

MINUTES

1. Call to Order

Mayor Daggett called the meeting of the Flagstaff City Council held April 26, 2024, to order at 8:30 a.m.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this work session, the City Council may vote to go into executive session, which will not be open to the public, for discussion and consultation with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. Roll Call

NOTE: One or more Councilmembers may be in attendance through other technological means.

Present: Mayor Becky Daggett
Vice Mayor Austin Aslan
Councilmember Khara House
Councilmember Lori Matthews
Councilmember Jim McCarthy
Councilmember Miranda Sweet
Absent: Councilmember Deborah Harris

Staff Present: City Manager Greg Clifton; City Attorney Sterling Solomon

3. Pledge of Allegiance, Mission Statement, and Land Acknowledgement

The Council and audience recited the pledge of allegiance, Councilmember Sweet read the Mission Statement of the City of Flagstaff, and Councilmember Matthews read the Land Acknowledgement.

MISSION STATEMENT

The mission of the City of Flagstaff is to protect and enhance the quality of life for all.

LAND ACKNOWLEDGEMENT

The Flagstaff City Council humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.

4. City Council FY 2024-2025 Budget Retreat

City Manager Greg Clifton offered opening comments and introduced Jeff Kennedy who led the Council and attendees through an opening exercise.

DAY 2 OPENING AND OVERVIEW

Special Programs Manager Chris Rhode provided a PowerPoint presentation that covered the following:

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

Water Services Director Shannon Jones continued the presentation.

HIGH PERFORMING GOVERNANCE

Police Chief Dan Musselman continued the presentation.

SAFE AND HEALTHY COMMUNITY

Parks, Recreation, Open Space, and Events Director Rebecca Sayers continued the presentation.

INCLUSIVE AND ENGAGED COMMUNITY

City Engineer Paul Mood continued the presentation.

SUSTAINABLE & INNOVATIVE INFRASTRUCTURE

Council discussed ongoing conversations with regional and national partners about advancing dark-sky-compliant lighting infrastructure, including interest in technologies like photocells and part-night street lighting to reduce unnecessary overnight illumination. While no new funding updates were available, Council emphasized the benefits for dark sky preservation, neighborhood quality, and safety, and encouraged continued public discussion and follow-up. The conversation also clarified that many existing streetlights already used photocell activation rather than dusk-to-dawn settings.

A break was held from 9:55 a.m. through 10:05 a.m.

Economic Vitality Director Heidi Hansen continued the presentation.

ROBUST AND RESILIENT ECONOMY

Community Development Director Dan Folke continued the presentation.

LIVABLE COMMUNITY

Sustainability Director Nicole Antonopoulos continued the presentation.

ENVIRONMENTAL STEWARDSHIP

Council discussed rising electric utility costs and whether the City should reconsider paying higher clean energy rates, especially as electricity demand increased due to charging stations and other electrification efforts. It was asked whether there had been discussion about moving away from the clean energy program, particularly since the clean energy credits were sourced from New Mexico and instead paying local Arizona utility rates to reduce budget impacts.

Ms. Antonopoulos explained that the city participated in the Green Power Partners Program, which was approved by a previous City Council to help meet the 2018 goal of achieving 100% clean energy for municipal operations. The program relied on clean energy credits, which added a surcharge of just under 1% to electric bills, costing the city a little under \$200,000 annually. The approach was described as far more cost-effective than developing city-owned renewable energy infrastructure, which was estimated at around \$20 million. There had been no formal discussion about withdrawing from that commitment.

It was noted that Water Services, as the city's largest electricity user, absorbed most of the cost, and staff worked to offset those impacts. One key offset was a long-term agreement with the Western Area Power Administration, which allowed the City to receive hydropower from Hoover Dam under a 50-year contract that bypassed APS. The arrangement saved approximately \$30,000--\$50,000 per year, with all savings directed back to Water Services to help offset the clean energy surcharge. While helpful, the broader question of revisiting the clean energy commitment had not been brought back to Council.

Several councilmembers expressed a preference to keep clean energy investments within Arizona when possible. Staff agreed, noting that while the electric grid functioned as a shared system, the city continued to advocate for in-state renewable development and policy changes, such as Community Choice Aggregation, which was not allowed in Arizona, that would give municipalities more control over where their power comes from.

The discussion also touched on longer-term strategies, including pursuing grants and partnerships to expand local renewable energy, carbon sequestration initiatives through the Four Corners Carbon Coalition, and ongoing efforts to diversify the city's sustainability portfolio. Staff emphasized that the current clean energy program was always intended as a step toward more localized and stable renewable solutions, not the final destination.

Management Services Director Rick Tadder continued the presentation.

REVENUE TOOLBOX AND 5 YEAR PLAN OUTLOOK RESOURCE TOOLBOX

Council discussed the current general obligation (GO) bond capacity and how it related to funding major water and wastewater infrastructure needs. A question was raised about the city's remaining bonding capacity, particularly in light of existing debt and recently approved issuances. Staff explained that, based on a 20-year debt horizon and accounting for both existing and newly approved debt, the remaining capacity was roughly in the \$30--40 million range, with the exact figure to be confirmed later. Capacity increased incrementally each year as principal was retired and older debt rolled off, since the city consistently paid down principal annually.

Council asked why the city did not rely more heavily on bonding, rather than rate increases, to pay for major water infrastructure projects. Staff provided context, explaining that the city's general approach was to fund utility-related debt primarily through water and wastewater user rates, because those services were delivered to specific users and were intended to function as enterprise funds. However, they recognized that water, wastewater, and stormwater infrastructure also provided community-wide benefits, which was why voters had previously approved GO bonds for stormwater and wastewater projects.

Staff further explained that preserving GO bond capacity was a strategic decision. GO bonds could be used across the organization for a wide range of needs, including parks, public safety facilities, and major equipment. As the city grows, that capacity may be needed for future projects such as fire stations or other facilities, so leadership had been cautious about committing it too early. For that reason, no new GO bond questions were brought forward in the current election cycle.

Council acknowledged that very large capital needs were on the horizon, particularly the wastewater treatment plant, which would likely require a mix of funding sources, including future debt issuance. While there was agreement that operating and maintenance costs should not be funded with bond debt, concern was expressed about placing the full burden of major capital projects solely on ratepayers, given the scale of upcoming investments. There was discussion on the inherent tradeoff between funding infrastructure through utility rates versus property taxes. Using GO bonds often implied a property tax impact, while revenue bonds placed costs directly on utility users. Staff clarified that the city had, in the past, issued GO bonds with voter approval but repaid them using water revenues rather than property taxes, taking advantage of lower interest rates while still keeping the cost within the utility. Even in those cases, voter approval was required because GO bonds pledge property tax authority as a backstop.

It was also clarified that Water Services currently had no outstanding GO bond debt. All existing water-related debt service was tied to revenue bonds and WIFA loans, and any future GO bond use for water or wastewater would represent a new policy and funding decision for Council to consider.

5-YEAR PLAN OUTLOOKS GENERAL FUND SPECIAL REVENUE FUNDS ENTERPRISE FUNDS

A lunch break was held from 11:48 a.m. through 12:31 p.m.

COUNCIL PARKING LOT -- ADDS/DELETES DISCUSSION

Mr. Clifton opened the conversation and explained that it was an opportunity for Council to revisit key themes, raise missed items, and identify areas needing further discussion before budget adoption. The following points reflect Council's feedback on the presented budget and areas for further consideration:

Fiscal Health

- Strong overall fiscal position highlighted by improved bond ratings and reserves exceeding 20%.
- Financial stability reflects years of sound policies and budgeting discipline.
- Five-Year financial outlook is healthy and stable.

Employees & Workforce

- Continued investment in employees.
- Progress noted in stopping declines in morale, equity, and compensation seen after the Great Recession.
- Improvements included compensation adjustments, work environment upgrades, facilities improvements, training, and employee recognition.
- Vacancy, burnout, recruitment, and retention remained challenging, especially in Public Works, Fire, and Police.
- A Class & Compensation Team was actively overseeing market adjustments and transparency with staff.
- Concerned about public safety staffing levels and employee stress, with discussion of whether future funding (including property tax options) should prioritize police and fire.

Capital Projects & Infrastructure

- Ongoing flood control projects (e.g., Spruce Wash) are showing visible progress, with strong community outreach.
- Rio de Flag flood control project: Phase 1 expected within a year; overall completion still several years out.
- Transportation, bike/pedestrian, facilities, and repurposing of city buildings were reviewed as active areas of investment.
- Repurposing vacant/dormant facilities aligns with community values and inclusivity.

Housing

- Significant progress across multiple funding streams and policies.
- Visible construction progress (e.g., Route 66 housing project) demonstrates Council decisions translating into real outcomes.
- Housing remains a top community priority.

Climate Action & Sustainability

- Climate action, carbon neutrality, resiliency, and sustainability are embedded across policies and projects.
- Tangible examples include EV charging, LED and dark-sky lighting, alongside behind-the-scenes policy integration.

Priority-Based Budgeting

- Priority-based budgeting was well integrated and guided by community survey data.
- Community priorities were regularly updated, making the budget more data-driven and less speculative.

Revenues & Future Needs

- Revenue projections were stable, with discussion of potential new revenue sources.
- Economic Vitality and tourism (BBB funding) supported community events and services.
- Major unfunded future projects, especially wastewater treatment plant replacement, underscored the importance of maintaining capacity and flexibility.
- Property tax increases were discussed but met with caution; no strong Council support emerged at this time.

Other Topics

- Interest reaffirmed in redesigning City Hall lawn for sustainability and community use, to proceed once surrounding projects are clearer.
- Discussion of remaining Council Initiative funds and potential support for upcoming community events.

5. Public Comment Related to the FY2024-2025 Budget

Steven Puhr addressed Council and expressed appreciation for the Highway 180 culvert and flood protection project and noted that the neighborhood west of the highway was encouraged by the progress. He also shared CDC data showing that U.S. birth rates in 2023 were lower than expected and continued a long-term decline. The trend suggested slower national population growth than previously projected and could have future implications for Flagstaff, warranting further discussion.

Mr. Clifton and Mr. Kennedy offered closing comments to wrap up the meeting.

6. Adjournment

The City Council Budget Retreat of April 26, 2024, adjourned at 1:46 p.m.

ATTEST:

MAYOR

CITY CLERK