

MINUTES

1. Call to Order

Mayor Daggett called the Budget Retreat of the Flagstaff City Council held April 23, 2026, 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: 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, Vice Mayor 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 2026-2027 Budget Retreat

Ms. Keene provided opening remarks and began the presentation.

COUNCIL BUDGET RETREAT
OVERVIEW
AGENDA
TIMELINE
FUND HEALTH
REVENUE UPDATES
GENERAL FUND: SALES TAX
GENERAL FUND: SHARED REVENUE AND OTHER
BBB/TRANSPORTATION/HURF

A concern was raised that the reported 4% growth in restaurant and bar tax revenues may not reflect actual business health, noting an increase in local vacancies and asking whether staff was monitoring the sector. Staff clarified that their analysis tracks revenue trends over time rather than underlying business economics, and that the growth figure is likely to reflect higher prices passed on to consumers rather than increased patronage.

Economic Vitality Director Heidi Hansen described the 4% figure as largely misleading given rising minimum wage costs and suggested the numbers do not reflect real growth when properly examined. She added that lodging is similarly impacted, with international travel down significantly and the sector heavily reliant on conferences and group tours that are currently struggling.

PRIMARY PROPERTY TAX
SECONDARY PROPERTY TAX
PROPERTY TAX RATE SHIFT

Council expressed a desire to ensure that additional general fund revenues resulting from the primary property tax shift would be dedicated to addressing the public safety deficit and not redirected to other priorities by future councils. It was asked that staff and council consider developing a policy to provide that assurance. Staff responded that the city's base budget offers a degree of protection, once funding is incorporated into a division's base budget, it becomes the starting point for subsequent years and is not reduced at the start of a new fiscal year. Any future reduction to police or fire budgets would require an explicit decision by a future council to cut those base budgets, which would be a significant and deliberate conversation.

RESIDENTIAL PROPERTY EXAMPLE
COMMERCIAL PROPERTY EXAMPLE
FUTURE FUND HEALTH
INVESTING IN EMPLOYEES
COMPENSATION RECOMMENDATIONS
BENEFIT RECOMMENDATIONS
MARKET PAY UPDATE

A question was raised regarding whether elected positions are included in market comparisons. Staff explained that elected official salaries are governed by a separate city ordinance and were most recently reviewed in 2022.

It was noted that significant progress has been made in the city's compensation structure. Council asked whether data existed to measure retention improvements since recent compensation changes. Staff stated that citywide turnover, which had hovered around 12–13%, has now dipped below 10% marking the first time since the pandemic the rate has fallen to that level. Council expressed interest in tracking this metric annually and incorporating it into future presentations to provide a more complete picture alongside compensation data. Staff noted that historical data going back several years is available and would be brought forward at a future meeting.

Council asked about communication with the organization. Staff described the communication plan already underway, including an all-staff presentation by the city manager, a follow-up presentation to the Employee Advisory Council, and ongoing outreach to division heads to determine the most appropriate communication methods for individual employee groups. A broader message is planned for the city newsletter, and Ms. Keene indicated that an all-employee email would follow.

A break was held from 9:53 a.m. through 10:13 a.m.

EMPLOYEE ADVISORY COMMITTEE
NEW INITIATIVES
CUSTODIAL TEAM
RIGHT-OF-WAY TEAM
COMMUNICATIONS
TECHNOLOGY
BALLOT MEASURE

There were questions about alternative paths for public safety improvements if the possible ballot measure does not move forward. Staff explained that the proposed tax shift staff discussed earlier represented a \$537,000 investment in public safety. Funding a new public safety facility through the general fund is not a realistic option, as generating the millions of dollars required is simply not feasible through that mechanism. A bond measure would remain the primary avenue for funding.

If the proposed ballot measure fails, the city's likely approach would include continuing to pursue new general fund revenue sources and ongoing public education about the scope of public safety needs to build support for a future ask. Staff also clarified that while sales tax measures can only appear on even-year ballots, bond requests can be brought forward any year, meaning a bond measure could return as soon as 2027 if 2026 is unsuccessful and council is supportive. A bond, if approved, would fund not only new construction but also equipment and tools that benefit current staff, meaning some meaningful public safety improvements could be made even without the sales tax component for new personnel.

It was further reinforced that the general fund offers very little flexibility for reallocation, a community misconception is that the city has other dedicated revenue streams available for public safety, this is not the case.

DOWNTOWN ENHANCEMENTS
BUDGET PROCESS IMPROVEMENTS

Council asked about the decision to move away from the ResourceX priority-based budgeting platform, which the city has used for roughly seven years. Staff explained that the decision was driven primarily by software limitations rather than any philosophical departure from the concept. The system required staff to enter data in multiple places, created significant extra work for the finance and budget team, and was never fully implemented as intended. The situation was further complicated when ResourceX was acquired by Tyler Technologies, resulting in additional organizational changes and the loss of the public-facing website. Staff emphasized that this is not an abandonment of priority-based budgeting, but rather a move toward a more functional system that better supports the same goals, aligned with the city's incoming strategic plan.

There were questions related to the custodial and right-of-way crews. Staff addressed the fiscal impact of two newly formed in-house teams. The custodial crew is expected to result in net long-term savings, as the city had been covering escalating contract costs with one-time funds for years. By bringing the work in-house and using existing base budget allocations to fund ongoing operations, one-time dollars were redirected to cover startup costs such as vehicles and equipment. The right-of-way crew represents a modest net cost increase with approximately two additional positions, funded through the HURF fund and supplemented by the BBB tax for applicable projects.

Staff also provided a more detailed picture of the city's public safety funding shortfall in response to earlier questions. In the FY27 recommended budget, fire has approximately \$662,000 in ongoing base needs currently funded with one-time dollars, and police has approximately \$826,000 in the same situation. However, those figures represent only what staff was able to fund, not the full scope of need.

Across all public safety areas, including fire, police, emergency management, wildfire management, and the airport, current unfunded operational needs are approaching \$5 million annually. Looking at the two largest components alone, fire needs are approximately \$1.8 million per year and police approximately \$1.7 million per year. The property tax shift will move \$537,000 of previously one-time-funded items into the true base budget. Staff also noted that the minimum wage increase had a relatively modest impact of approximately \$130,000 on starting wages, partially offset by the fact that the city had already budgeted positions at the higher starting rate in FY26.

NEW BUDGET APPROPRIATIONS
TOTAL BUDGET REQUESTS
KEY COMMUNITY PRIORITIES
BUDGET REQUESTS BY PBB ALIGNMENT
RECOMMENDED POSITIONS
RECLASSIFICATIONS/RETITLES

There were questions about the recommended budget not including new staffing authorizations for public safety, particularly given the known vacancies and the ongoing public safety needs discussion. Staff clarified that the decision was largely strategic with the public safety ballot measure pending, divisions were asked to hold back many of their requests. Additionally, the city simply does not have sufficient ongoing revenue to fund new positions.

Staff outlined the positions that were requested but not funded. Even with the \$537,000 property tax shift, the general fund is still running a roughly \$1.5 million deficit in ongoing public safety needs before any new positions are added. It was noted that Arizona's tax structure means the city will likely always be funding some portion of public safety with one-time dollars.

Council also discussed grants where staff confirmed that grant opportunities remain actively pursued, with approximately \$19 million in citywide grant requests in the pipeline. Staff noted they are being more strategic about which grants to pursue based on match requirements and long-term sustainability. Both the SAFER grant and the COPS grant were intentionally set aside this cycle, as the city is not yet able to absorb the ongoing costs that follow the initial grant period.

Council asked whether the city formally coordinates its budget process with the county, particularly for shared services like the library and dispatch. Staff explained that each entity conducts its own budget process and then shares outcomes with the other. The library process is slightly more formalized, with city staff presenting needs to the county annually, including requests for positions and funding increases. The city was awaiting a response from the county regarding its requests. For dispatch, the city develops its needs internally and then communicates anticipated cost changes to the county. Staff also raised the ongoing issue of flood control district funds, noting that the city is the largest contributor to the county flood control district but has been unable to access allocations for city projects. Staff continued those discussions and welcomed Council support in raising the issue.

SUMMARY – GENERAL FUND
EMPLOYEE INVESTMENTS – GENERAL FUND
INFRASTRUCTURE – GENERAL FUND
COUNCIL'S ALIGNED PRIORITIES

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

CORE SERVICES PRIORITY – PERSONNEL
CORE SERVICES PRIORITY – PUBLIC SAFETY
CORE SERVICES PRIORITY – TECHNOLOGY, FACILITIES & COMMUNICATIONS
HOUSING PRIORITY
ECONOMIC VITALITY PRIORITY
CAPITAL INVESTMENT PRIORITY
PRIORITIES
LIMITED RESOURCES
FUNDING LIMITATIONS
SERVICE PARTNER CONTRACTS AND REQUESTS

BUDGET REQUEST FOCUS AND LIMITATIONS
CAPITAL IMPROVEMENT PROGRAM
SUMMARY

Paul Mood, Christine Cameron, Ben Markert, Trevor Henry, David Pedersen

CAPITAL PROJECTS UPDATE
LONE TREE OVERPASS AND CORRIDOR PROJECT
CAPITAL ENGINEERING
DOWNTOWN MILE SAFETY AND CONNECTIVITY PROJECT
RIO DE FLAG DRAINAGE IMPROVEMENTS PROJECT
BUTLER AND FOURTH STREET IMPROVEMENTS PROJECT
BUTLER AVENUE COMPLETE STREETS IMPROVEMENTS
SPRUCE WASH DRAINAGE IMPROVEMENTS
JOHN WESLEY POWELL BOULEVARD EXTENSION PROJECT
WILDLAND FIRE TRAINING CENTER AND WILDFIRE MANAGEMENT STATION
JWP BOULEVARD HOUSING MASTERPLAN AND PUBLIC SAFETY COMPLEX
DOWNTOWN SAFETY IMPROVEMENTS – PHASE 1
DOWNTOWN SAFETY IMPROVEMENTS – PHASE 2
WOODY MOUNTAIN ROUTE 66 TRAFFIC SIGNAL
PROSE PROJECT UPDATE
HERITAGE SQUARE RESTROOMS RENOVATION
HAL JENSEN RECREATION CENTER HVAC IN GYMNASIUM
INDIGENOUS COMMUNITY CULTURAL CENTER (ICCC)
HIGHLAND MESA PARK FORMERLY KNOWN AS “WESTSIDE PARK”
CHESHIRE PARK TRACK AND FIELD
PONDEROSA PARK RECONSTRUCTION
CONTINENTAL REGIONAL PARK DESIGN – 86 +/- ACRES
MCMILLAN MESA NATURAL AREA TRAIL REHABILITATION
PICTURE CANYON FUTS CONNECTION AND TRAIL PROJECT

A break was held from 2:45 p.m. through 3:01 p.m.

COUNCIL PARKING LOT (ADDS/DELETES) AND DISCUSSION

Mayor Daggett raised the need to support the Dark Skies Coalition, which has been fulfilling the city's outreach and compliance obligations required to maintain its International Dark Sky designation. Staff confirmed that Discover Flagstaff's tourism BBB funding will support promotional and outreach efforts, and that the Flagstaff Local campaign could be leveraged for additional community outreach. Code compliance activities will be handled by the city's dedicated Dark Sky Compliance Officer.

Councilmember Spence requested that a portion of BBB tax revenue be dedicated to an affordable housing fund. Staff responded that reallocating BBB funds may require voter approval, as affordable housing was not among the original or subsequently approved uses of that tax, making it a significant procedural hurdle. Ms. Keene noted that staff continued to explore all possible avenues for sustainable housing funding and that a broader council discussion is planned for early September.

Councilmember Garcia expressed support for more aggressive land acquisition for housing, noting that the current \$500,000 annual placeholder is a good start but insufficient. He suggested the city should be working toward a \$10 million land acquisition fund to be positioned to act when opportunities arise. Staff noted that revenue from property dispositions, including the shark bite, Lone Tree, and Schultz, is intended to cycle back into land acquisition. There was also opportunity to explore selling properties that no longer make sense to hold.

Councilmember House added support for exploring social housing concepts and mentioned recent contact with the Abundance Movement, which has been advancing innovative housing initiatives in communities of various sizes, including land trust models and workforce housing options.

Councilmember Aslin noted a recent conversation with the Flagstaff Literacy Center, describing the

organization as doing significant community work with very limited funding. He expressed interest in finding sustainable city support, noting that a request of roughly \$5,000–\$10,000 is being considered. Councilmember House expressed support and suggested pursuing a Council Initiative Fund contribution in the near term while also exploring longer-term partnership options through the budget process.

Councilmember Matthews questioned the value of the city's approximately \$100,000 annual expenditure on renewable energy credits sent to New Mexico, noting that the funds do not directly benefit Flagstaff's carbon emissions goals and contrasting it with nearby private conservation efforts like the Babbitt Ranch that are reducing emissions well beyond the city's annual targets. Staff previewed a proposal coming to Council involving a partnership with the Navajo Tribal Utility Authority that would save nearly \$40,000 annually compared to current renewable energy credit spending, while also shifting how costs are allocated across city divisions based on consumption. Staff framed it as a package that offers both cost savings and an opportunity for a broader philosophical discussion about how the city approaches renewable energy investment.

Councilmember House raised the growing national concern around mental health and behavioral health support for police officers, firefighters, dispatchers, and other frontline workers. Staff confirmed that a contract with Redemption is included in the current budget and that the potential bond measure includes a Wellness Coordinator position covering both police and fire.

Council discussed the need for a public-facing dashboard that helps residents understand crime data, department needs, and why the bond measure is necessary. Staff noted that a real-time dashboard updated every 24 hours is a goal, though current data extraction is labor-intensive. It was suggested that rather than raw crime statistics, the public-facing materials should contextualize the data, explaining what is happening, what is being done about it, and what resources are needed over the next five years, to build public understanding and support.

PUBLIC COMMENT

There was no public comment.

5. Adjournment

The Flagstaff City Council Budget Retreat held April 23, 2026, adjourned at 3:44 p.m.

ATTEST:

MAYOR

CITY CLERK