

MINUTES

1. Call to Order

Mayor Daggett called the Budget Retreat of the Flagstaff City Council held December 19, 2025, to order at 8:36 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 Miranda Sweet
Councilmember Austin Aslan
Councilmember Anthony Garcia
Councilmember Khara House
Councilmember Lori Matthews
Councilmember David Spence

Staff Present: City Manager Joanne Keene; City Attorney Sterling Solomon

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

The Council and audience recited the pledge of allegiance, Mayor Daggett read the Mission Statement of the City of Flagstaff and 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 Budget Retreat

Ms. Keene introduced Jeff Kennedy who facilitated the retreat.

The Budget Team provided a PowerPoint presentation that covered the following:

COUNCIL BUDGET RETREAT
AGENDA
BUDGET INTRODUCTION
PROCESS
TIMELINE
COLOR OF MONEY
FUND TYPES
SPECIAL REVENUE FUNDS
ENTERPRISE FUNDS
CAPITAL PROJECT FUNDS
DEBT SERVICE FUNDS
GENERAL FUND
REVENUE UPDATES
GENERAL FUND -- SALES TAX
GENERAL FUND -- STATE SHARED REVENUES
GENERAL FUND -- STATE SHARED REVENUES
INCOME TAX IMPACTS
GENERAL FUND -- SELECT OTHER REVENUE
SPECIAL REVENUE FUNDS
RECESSION PLAN
FIVE STAGES OF THE RECESSION PLAN

Council discussed rising labor costs, particularly high wages and constant employee turnover in sectors like hotels, restaurants, and other service businesses, that are putting significant pressure on local employers. Larger employers struggle to retain housekeeping and front-desk staff, while smaller "mom and pop" restaurants are barely staying afloat, often operating with fewer employees. Council discussed the broader economic issues affecting the entire community, with effects that extend well beyond local businesses. As wages rise, many minimum-wage earners were earning just enough to lose eligibility for benefits such as housing assistance, childcare subsidies, and health insurance. This loss of benefits was creating additional strain on families and service providers, including mental health care providers who were unable to serve clients who no longer qualify for coverage through AHCCCS programs. They also acknowledged that the city had limited control over minimum wage. Council requested a work session discussion that focused on the impacts of minimum wage.

A break was held from 10:15 a.m. through 10:30 a.m.

Councilmember House exited the meeting at 10:30 a.m.

The Council and staff engaged in a group activity that focused on the following:

COUNCIL ACTIVITY
LEAGUE OF AZ CITIES & TOWNS
BUDGET PRIORITIES: COUNCIL ALIGNMENT ACTIVITY
MISSION & MANDATES
IMPACT & OUTCOMES
RESOURCES & CONSTRAINTS
YOUR PRIORITIES
PRIORITIZATION ACTIVITY
COUNCIL'S FINAL PRIORITIES (ALIGNED)

Ms. Keene resumed the presentation.

COUNCIL RETREAT PLANNING
FUTURE RETREAT PLANNING
COUNCIL EXPECTATIONS FOR FUTURE RETREATS

Ms. Keene requested feedback on whether the number and length of retreats could be reduced, and whether some content, like the capital projects retreat, could be handled during regular Council meetings instead of in a retreat setting.

Council suggested simplifying how budget information was presented. One idea was to organize the budget into clear categories:

1. items already in motion,
2. areas where funding or scope is being increased, and
3. areas where funding or resources are being reduced.

Another suggestion was to clearly highlight "changes of note" rather than reviewing everything in detail. They also requested transparency about which divisions were asking for fewer employees versus additional FTEs.

Ms. Keene agreed the suggestions would help both reduce the burden on staff and give Council clearer, more usable information, and the team would return with recommendations on how to structure the process going forward.

Council also discussed the use of facilitators for retreats. They felt that facilitation was most valuable when discussions involved difficult decisions, while staff-led facilitation worked well for more presentation-based retreats, such as the capital projects review.

Lastly, Council expressed appreciation for having their priorities presented and determined at the start of the process, noting that it helped frame discussions and understand where members aligned on priorities.

A break was held from 11:58 through 12:34 p.m.

DESIRED FUTURE STATE
DECLARED EMERGENCIES
STRONG FOUNDATION PRODUCE RESULTS

Sustainability Director Nicole Antonopoulos continued the presentation.

CLIMATE EMERGENCY
CLIMATE EMERGENCY GOALS
CARBON NEUTRALITY PLAN ACTIONS UPDATE
POTENTIAL FUNDING REQUESTS FOR COUNCIL FEEDBACK
ASSESSING IMPACTS

Council discussed the status of a Level 2 EV charger and prefab ADUs. The Level 2 charger was still being priced; while it could be as simple as a 240-volt outlet, outdoor installation would require additional infrastructure, so quotes were in progress. Similarly, prefab ADU options were being explored, with designers contacted and an interest in bulk purchasing to reduce costs, while ensuring designs meet building codes and standards. Ms. Antonopoulos explained that the current goal was to confirm priorities and alignment with Council goals, adopted plans, and constituent needs. Detailed budget discussions would occur later through the regular budget process. Council agreed that the direction felt right, and provided a strong big-picture framework that would guide more detailed decisions later, rather than eliminating options at this point.

Housing Director Sarah Darr continued the presentation.

HOUSING EMERGENCY
HOUSING DIVISION

HOUSING AUTHORITY -- PUBLIC HOUSING -- 265 UNITS

Council discussed how income levels, including increases from minimum wage, could affect eligibility for affordable housing and assistance programs. Ms. Darr explained that the situation was complex; they were required to ensure that 70% of new clients were extremely low income or below, which made it difficult to meet benchmarks and sometimes required bypassing higher-income households that would otherwise qualify. While this was not yet a crisis, it was challenging. Housing staff were frequently having difficult conversations with residents about income increases, since for public housing or voucher recipients, 30% of any income increase goes directly toward housing costs. At the same time, households may lose eligibility for childcare subsidies, food assistance, and other supports. Most households served are under 50% of Area Median Income (AMI), with a significant portion, particularly disabled and elderly households, at 40%, 30%, 25% AMI or below.

HOUSING AUTHORITY -- VOUCHER PROGRAMS -- 566 VOUCHERS FOUNDATIONAL ELEMENTS HOUSING INVESTMENT SECTION

A question was raised about how Flagstaff compared to other similarly sized Arizona cities on affordable housing metrics. Staff noted that the comparison was possible and that forthcoming annual reports required by the Arizona Department of Housing may eventually provide more consistent data.

Regarding progress toward affordable housing goals, it was clarified that once the 405 units already committed came to market, the city would have met its target. Questions were also asked about how lost units were accounted for. Staff explained that there had not yet been a net loss within the current timeframe; while some older affordable units had expired due to older Low-Income Housing Tax Credit regulations, those were not included because the data shown reflected only the current 10-year plan. Within this 10-year planning period, the creation of new affordable units had outpaced any units lost. Broader community-wide losses and gains were tracked separately in the Housing Solutions Report, whereas the chart discussed applied only to the 10-year plan.

10-YEAR HOUSING PLAN

PROP 442

INCENTIVE FUNDING 10-YEAR RETROSPECTIVE EXAMPLE OF 1X FUNDING OVER TIME EXAMPLES OF CURRENT 1X FUNDING IN HOUSING BUDGET POTENTIAL BUDGET REQUESTS FOR COUNCIL FEEDBACK

Council discussed a dedicated funding source for Housing. They felt that having a high-level overview to understand potential funding sources, whether a tax increase would be required, and how the idea would affect housing overall. They suggested having a discussion before the budget was finalized to clearly lay out options, impacts, and tradeoffs. While many ideas were not currently feasible, there were some possibilities worth discussing, even if implementation was not immediate.

Council also discussed employer-provided housing for employees. Examples like Aspen, Colorado were cited, where temporary housing helped employees transition into the community, with rising rent over time to encourage moving into the private market. The intent was short-term, transitional housing, not a large permanent complex, and could help with recruitment challenges.

Council direction was for staff to bring forward a multi-year proposal with details on capacity, structure, and realistic funding needs, while recognizing that housing development was long-term and not something that could be completed within a single budget cycle.

Water Resources Manager Erin Young, on behalf of the Champions of Team Flagstaff continued the presentation.

UPDATES

EMPLOYEE SURVEY 2025 RESULTS

2025 SURVEY RESULTS - ONLINE DASHBOARD

2025 RANKING BY AVERAGE SCORING

TRENDS SUMMARY

EMPLOYEE ENGAGEMENT SURVEY -- COMMON TOPICS

Human Resources/Risk Management Director Ryan Saxby continued the presentation.

INVESTING IN EMPLOYEES
COMPREHENSIVE TOTAL REWARDS PACKAGE
COMPENSATION -- FY 2025-26 SUMMARY
FY 2026-27 COMPENSATION PRIORITIES
IMPACT ON INVESTING IN EMPLOYEES: RECRUITMENT AND RETENTION

Mr. Tadder continued the presentation.

SERVICE PARTNER REQUEST PROCESS
PURPOSE
REQUEST PROCESS
WRAP UP
PUBLIC PARTICIPATION

Stephen Puhr addressed Council and asked for clarification on the city's recession planning and reserve use, specifically when and how reserves would be accessed if revenues drop 10--20%.

Mr. Tadder explained that the city's strategy was to budget with about 25% in General Fund reserves. In a recession, the city would be willing to draw reserves down, but only to a limit. The preferred floor is 15%, and the absolute minimum would be 10%. He explained that 10% was the lowest acceptable level based on financial best practices and lender expectations, especially when the city carried debt. The city would not allow General Fund reserves to fall below that level.

Ms. Keene offered closing remarks and thanked the Council and staff for their participation and work.

5. Adjournment

The meeting of the Flagstaff City Council held December 19, 2025, adjourned at 2:23 p.m.

MAYOR

ATTEST:

CITY CLERK