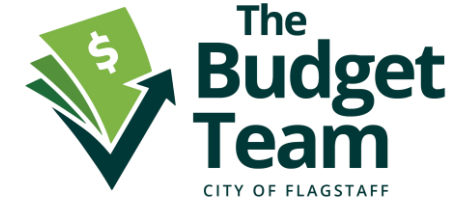
## General Sales Tax Revenues Month over Month

MONTH	Total	Utilities	Telecom	RestBar	Amusements	CommRental	PersRental	ConstrCont	Retail	Marketplace	Hotel/Motel /STR	Misc.	UseTax
<b>\$ Change Year over Year</b>													
JULY	(\$125,673)	\$ 34,684	(\$6,970)	(\$35,280)	(\$876)	(\$7,449)	(\$11,284)	(\$42,159)	\$36,864	(\$7,312)	(\$11,560)	(\$480)	(\$73,851)
AUGUST	(\$101,546)	(31,564)	(4,036)	15,311	1,942	364	(4,731)	34,664	(78,117)	16,577	(14,176)	(2,182)	(35,598)
SEPT	(\$4,428)	958	(7,127)	34,424	5,373	1,388	(14,630)	(18,922)	28,189	25,100	(12,318)	(1,672)	(45,191)
OCT	\$31,948	9,989	3,176	11,778	9,681	8,052	(5,570)	12,811	(19,574)	(12,264)	(13,433)	(3,378)	30,680
NOV	(\$1,382)	1,218	1,358	(18,753)	(13,236)	(2,176)	(6,480)	(93,830)	122,551	1,076	(50,066)	(2,962)	59,918
TOTAL	(\$201,081)	\$15,285	(\$13,599)	\$7,480	\$2,884	\$179	(\$42,695)	(\$107,436)	\$89,913	\$23,177	(\$101,553)	(\$10,674)	(\$64,042)

## General Sales Tax Revenues Month over Month

MONTH	Total	Utilities	Telecom	RestBar	Amusements	CommRental	PersRental	ConstrCont	Retail	Marketplace	Hotel/Motel /STR	Misc.	UseTax
<b>% Change Year over Year</b>													
JULY	-4%	40%	-40%	-9%	-6%	-5%	-11%	-14%	3%	-6%	-6%	-7%	-33%
AUGUST	-4%	-26%	-25%	4%	17%	0%	-7%	13%	-6%	18%	-7%	-31%	-20%
SEPT	0%	1%	-39%	9%	40%	1%	-11%	-7%	2%	18%	-6%	-28%	-25%
OCT	1%	10%	33%	3%	139%	6%	-7%	5%	-2%	-10%	-7%	-40%	20%
NOV	0%	1%	14%	-5%	-61%	-2%	-8%	-28%	10%	1%	-25%	-36%	50%
TOTAL	-2%	4%	-22%	1%	6%	0%	-11%	-10%	2%	5%	-13%	-38%	-9%

# General Fund - Sales Tax



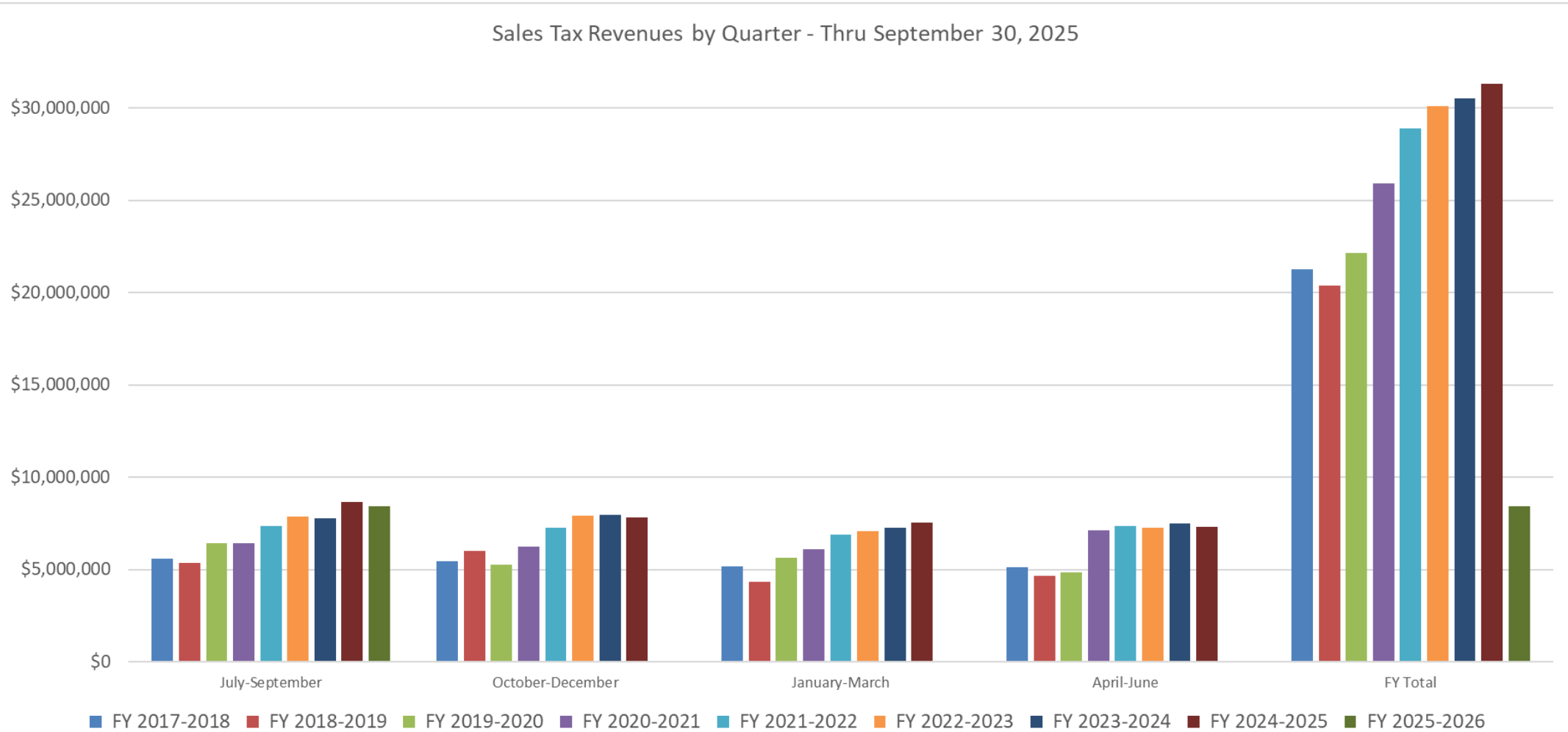
## General Fund Sales Tax Revenues

Category	FY 2024-25 April Est.	FY 2024-25 Actual	FY 2024-25 Actual vs Estimate	FY 2025-26 Budget	Estimate Thru September Returns	Estimate Thru October Returns	Estimate Thru November Returns	FY 2025-26 Estimate vs Budget	October % Change
<b>Sales Taxes</b>									
Utilities	\$ 1,316,000	\$ 1,310,782	\$ (5,218)	\$ 1,342,300	\$ 1,330,000	\$ 1,347,000	\$ 1,347,000	\$ 4,700	0.4%
Telecommunications	164,000	149,987	(14,013)	165,600	128,000	134,000	136,000	(29,600)	-17.9%
Restaurant/Bars	4,105,000	4,187,579	82,579	4,228,200	4,244,000	4,254,000	4,233,000	4,800	0.1%
Amusements	131,000	138,550	7,550	134,900	157,000	162,000	150,000	15,100	11.2%
Commercial Rental	1,382,000	1,391,673	9,673	1,423,500	1,390,000	1,404,000	1,404,000	(19,500)	-1.4%
Personal Property Rental	967,000	1,022,632	55,632	996,000	970,000	964,000	960,000	(36,000)	-3.6%
Contracting	3,090,000	3,153,622	63,622	3,120,900	3,115,000	3,118,000	3,015,000	(105,900)	-3.4%
Retail	14,554,000	14,591,282	37,282	14,845,100	14,670,000	14,628,000	14,738,000	(107,100)	-0.7%
Marketplace Retail	1,332,000	1,424,782	92,782	1,385,300	1,486,000	1,443,000	1,441,000	55,700	4.0%
Hotel/Motel/STR	2,134,000	2,095,261	(38,739)	2,155,300	2,053,000	2,043,000	1,999,000	(156,300)	-7.3%
Miscellaneous	82,500	76,672	(5,828)	83,100	69,700	66,400	64,800	(18,300)	-22.0%
Use Tax	1,818,000	1,757,421	(60,579)	1,872,500	1,648,000	1,700,000	1,741,000	(131,500)	-7.0%
<b>Sales Taxes Total</b>	<b>\$ 31,075,500</b>	<b>\$ 31,300,243</b>	<b>\$ 224,743</b>	<b>\$ 31,752,700</b>	<b>\$ 31,260,700</b>	<b>\$ 31,263,400</b>	<b>\$ 31,228,800</b>	<b>\$ (523,900)</b>	<b>-1.6%</b>
					\$ (492,000)	\$ (489,300)	\$ (523,900)		

# General Fund - Sales Tax



Sales Tax Revenues by Quarter - Thru September 30, 2025



# General Fund – State Shared Revenues



- Federal Budget Bill
  - State General Fund impacts estimates
    - FY 2026 - \$458M, FY 2027 - \$398M, and FY 2028 - \$571M
    - Dependent on what State does for income tax conformity this session
  - Income tax deductions impact shared income tax revenues (two years later)
- San Tan Valley Annexation
  - Adding approx. 100,000 in population to the shared revenue calculations
  - Impacts all state shared revenues, including Highway User Revenue Fund
  - Immediate impacts this fiscal year
- Maricopa County Stadium District
  - Impacts state shared income tax, minimal

# General Fund – State Shared Revenues Income Tax Impacts



Budget Year (**)	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
State Collection Year	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
<b>Current Budget Adoption (FY 2025-26)</b>	\$ 15,062,100	\$ 15,401,200	\$ 15,921,600	\$ 16,457,800	\$ 16,951,100	\$ 17,285,500
Baseline Projections - No Fed/State Impacts	\$ 15,063,000	\$ 16,392,000	\$ 16,543,000	\$ 16,886,000	\$ 17,349,000	\$ 18,007,000
Difference vs Adopted	\$ 900	\$ 990,800	\$ 621,400	\$ 428,200	\$ 397,900	\$ 721,500
SanTan Valley 100,000 population and ballpark	\$ 14,939,000	\$ 16,126,000	\$ 16,266,000	\$ 16,603,000	\$ 17,059,000	\$ 17,705,000
Difference vs Baseline Projections	\$ (123,100)	\$ (266,000)	\$ (277,000)	\$ (283,000)	\$ (290,000)	\$ (302,000)
Federal Budget Impact	\$ 15,063,000	\$ 16,392,000	\$ 15,551,000	\$ 16,133,000	\$ 16,524,000	\$ 17,141,000
Difference vs Baseline Projections	\$ -	\$ -	\$ (992,000)	\$ (753,000)	\$ (825,000)	\$ (866,000)
All Impacts	\$ 14,939,000	\$ 16,126,000	\$ 15,291,000	\$ 15,863,000	\$ 16,248,000	\$ 16,853,000
Difference vs Baseline Projections	\$ (123,100)	\$ 724,800	\$ (630,600)	\$ (594,800)	\$ (703,100)	\$ (432,500)
			-4%	-4%	-4%	-2%

# General Fund – State Shared Revenues



## General Fund

Category	FY 2024-25 April Est.	FY 2024-25 Actual	FY 2024-25 Actual vs Estimate
State Shared Sales Tax	\$ 11,600,000	\$ 11,534,400	\$ (65,600)
State Shared Urban Revenue	16,292,000	16,292,000	-
Auto Lieu Tax	4,630,000	4,729,600	99,600
<b>Total</b>	<b>\$ 32,522,000</b>	<b>\$ 32,556,000</b>	<b>\$ 34,000</b>

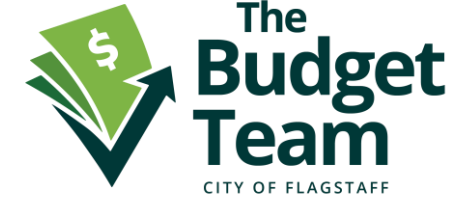
# General Fund – State Shared Revenues



## General Fund State Shared Revenues

Category	FY 2024-25 April Est.	FY 2024-25 Actual	FY 2024-25 Actual vs Estimate	FY 2025-26 Budget	Estimate Thru September Returns	Estimate Thru October Returns	Estimate Thru November Returns	FY 2025-26 Estimate vs Budget	October % Change
State Shared Sales Tax	\$ 11,600,000	\$ 11,534,400	\$ (65,600)	\$ 11,855,200	\$ 11,673,000	\$ 11,800,000	\$ 11,820,000	\$ (35,200)	-0.3%
State Shared Urban Revenue	16,292,000	16,292,000	-	15,062,100	14,939,100	14,930,000	14,939,000	(123,100)	-0.8%
Auto Lieu Tax	4,630,000	4,729,600	99,600	4,722,600	4,680,000	4,665,000	4,672,000	(50,600)	-1.1%
<b>Total</b>	<b>\$ 32,522,000</b>	<b>\$ 32,556,000</b>	<b>\$ 34,000</b>	<b>\$ 31,639,900</b>	<b>\$ 31,292,100</b>	<b>\$ 31,395,000</b>	<b>\$ 31,431,000</b>	<b>\$ (208,900)</b>	<b>-0.7%</b>
					\$ (347,800)	\$ (244,900)	\$ (208,900)		

# General Fund – Select Other Revenue

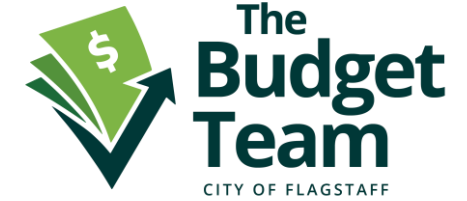


## Select Other C

Category	FY 2024-25 April Est.	FY 2024-25 Actual	FY 2024-25 Actual vs Estimate
Primary Property Tax	\$ 7,277,180	\$ 7,200,552	\$ (76,628)
Building Permit	2,540,000	2,814,776	274,776
Franchise Fees	2,626,000	2,784,795	158,795
<b>Total</b>	<b>\$ 12,443,180</b>	<b>\$ 12,800,123</b>	<b>\$ 356,943</b>
General Fund Summary			

- Above excludes other permits, licenses, intergovernmental, charges for services, fines and forfeitures, investment income, grants and miscellaneous revenues

# General Fund – Select Other Revenue



## Select Other General Fund Other Revenues

Category	FY 2024-25 April Est.	FY 2024-25 Actual	FY 2024-25 Actual vs Estimate	FY 2025-26 Budget	Estimate Thru September Returns	Estimate Thru October Returns	Estimate Thru November Returns	FY 2025-26 Estimate vs Budget	October % Change
Primary Property Tax	\$ 7,277,180	\$ 7,200,552	\$ (76,628)	\$ 7,216,000	\$ 7,216,000	\$ 7,216,000	\$ 7,216,000	\$ -	0.0%
Building Permit	2,540,000	2,814,776	274,776	2,000,000	1,945,000	1,825,000	1,770,000	(230,000)	-11.5%
Franchise Fees	2,626,000	2,784,795	158,795	2,661,500	2,654,900	2,693,000	2,703,000	41,500	1.6%
<b>Total</b>	<b>\$ 12,443,180</b>	<b>\$ 12,800,123</b>	<b>\$ 356,943</b>	<b>\$ 11,877,500</b>	<b>\$ 11,815,900</b>	<b>\$ 11,734,000</b>	<b>\$ 11,689,000</b>	<b>\$ (188,500)</b>	<b>-1.6%</b>
					\$ (61,600)	\$ (143,500)	\$ (188,500)		
		General Fund Summary		\$ 75,270,100	\$ 74,368,700	\$ 74,392,400	\$ 74,348,800	\$ (921,300)	-1.2%
					\$ (901,400)	\$ (877,700)	\$ (921,300)		

- Above excludes other permits, licenses, intergovernmental, charges for services, fines and forfeitures, investment income, grants and miscellaneous revenues

# Special Revenue Funds

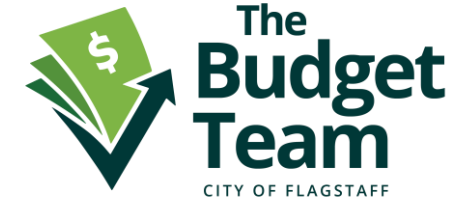


## BBB/Transportation Fund

Category	FY 2024-25 April Est.	FY 2024-25 Actual	FY 2024-25 Actual vs Estimate
BBB Sales Taxes	\$ 12,478,000	\$ 12,565,600	\$ 87,600
Transportation Taxes	37,478,900	37,843,800	364,900
Highway User Shared Tax	10,240,939	10,449,243	208,304
	<b>\$ 60,197,839</b>	<b>\$ 60,858,643</b>	<b>\$ 660,804</b>

- BBB - Restaurants/Bars are flat year over year, while lodging tax is down 13%. November (Oct Activity) was down 25%
- Transportation - similar impact as the general sales tax
- HURF - currently 1.3% above October YTD, govt shutdown, tourism decline, and San Tan Valley will have an impact for Highway User Revenue Fund

# Special Revenue Funds



## BBB/Transportation Funds Sales Tax and HURF Revenues

Category	FY 2024-25 April Est.	FY 2024-25 Actual	FY 2024-25 Actual vs Estimate	FY 2025-26 Budget	Estimate Thru September Returns	Estimate Thru October Returns	Estimate Thru November Returns	FY 2025-26 Estimate vs Budget	October % Change
BBB Sales Taxes	\$ 12,478,000	\$ 12,565,600	\$ 87,600	\$ 12,767,000	\$ 12,594,000	\$ 12,652,000	\$ 12,464,000	\$ (303,000)	-2.4%
Transportation Taxes	37,478,900	37,843,800	364,900	38,276,500	37,933,900	38,041,100	37,773,900	(502,600)	-1.3%
Highway User Shared Tax	10,240,939	10,449,243	208,304	10,343,348	10,343,348	10,343,348	10,343,348	-	0.0%
	<b>\$ 60,197,839</b>	<b>\$ 60,858,643</b>	<b>\$ 660,804</b>	<b>\$ 61,386,848</b>	<b>\$ 60,871,248</b>	<b>\$ 61,036,448</b>	<b>\$ 60,581,248</b>	<b>\$ (805,600)</b>	<b>-1.3%</b>
					\$ (515,600)	\$ (350,400)	\$ (805,600)		

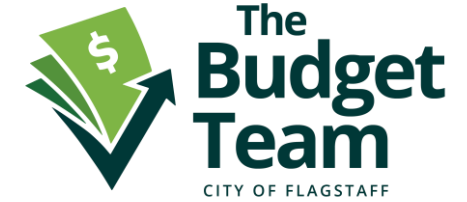
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- Transportation - similar impact as the general sales tax
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# Recession Plan



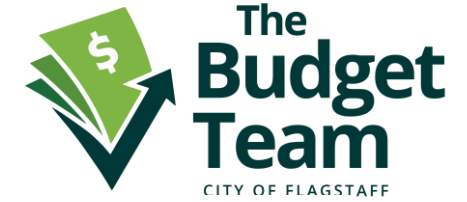
- Adopted policy that identifies the action steps to address declining revenues
- Overlays and is independent to the adopted budget
- Adaptable in implementation
- Moving into the Significant stage (or higher) requires Council action
- Council action gives the City Manager direction to apply measures at that level
- Changes to plan this year for Alert/Minor and Moderate Levels

# Recession Plan



- 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 2025-26 was 41% of the total City
- Investing dollars strategically offsets impact of a recession
  - Tourism and construction for example

# Five Stages of the Recession Plan



**Trigger: 2% - 3%**  
**Reduction in Revenues**

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

**Trigger: 3% - 5%**  
**Reduction in Revenues**

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

**Trigger: 5% - 10%**  
**Reduction in Revenues**

- 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% - 20%**  
**Reduction in Revenues**

- 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% +**  
**Reduction in Revenues**

- 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.*



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# Council Activity



# League of AZ Cities & Towns

WHAT THE LEAGUE OF AZ CITIES & TOWNS SHARED

In recent conversations, League leadership highlighted that the **greatest emerging need** for elected officials and upper-level municipal staff is not a technical skill, but a **relational competency**:

## **CIVILITY**

Disagreeing Without Being Disagreeable



# Budget Priorities: Council Alignment Activity



*Clarifying Priorities*



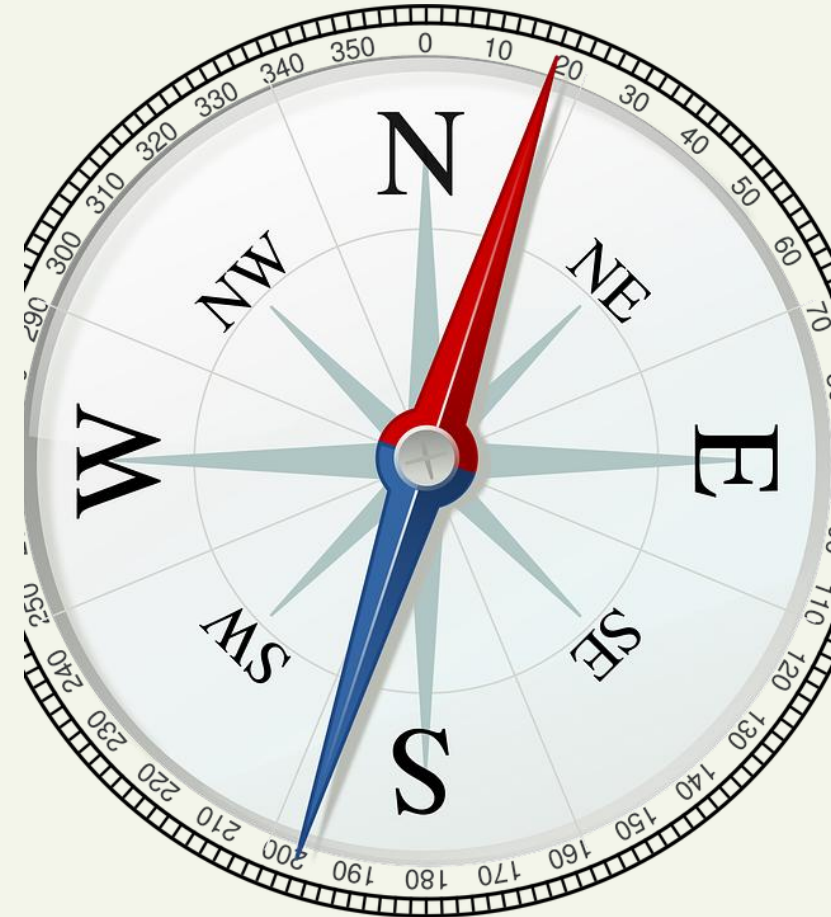
*Strengthening Alignment*

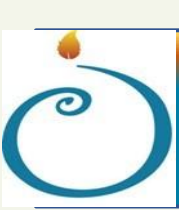


*Guiding Budget Decisions*



# Mission & Mandates





# Impact & Outcomes



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# Resources & Constraints



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# Your Priorities



# Prioritization Activity

- Each councilmember allocates **\$100 in monopoly money** across the identified priorities.
- Higher value = higher priority.
- After individual allocation, the group will work toward a **shared alignment**.



# Council's Final Priorities (Aligned)

- Priorities 1 and 2

- Priorities 3 and 4



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# Council Retreat Planning



# FUTURE RETREAT PLANNING

- **February Budget Retreat – 2 Days:**
  - Revenue updates and projections
  - Available resources and fixed costs
  - Resource allocations and needs
  - Balancing the needs
- **March Capital Retreat:**
  - Funded
  - Unfunded
- **April Budget Retreat – 2 Days:**
  - Recommended Budget



# COUNCIL EXPECTATIONS ABOUT RETREATS

- **What Is Currently Provided:**
  - Council Budget Book
  - Presentations
  - Staff preparation
  - Structure of work sessions
  - Facilitation support



# Council Expectations for Future Retreats



# Desired Future State

**Retreat Redesign: Agreed-Upon “Adjustments”**



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# Declared Emergencies

# Strong Foundations Produce Results



During the budget process, we often focus on new efforts, positions, or programs without acknowledging the **accomplishments and everyday work** that result from the ongoing efforts of staff and programs.

New efforts are often possible because the foundation is in place to build upon.



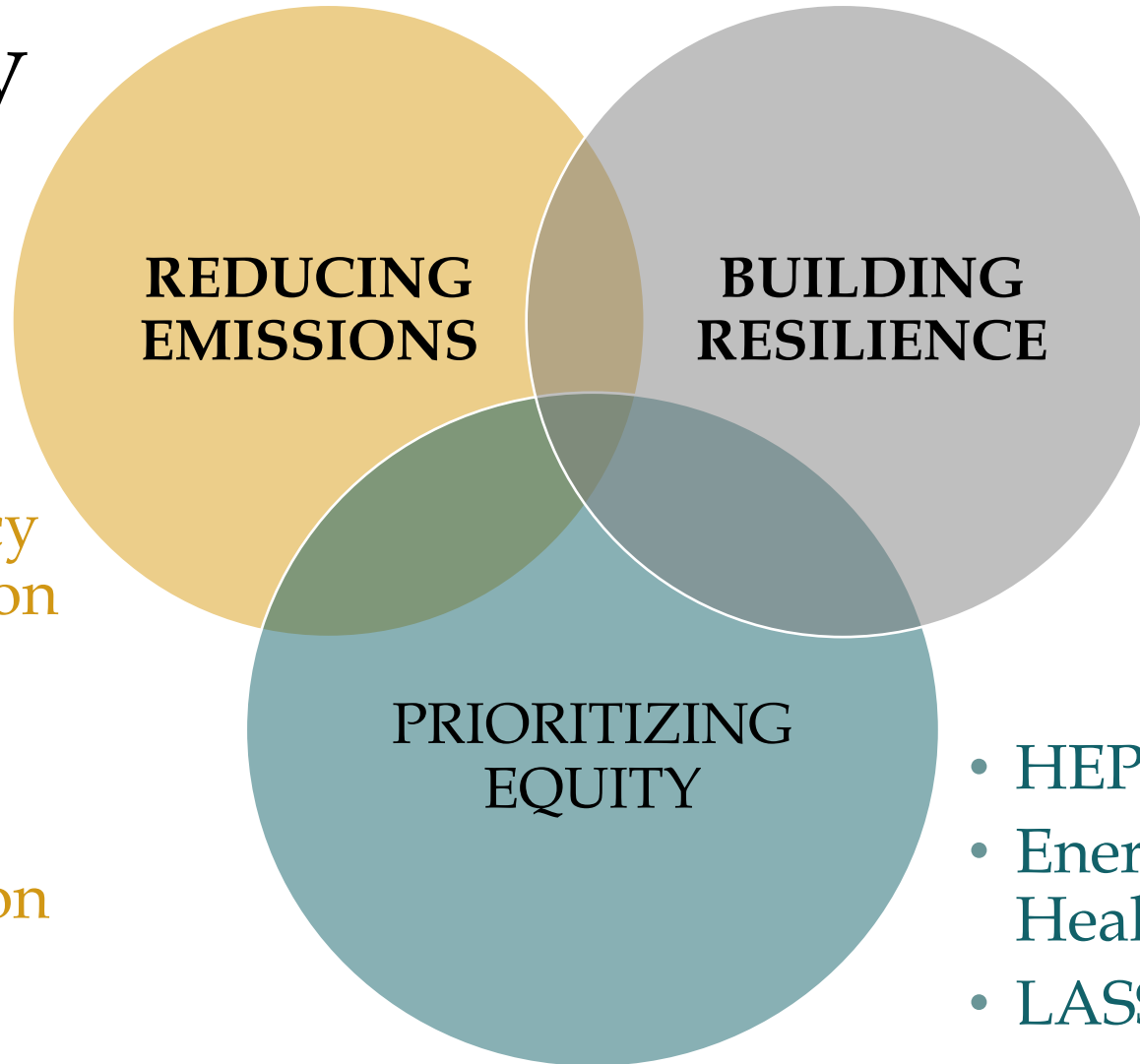
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# Climate Emergency

# Climate Emergency Goals

- Clean energy infrastructure
- Energy efficiency and electrification
- Active Transportation Master Plan
- Waste prevention



- Flood prevention grants
- Wildfire Resilient Home Initiative
- Resilience Hubs

- HEPA filter distribution
- Energy Upgrades for Healthy Homes Program
- LASS-CAP

Climate action is not a standalone effort — it touches every part of our community and municipal organization.

From infrastructure and public health to economic development and equity, meaningful progress requires collaboration across all departments and sectors.

## Neighborhoods

Community Resilience

Equitable Systems

Decreased Dependence on Cars

Housing for All

Inclusive  
Recreation

## Energy

Electric Mobility

Clean Electricity

Building Fuel Switching

## Consumption

Reduced Building Energy Use

Sustainable Consumption

Water Security

## Commitments

Healthy Forests  
and Open Spaces

Health and Safety

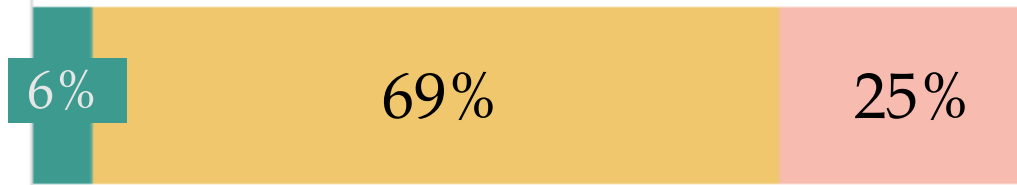
Economic Prosperity

Carbon Dioxide Removal

# Carbon Neutrality Plan Actions Update

58% of actions are completed or in progress

## Neighborhoods



## Energy



## Consumption



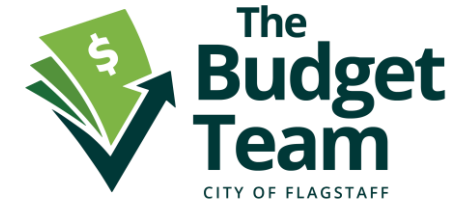
## Commitments



DONE ■ IN PROGRESS ■ NOT STARTED ■

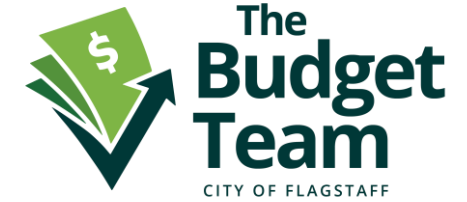


# Potential Funding Requests for Council Feedback



1. Continue two contracted positions that oversee climate programming
2. Energy and health upgrades for Homebuyer Assistance Program
3. Wildfire Resilient Home Initiative
4. Healthy Homes – weatherization and energy efficiency programs
5. Flagstaff Sustainability grants
6. Interactive data tool to track and share progress on climate action
7. Accessory dwelling unit accelerator
8. Police Department electric vehicle pilot
9. Incentives for net-zero new development
10. Resilience hub programming
11. Grants to local businesses
12. Consulting services for a municipal energy strategic plan

# Assessing Impacts



- Mitigation
- Resilience
- Equity
- Workforce development
- Supports the local economy
- Return on investment
- Cost savings to residents
- Air quality
- Public health
- Scalability
- Decreased dependence on cars/electric mobility
- Reduced energy use/fuel switching
- Waste prevention
- Carbon sequestration

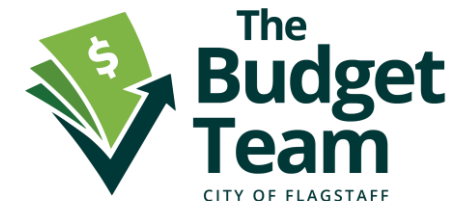


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# Housing Emergency

# Housing Division



## Two Sections

Housing Authority



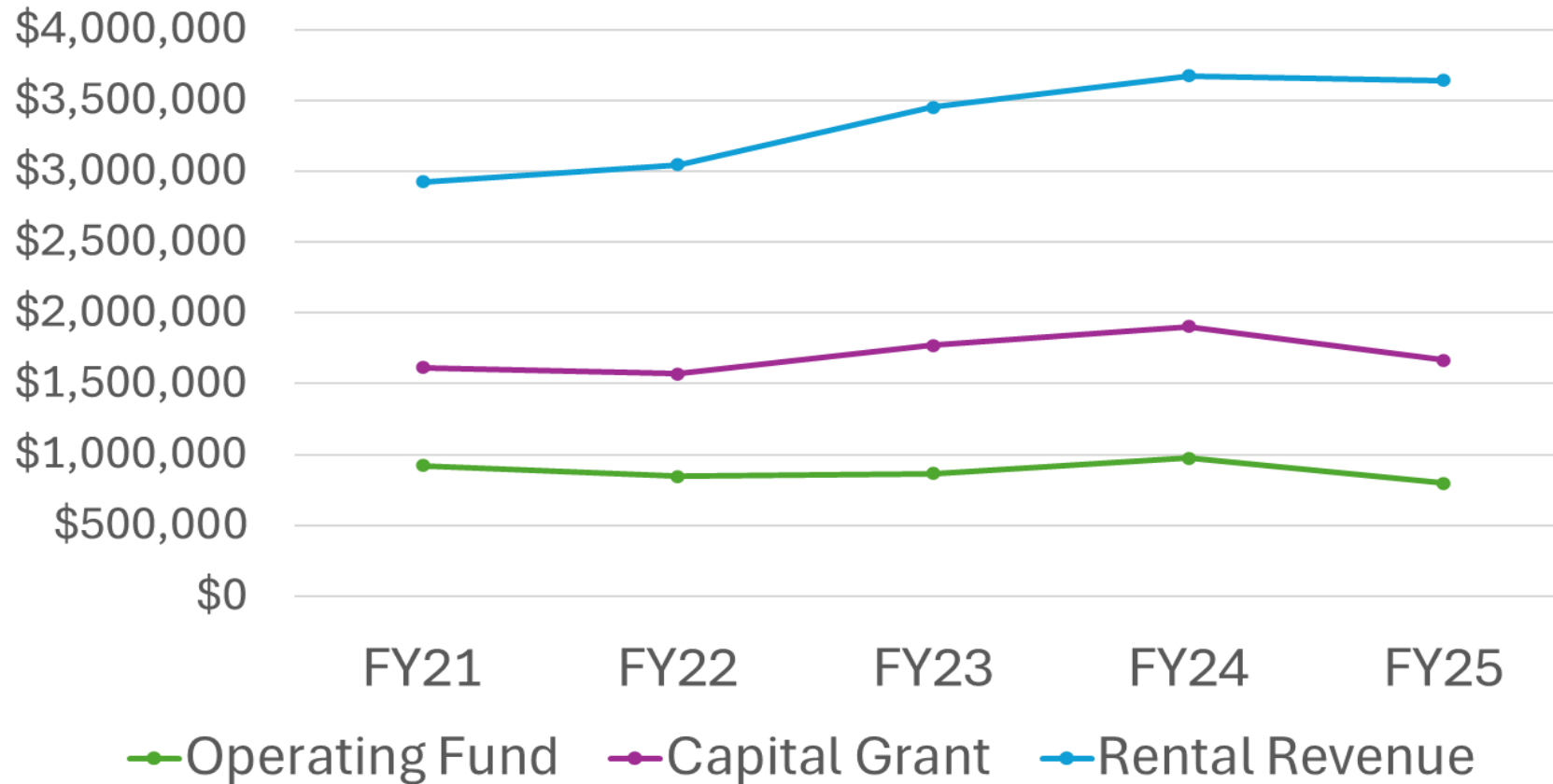
Housing Investment



# Housing Authority Public Housing - 265 Units



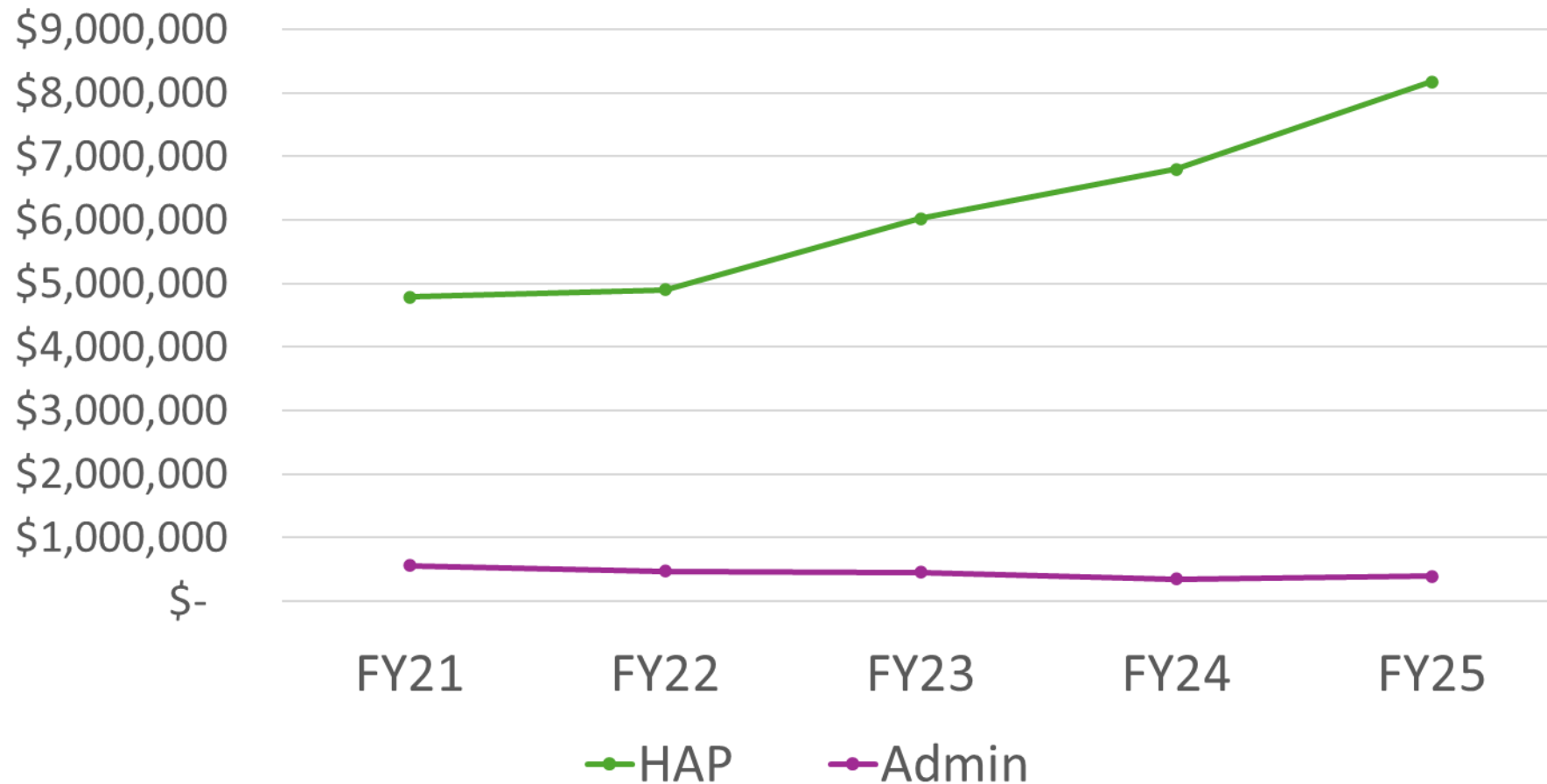
## Public Housing Funding



# Housing Authority Voucher Programs - 566 Vouchers



## Voucher Program Funding



# Foundational Elements

## Housing Investment Section



- Permanently Affordable Units
  - Management of ownership units
  - Compliance monitoring / PM Company education for rental units
- Owner occupancy verification
- Community Development Block Grant (CDBG) Administration
- Incentive Policy for Affordable Housing (IPAH)
- Housing planning
- Bond program implementation and management
- Down payment programs
- Loan management
- Community involvement and participation

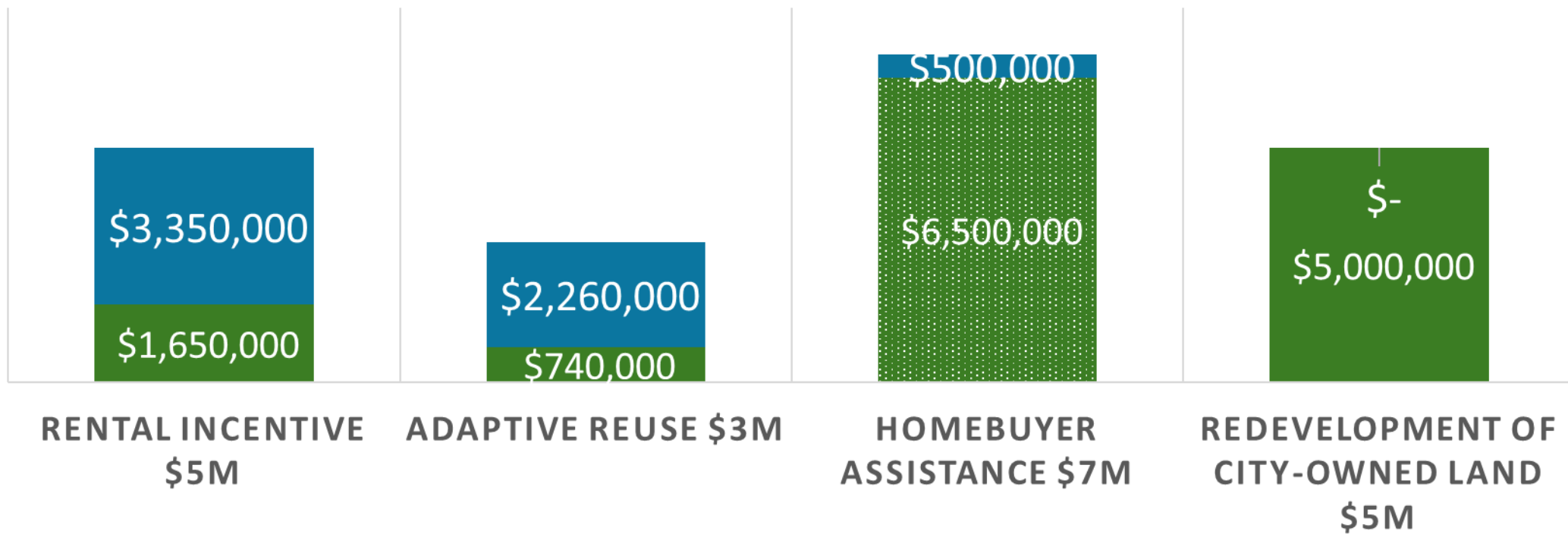
# 10-Year Housing Plan



# PROP 442 - CREATING RENTAL AND HOMEOWNERSHIP OPPORTUNITIES FOR RESIDENTS OF FLAGSTAFF

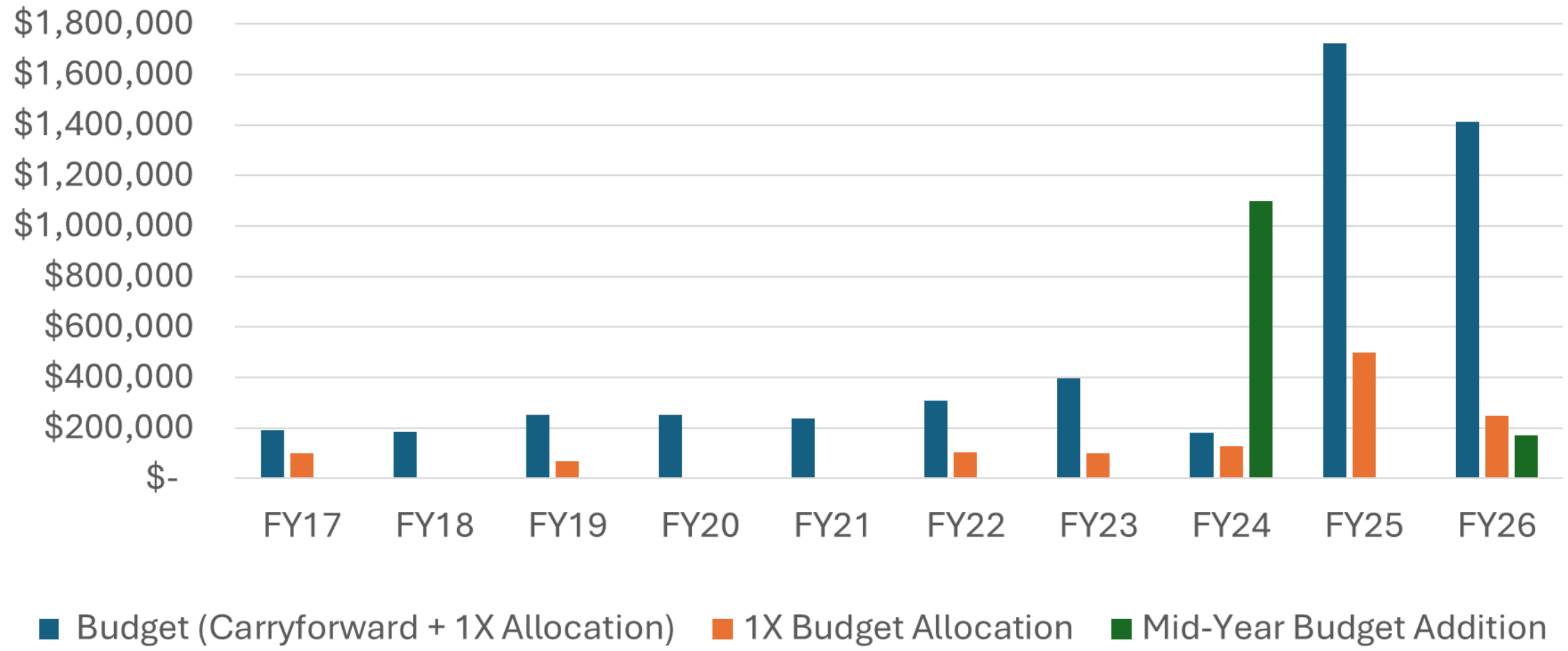


■ Remaining    ■ Committed/Spent



# Incentive Funding 10-Year Retrospective

## Example of 1X Funding Over Time

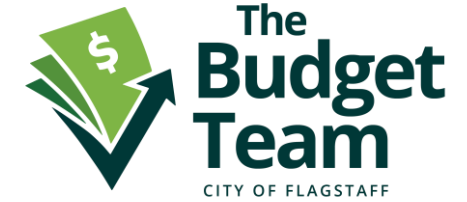


# Examples of Current 1X Funding in Housing Budget



- Incentive Policy funding
- Acquisition of land and preservation of affordable units
- Administrative Specialist position
- Employer Assisted Housing
  - Program income from pre-bond CHAP program with possible additional request

# Potential Budget Requests for Council Feedback



- Ongoing funding source dedicated to Housing
- Expand Incentive Policy to include financial incentives for middle market/workforce housing
- Employer-provided housing for City employees



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# Updates



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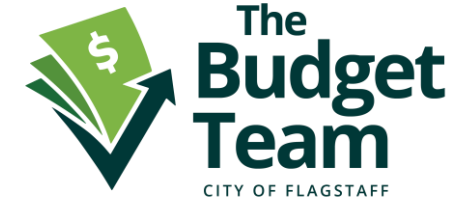


# Employee Survey 2025 Results



**Champions of Team Flagstaff**

# 2025 Employee Survey Results



- Response Rate
- Results Dashboard
- Trends
- Open-Ended Comments Summary

# 2025 Employee Survey

- July 21-September 5
- 6 Theme Areas
  - Leadership, Feedback, and Empowerment
  - Career Growth, Opportunity, and Compensation
  - Organizational Culture and Communication
  - Recognition, Appreciation, and Engagement
  - Workload, Wellbeing, and Development
  - Optional: Demographic Questions
- Open to all City employees
- 510 Responses (346 in 2023, 434 in 2017, 461 in 2019)
- About 49% of our regular (full-time/part-time) employees participated in the survey

# 2025 Survey Results: Online Dashboard



TAFF

## 2025 ALL STAFF SURVEY RESULTS

### OVERVIEW

In 2025 we performed another staff survey (full-time and part-time). This dashboard shows the results of that survey. This overview page is the overall aggregated results.

Click on the link in the top right to see more details about specific questions. You can select an individual question to see more detailed data about it including trends over time.

### PARTICIPATION

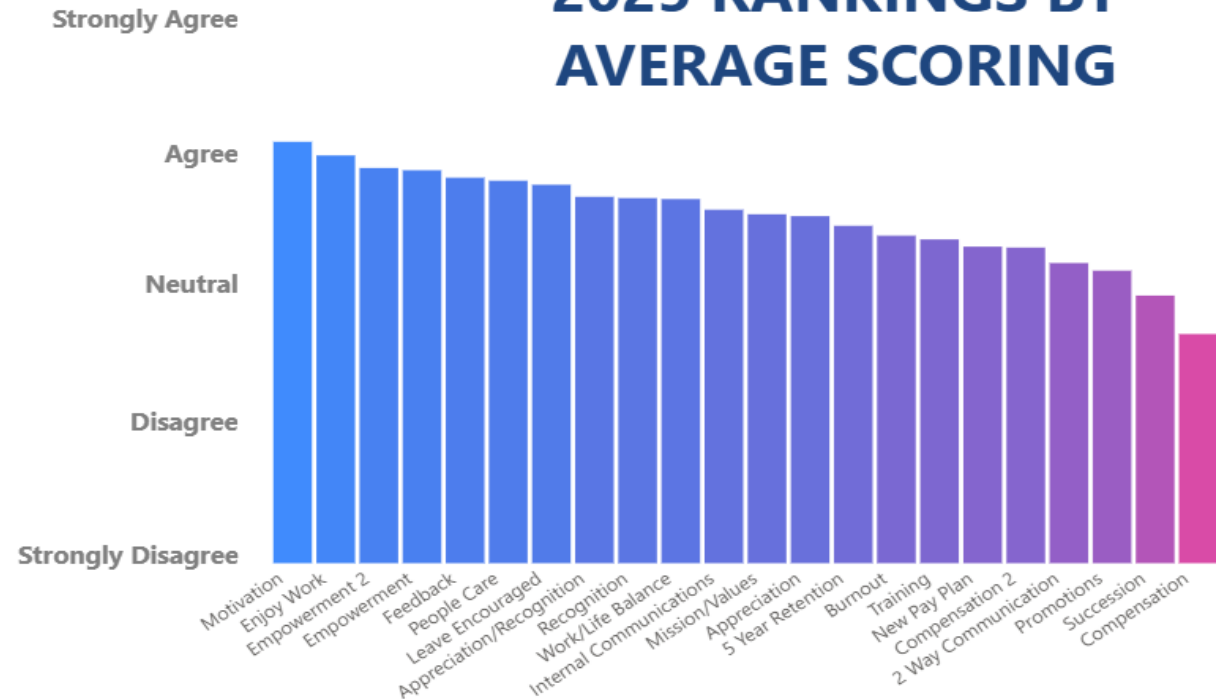
# 510

TOTAL RESPONSES

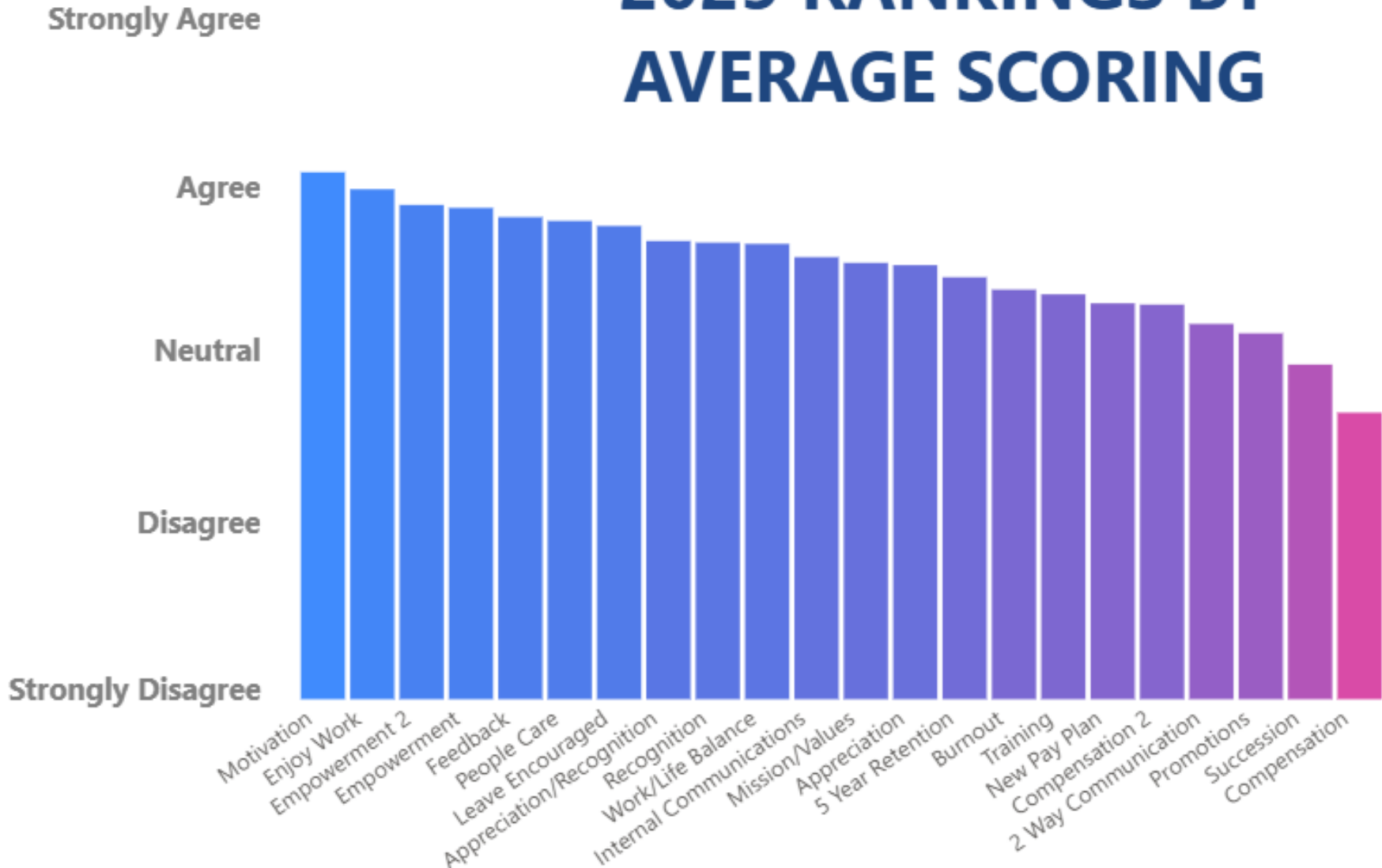
**49%**

of all staff

### 2025 RANKINGS BY AVERAGE SCORING



# 2025 RANKINGS BY AVERAGE SCORING

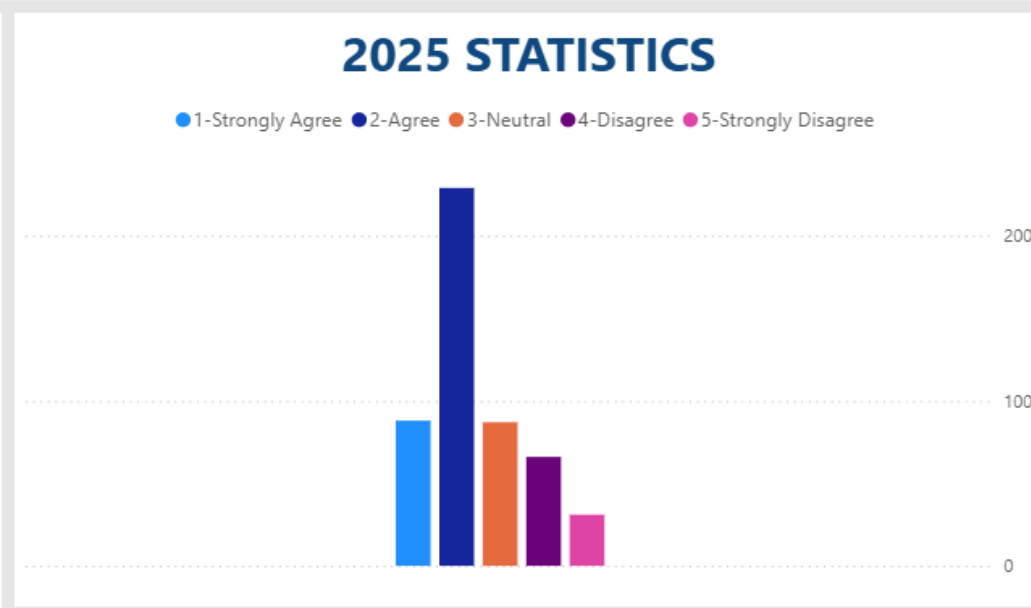
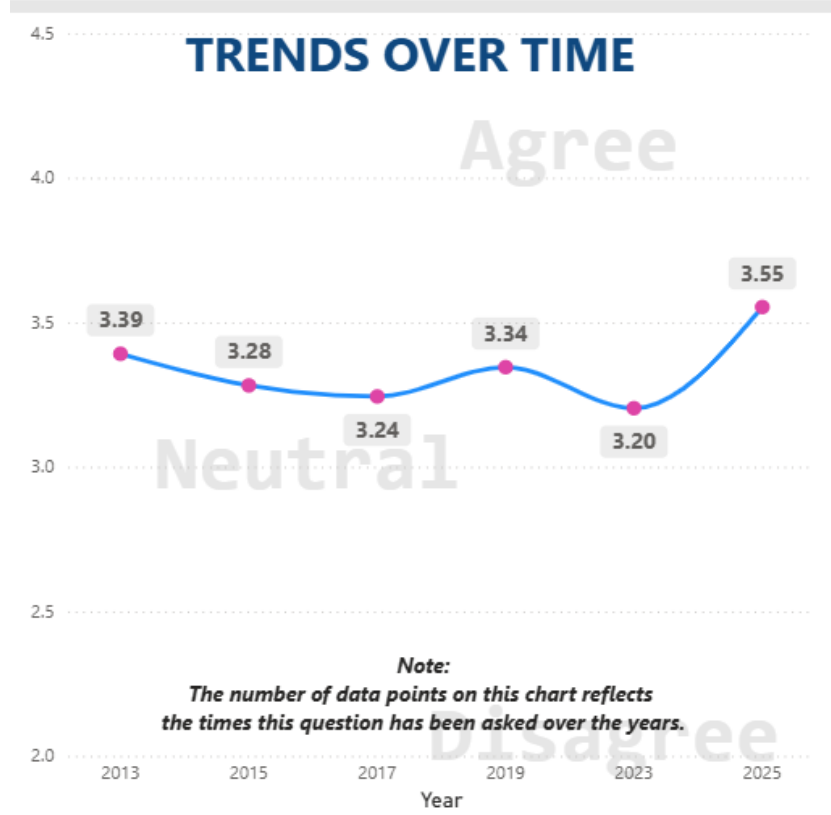


# Trends Summary

SELECT QUESTION THEME  
← Burnout ▾ →

[Back to Overview](#)

I am able to handle my work load without burnout.



**63%** AGREE OR STRONGLY AGREE (POSITIVE) +14% CHANGE FROM 2023

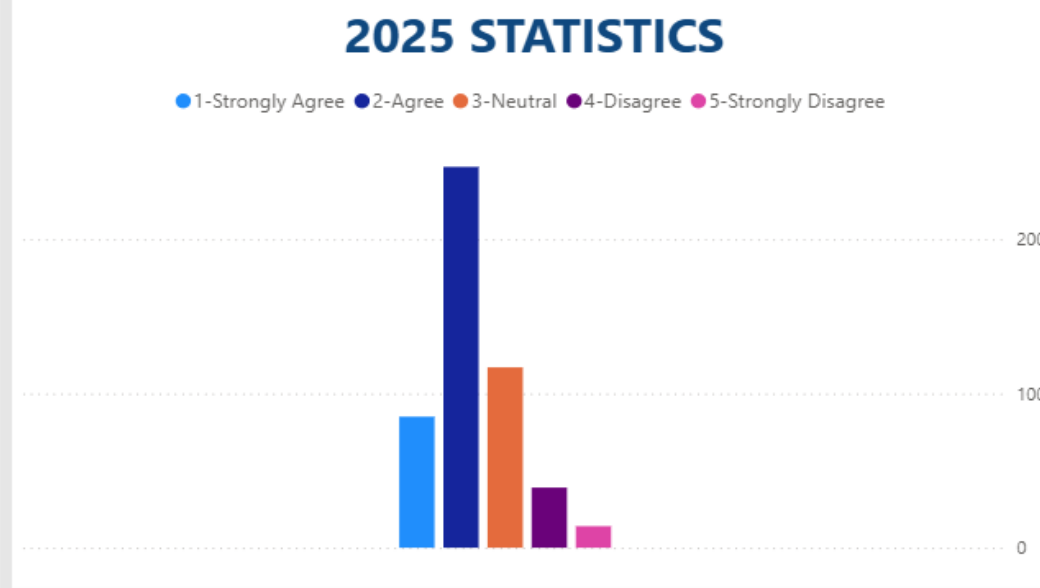
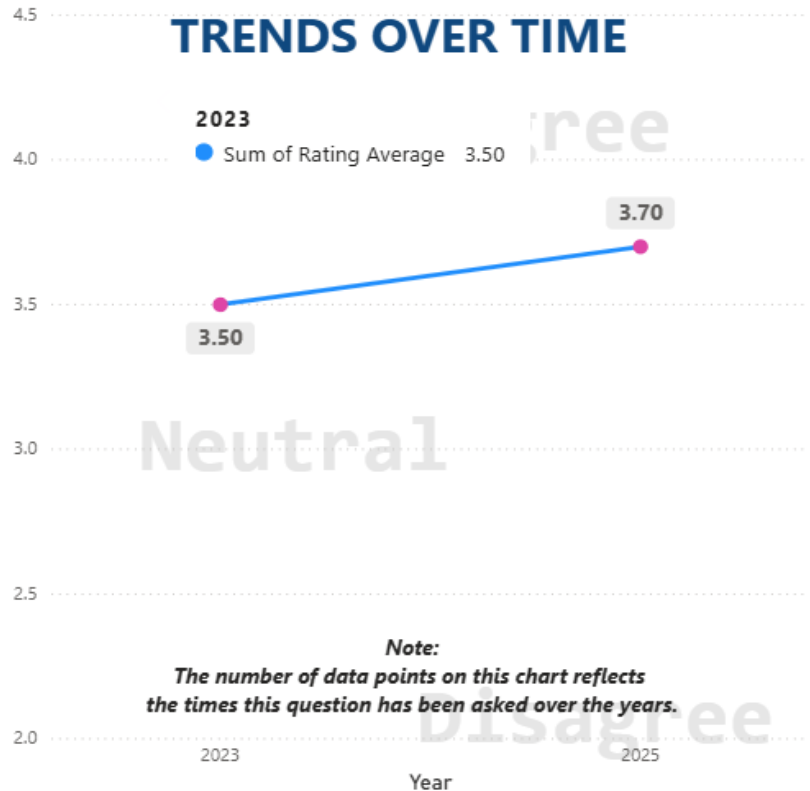
DISAGREE OR STRONGLY DISAGREE (NEGATIVE) **19%**

# Trends Summary

SELECT QUESTION THEME  
← Work/Life Balance →

[Back to Overview](#)

## How satisfied are you with your work/life balance?



66%

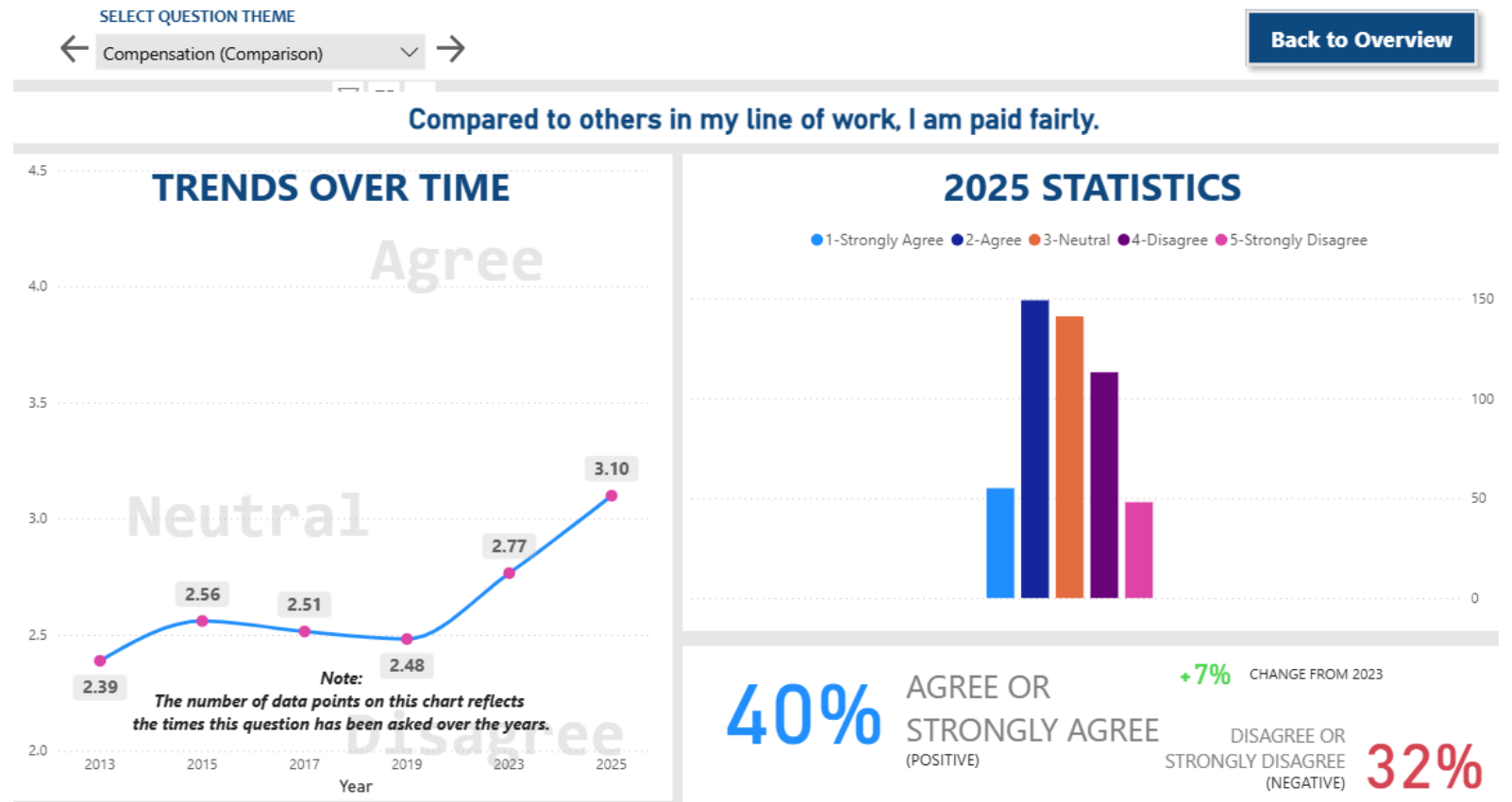
AGREE OR STRONGLY AGREE (POSITIVE)

+8% CHANGE FROM 2023

DISAGREE OR STRONGLY DISAGREE (NEGATIVE)

11%

# Trends Summary



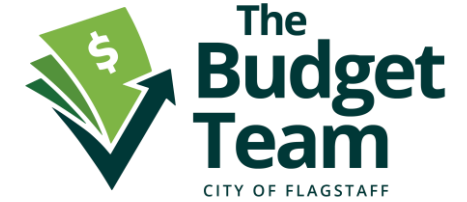
# Employee Engagement Survey - Common Topics



## Positive Comment Themes

- Appreciation for flexibility in work schedules, beneficial for work-life balance
- Willingness to invest in the betterment of the organization
- Support and guidance from direct supervisors
- Sense of empowerment and trust to make decisions and contribute to projects
- Regular and various types of meetings such as hybrid, weekly check-ins, and team meetings
- High value placed on personalized appreciation (i.e., direct emails or hand-written thank you notes)
- Positive feedback and recognition from supervisors makes employees feel proud and motivated to do better

# Employee Engagement Survey - Common Topics



## Constructive Comment Themes

- Benefits - lower healthcare costs and more vacations days
- Compensation is not competitive enough
- Clear and consistent communication between divisions and from leadership about policies and procedures
- High employee turnover leading to low morale
- Broader acknowledgement and recognition in performance reviews
- More ways to showcase accomplishments to reinforce mission/values
- Need for streamlined processes, improved training, and having more staff to share the workload
- Strong desire for cross-division trainings
- More intentional career path, leadership, and cross-functional training opportunities



# Investing in Employees



# Comprehensive Total Rewards Package



- Competitive Pay
- State Retirement with 100% Match
- 457 Deferred Compensation Options
- 13 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

- Paid Sick and Vacation Leave
- Additional Paid Leaves: 4-Week Paid Parental Leave, Bereavement, Jury Duty
- Donated Leave
- Employee Clinic & Telehealth
- Employer Assistance Program (EAP)
- Wellness Program and Incentives
- Tobacco Cessation Program
- Volunteer Opportunities

Wellness

- Up to 4% Pay for Performance/Step Increases
- On-the-Spot (OTS) Rewards
- Wonderful Outstanding Worker (WOW) Awards
- 7K Award
- Quality Step Increase
- City Manager's Excellence Awards
- Workiversary/Service Awards and Gifts

Performance  
&  
Recognition

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

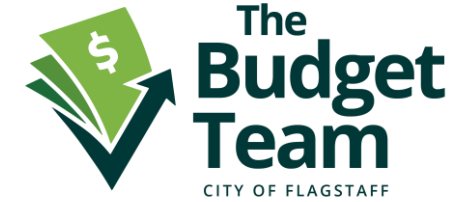
Learning  
&  
Development

# Compensation - FY 2025-26 Summary



- Merit/Pay for Performance increases
  - One step merit increases in Step Pay Plans
  - Pay for Performance in Regular Pay Plan (2% - 4%)
- Completed Four-Year Cycle for Market Review
  - Reviewed final 25% of classifications and implemented applicable market adjustments: \$4M investment
  - Funded mid-year market adjustment

# FY 2026-27 Compensation Priorities

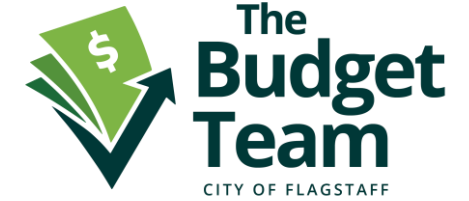


- Merit/Pay for Performance increases
- Minimum wage increase and related compression in ranges
- Mid-Year and annual market adjustment budget
- Partner with consultant to discuss and possibly refine strategy for next market cycle
- Review employees below expected progression through pay range
- Address possible benefit premium increases

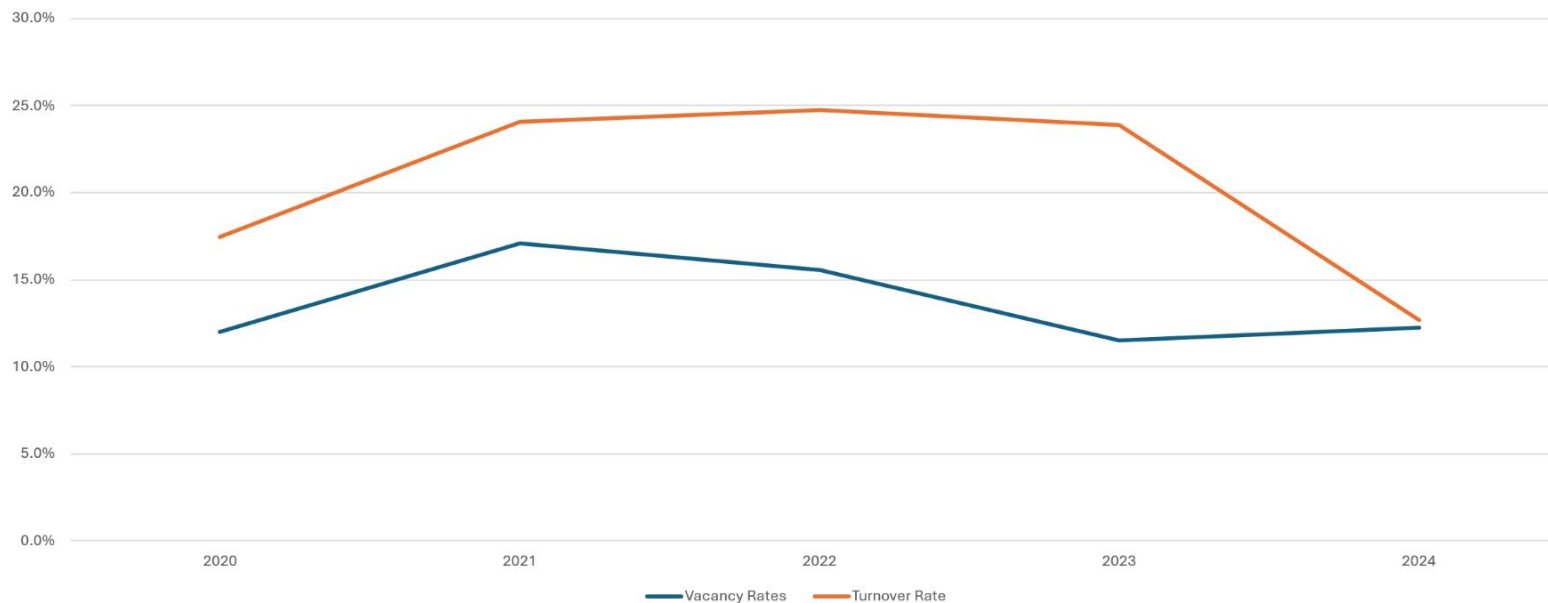
# Impact on Investing in Employees: Recruitment and Retention



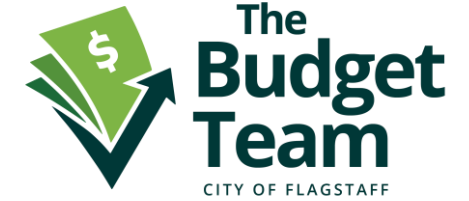
# Impact on Investing in Employees: Recruitment and Retention



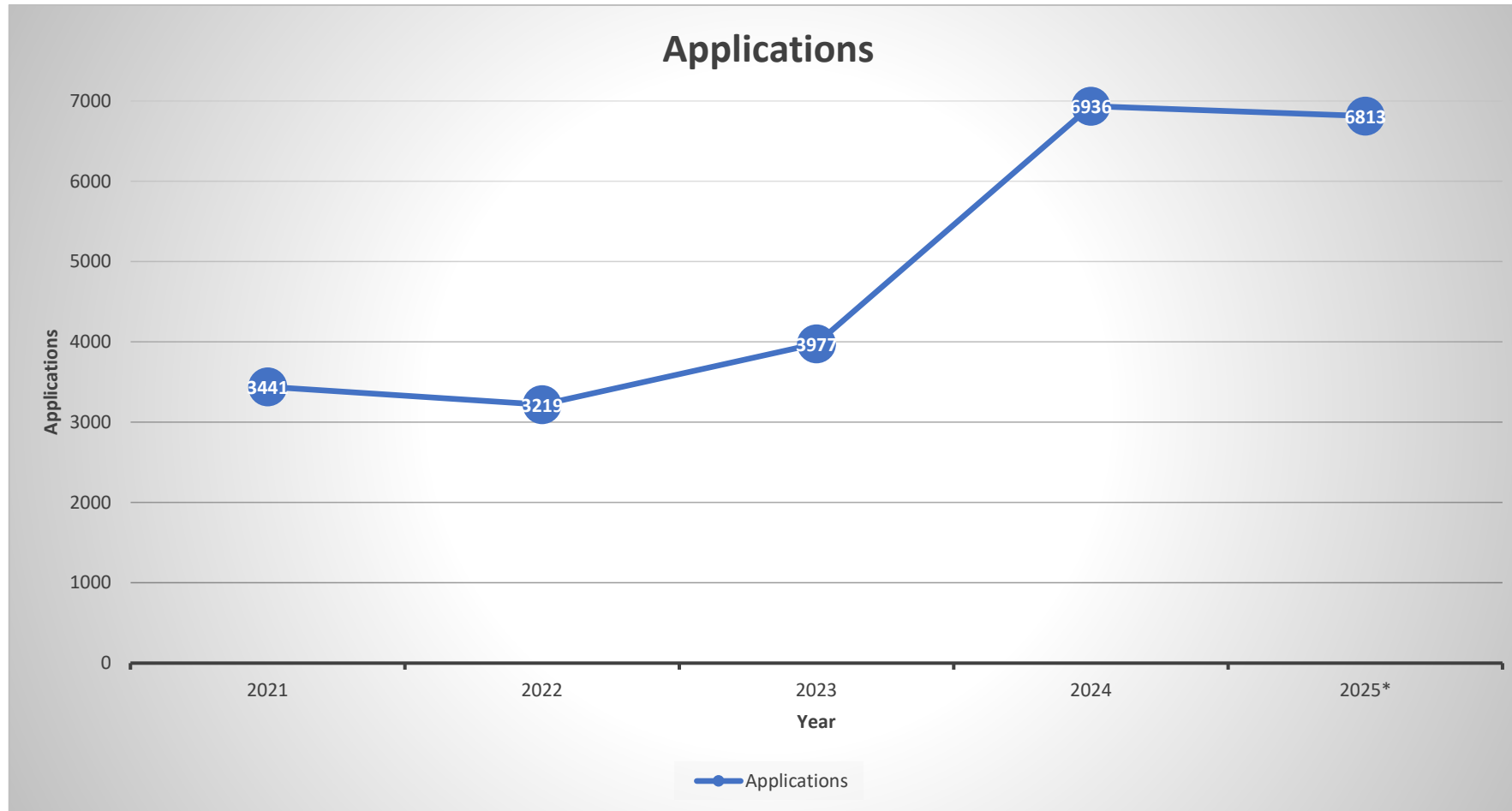
## Budget History – Investing in Employees



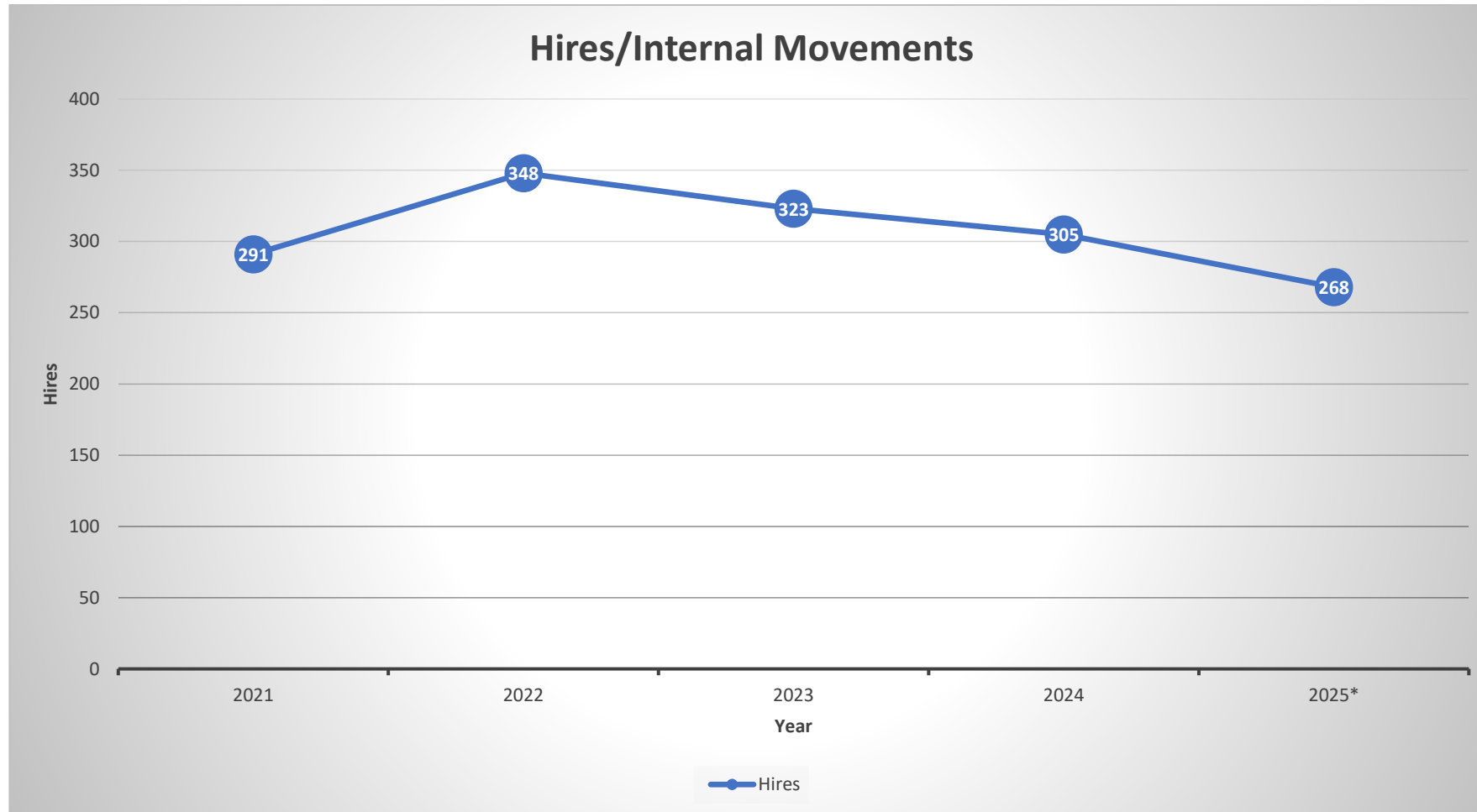
# Impact on Investing in Employees: Recruitment and Retention



# Impact on Investing in Employees: Recruitment and Retention



# Impact on Investing in Employees: Recruitment and Retention



# Service Partner Request Process

# Purpose

- Alignment with Council priorities
- Create clarity and consistency
- Align with the City's budget process
- Require more context with funding requests
- Create greater transparency in City funding processes
- Increase accountability from recipients
- Improve internal tracking and monitoring





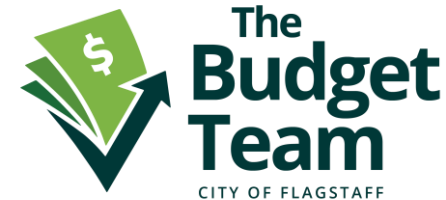
CITY OF FLAGSTAFF

GOVERNMENT

RESIDENTS

BUSINESS

EXPLORE



Finance

Grants, Contracts, and Emergency Management

Licensing/Tax Information

Payroll

Priority Based Budgeting

Purchasing

Service Partner Funding Request

## Service Partner Funding Request

The City of Flagstaff accepts funding requests from Flagstaff-based service partners for funding to provide services that the City of Flagstaff would otherwise provide and awards funds for those purposes. The City recognizes that these organizations play a crucial role in serving our residents.

### Funding Request Timeline

The application and review timeline follows the City of Flagstaff's annual budgeting process and Fiscal Year. Funding applications must be received by December 30, 2025, to be considered for the upcoming FY 2026/2027 budget that begins on July 1, 2026.

### How to Submit a Funding Request

To request funding and apply, please read the following guidelines and submit an application via the online portal (*coming soon*) or email a completed application and required forms to sustainability@flagstaffaz.gov.

[Service Partner Funding Request Application Information And Guidelines](#) (PDF)

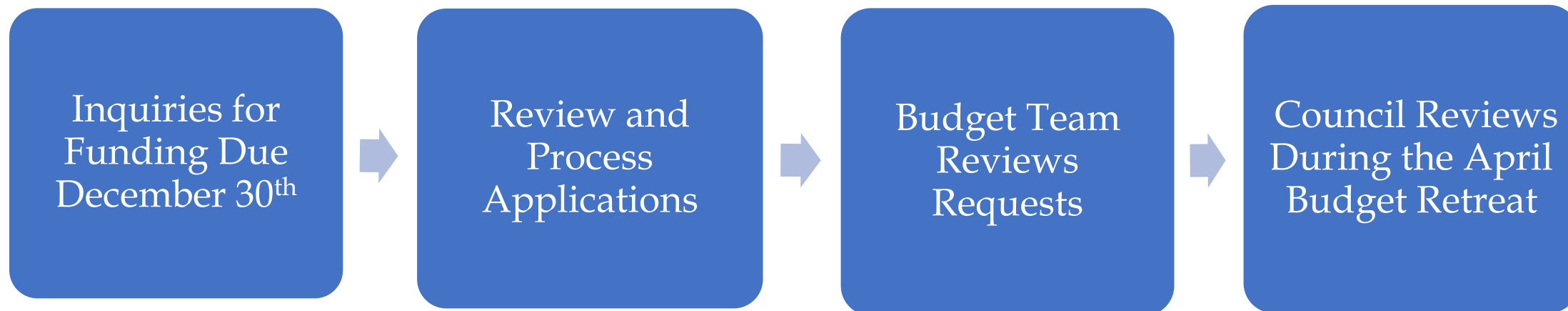
[Service Partner Funding Request Application Questions Only](#) (Fillable Word Document)

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# Request Process





The  
**Budget Team**  
CITY OF FLAGSTAFF



# Retreat Wrap Up



# 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**