

## AGENDA

CITY COUNCIL BUDGET RETREAT  
THURSDAY  
FEBRUARY 5, 2026

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

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

### \*\*\*PUBLIC COMMENT\*\*\*

Verbal public comments related to items appearing on the posted agenda may be given in person or online.

To provide online verbal comment on an item that appears on the posted agenda, use the link below.

#### [ONLINE 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 \_\_\_\_\_, 2026.

\_\_\_\_\_  
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:** 01/28/2026  
**Meeting Date:** 02/05/2026



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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](#)

# City Council Budget Retreat

## February 5, 2026

### Detailed Agenda

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Time	Duration (Min)	Topic	Staff
8:30am	5	Welcome and Objectives	Joanne Keene
8:35am	5	Budget Timeline	John Comer
8:40am	5	Key Community Priorities and Objectives	John Comer
8:45am	15	December Retreat Recap	Joanne Keene
9:00am	60	Revenue Updates <ul style="list-style-type: none"> <li>• General Fund</li> </ul>	Rick Tadder
10:00am	45	Available Resources and Fixed Costs <ul style="list-style-type: none"> <li>• Fixed Cost Trends</li> <li>• Available Resources - General Fund</li> <li>• Fixed Costs - General Fund</li> <li>• Other Funds Fiscal Health</li> </ul>	Heidi Derryberry
<b>10:45am</b>	<b>15</b>	<b>Break</b>	
11:00am	60	Emerging Needs <ul style="list-style-type: none"> <li>• Ongoing Infrastructure Costs</li> <li>• Code Compliance</li> <li>• Personnel Needs</li> <li>• Future Projects</li> </ul>	Shannon Anderson Kevin Finsel
<b>12:00pm</b>	<b>60</b>	<b>Lunch</b>	
1:00pm	60	Revenue Considerations <ul style="list-style-type: none"> <li>• Primary Property Tax</li> <li>• Secondary Property Tax</li> <li>• User Fees and Rates</li> </ul>	Rick Tadder
2:00pm	60	Council Forum/Budget Expectations	Mayor Daggett Joanne Keene
3:00pm		Closing Comments/Public Participation	

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

HOTEL  
MONTE VISIT

FLAGSTAFF  
ARIZONA  
EST. 1882



LAB  
OTHERS  
RANCHERS,  
MERCHANTS  
IAN TRADERS  
FLAGSTAFF  
ARIZONA

# Council Budget Retreat

February 5, 2026

MOUNTAIN  
SPORTS  
LOCAL LIFE. STYLE.



# Agenda

- Budget Timeline
- Key Community Priorities and Objectives
- December Retreat Recap
- Revenue Updates
- Available Resources and Fixed Costs
- Emerging Needs
- Revenue Considerations
- Council Forum and Budget Expectations





HOTEL MONTE VISIT



# Budget Timeline





# Timeline



December  
19th

Council Budget  
Retreat

February  
5th

Council Budget  
Retreat

April  
23<sup>rd</sup> & 24<sup>th</sup>

City Manager  
Recommended  
Budget Retreat

June  
2<sup>nd</sup>

Tentative  
Budget  
Adoption

June  
16<sup>th</sup>

Property Tax  
Levy Hearing

First Read  
Property Tax  
Adoption

Final Budget  
Adoption

July  
7<sup>th</sup>

Second Read  
Property Tax  
Adoption

# Key Community Priorities and Objectives



CITY OF FLAGSTAFF








# Key Community Priorities



# CITY OF FLAGSTAFF

## Priority Based Budgeting Priorities and Objectives



GOVERNANCE PROGRAMS	COMMUNITY PROGRAMS					
 <p><b>High Performing Governance</b></p>	 <p><b>Safe and Healthy Community</b></p>	 <p><b>Inclusive and Engaged Community</b></p>	 <p><b>Sustainable and Innovative Infrastructure</b></p>	 <p><b>Robust and Resilient Economy</b></p>	 <p><b>Livable Community</b></p>	 <p><b>Environmental Stewardship</b></p>
<p>Serve the public by providing high quality customer service</p>	<p>Enhance community engagement and strengthen relationships between the community and public safety services</p>	<p>Proactively foster community representation and civic engagement by enhancing opportunities for public involvement, in line with best practices</p>	<p>Deliver outstanding services to residents through a healthy, well-maintained infrastructure system</p>	<p>Support and strengthen a robust, diverse, and sustainable economy</p>	<p>Create a welcoming community through partnerships, resilient neighborhoods, and civic engagement</p>	<p>Promote, protect, and enhance a healthy, sustainable environment and its natural resources</p>
<p>Cultivate community communication engagement practices that are clear, consistent, and timely</p>	<p>Support social services, community partners, and housing opportunities</p>	<p>Advance social equity and social justice in Flagstaff by supporting social services</p>	<p>Utilize existing long-range plans that identify the community's future infrastructure needs and all associated costs</p>	<p>Maintain and enhance an equitable and effective business, retention, and expansion program throughout the community</p>	<p>Provide amenities and activities that support a healthy lifestyle</p>	<p>Engage community members through education and volunteer opportunities</p>
<p>Encourage public trust through transparency, accessibility, and use of the City's public participation policy</p>	<p>Provide and build upon the alternative response model, and other community partnerships to best serve the mental and behavioral health needs of the community</p>	<p>Facilitate and foster equity, diversity, and inclusivity, including support of trauma-informed policies and practices</p>	<p>Provide, manage, and maintain effective infrastructure for multimodal and active transportation</p>	<p>Enhance relationships between the development community, the City, and Flagstaff residents</p>	<p>Work with regional partners that provide equitable and inclusive educational and cultural opportunities for Flagstaff residents of all ages</p>	<p>Implement and enhance sustainable building practices, waste diversion programs, alternative energy programs, and multimodal transportation options</p>
<p>Maintain the organization's fiscal stability through strong financial policies and best practices</p>	<p>Provide public safety services with resources, staff, and training responsive to the community's needs</p>	<p>Enhance the City's involvement in community, education, and regional partnerships to strengthen the level of public trust</p>	<p>Facilitate, develop, and encourage carbon-neutral energy opportunities</p>	<p>Attract employers that provide high quality jobs and have a low impact on infrastructure and natural resources</p>	<p>Actively support attainable and affordable housing through the City's 10-Year Housing plan as well as other projects and opportunities</p>	<p>Encourage the private sector's investment in environmental stewardship</p>
<p>Implement and communicate innovative and efficient local government programs, new ideas, and best practices</p>	<p>Promote physical and mental well-being through providing recreational opportunities, parks, open space, and active transportation options</p>	<p>Ensure City facilities, services, and programs are accessible for all residents and representative of Flagstaff's diverse community</p>	<p>Support the community's social infrastructure needs; assist those partner organizations that provide services the City does not</p>	<p>Enhance the community's workforce housing and development programs; improve partnerships with the private and public sectors</p>	<p>Support diverse employment opportunities and high quality jobs</p>	<p>Implement, maintain, and further the Carbon Neutrality Plan (CNP) with awareness of social inequities</p>
<p>Be an inclusive employer of choice by providing employees with the necessary tools, training, support, and compensation</p>	<p>Ensure the built environment is safe through the use of consistent standards as well as best practices for building and land use</p>	<p>Promote environmental justice and the access to environmental benefits</p>		<p>Embrace and invest in responsible tourism opportunities to promote economic development</p>	<p>Achieve a well-maintained community through comprehensive and equitable code compliance and development</p>	<p>Strengthen Flagstaff's resilience to climate change impacts on built, natural, economic, health, and social systems</p>

# Definitions

## **ALTERNATIVE RESPONSE MODEL –**

Responding to appropriate 911 calls with a behavioral health professional and the ability to provide culturally sensitive care to those in crisis or needing mental health or substance use assistance

## **ACTIVE TRANSPORTATION –**

The transport of people or goods through non-motorized means, based around human physical activity

## **COMMUNITY PARTNERS –**

Governmental, nonprofit, and private organizations in the Flagstaff community that work with the City of Flagstaff to implement its programs, projects, and/or services

## **ENVIRONMENTAL JUSTICE –**

The just distribution of the benefits of climate protection and alleviation of unequal burdens created by climate change

## **INFRASTRUCTURE –**

The basic physical structures and facilities needed for the operation of the City (i.e. buildings, transportation networks, parks, various water networks, etc.)

## **MULTIMODAL TRANSPORTATION –**

Interconnected transportation system that accommodates multiple modes of transportation, including walking, bicycling, public transportation systems, and driving

## **RESILIENT NEIGHBORHOOD –**

A community with the capacity to anticipate, accommodate, and positively adapt and thrive amidst changing climate conditions, while building systems of equity, connection, and empowerment

## **SOCIAL EQUITY –**

Actively working to counteract systemic inequalities to ensure that social services are delivered equitably and everyone in a community has access to the same opportunities and outcomes

## **SOCIAL INFRASTRUCTURE –**

The background structures and systems that allow social, economic, cultural and political life to happen, including social services, transportation, housing, education, and healthcare

## **SOCIAL JUSTICE –**

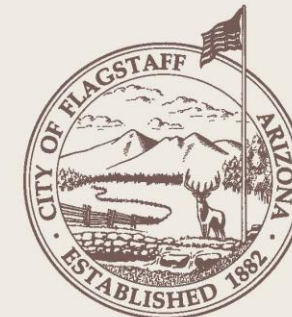
Fair and compassionate distribution of wealth, opportunities, and privileges

## **SOCIAL SERVICES –**

Programs and services that provide support and assistance to improve the well-being of individuals, families, and communities

## **TRAUMA-INFORMED –**

Understanding and considering the pervasive nature of trauma from exposure to abuse, neglect, discrimination, violence, or other adverse experiences and promoting environments of healing and recovery





HOTEL MONTE VISIT

# December Retreat Recap





# December Retreat Recap - Themes

- Communicate...communicate...communicate
- Balancing priorities
  - Addressing core services and community expectations
- Set priorities through a strategic planning process
- Focus on core services
- Implement Regional Plan
- Ensure resources for capital projects
- Financial stability
- Honor non-core services brought to Council through the community



# December Retreat Recap

## Council's Aligned Priorities

- Core Services
  - Employee Compensation
  - Personnel
- Housing
- Economic Vitality
  - Tourism
  - Business Expansion
  - Small Business
- Capital Investment
  - Parks and Recreation
  - Forest Health
  - Sustainability
  - Infrastructure



HOTEL MONTE VISIT



# Revenue Update





# General Fund

- \$83M annual operating revenues\*
  - 38% - General sales tax 1%
  - 39% - State shared revenues
  - 23% - Property taxes, licenses, permits, user fees, court fees, and interest
- Built in recession planning in year five (FY 2030-31)
- Revenues support 15 divisions and over 35 sections

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



# General Fund



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
DEC	\$128,278	(9,724)	1,449	47,036	969	34,866	(5,928)	(9,770)	(27,092)	21,825	25,084	(163)	49,726
YEAR TO DATE	(\$72,803)	\$5,561	(\$12,150)	\$54,516	\$3,853	\$35,045	(\$48,623)	(\$117,206)	\$62,821	\$45,002	(\$76,469)	(\$10,837)	(\$14,316)

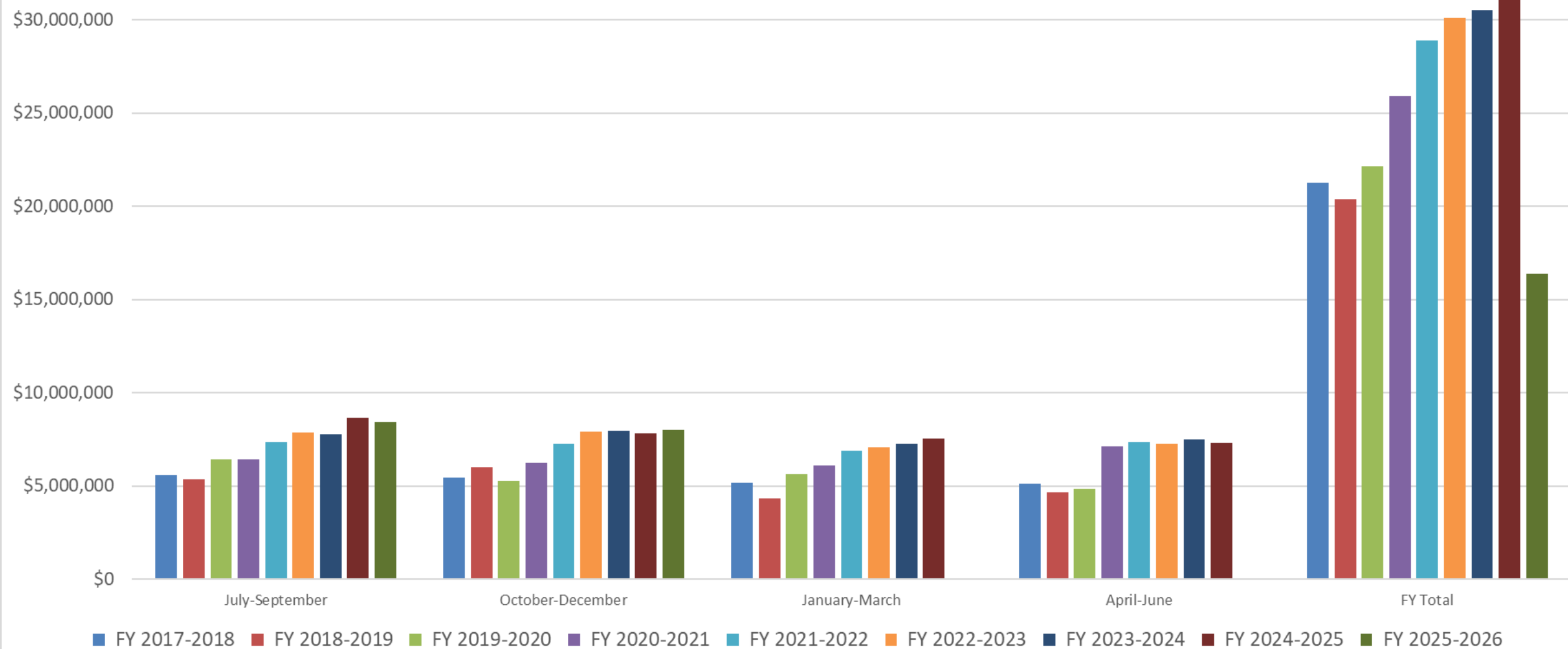
General Sales Tax Revenues Month over Month													
MONTH	Total	Utilities	Telecom	RestBar	Amusements	CommRental	PersRental	ConstrCont	Retail	Marketplace	Hotel/Motel /STR	Misc.	UseTax
<b>% Change Year over Year</b>													
JULY	-4%	40%	-40%	-9%	-6%	-5%	-11%	-14%	3%	-6%	-6%	-7%	-33%
AUGUST	-4%	-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%
DEC	5%	-9%	15%	15%	9%	33%	-7%	-4%	-2%	17%	18%	-2%	52%
YEAR TO DATE	-1%	1%	-20%	4%	8%	7%	-13%	-10%	1%	9%	-10%	-38%	-2%



# General Fund



Sales Tax Revenues by Quarter - Thru September 30, 2025





# General Fund



## General Fund Sales Tax Revenues

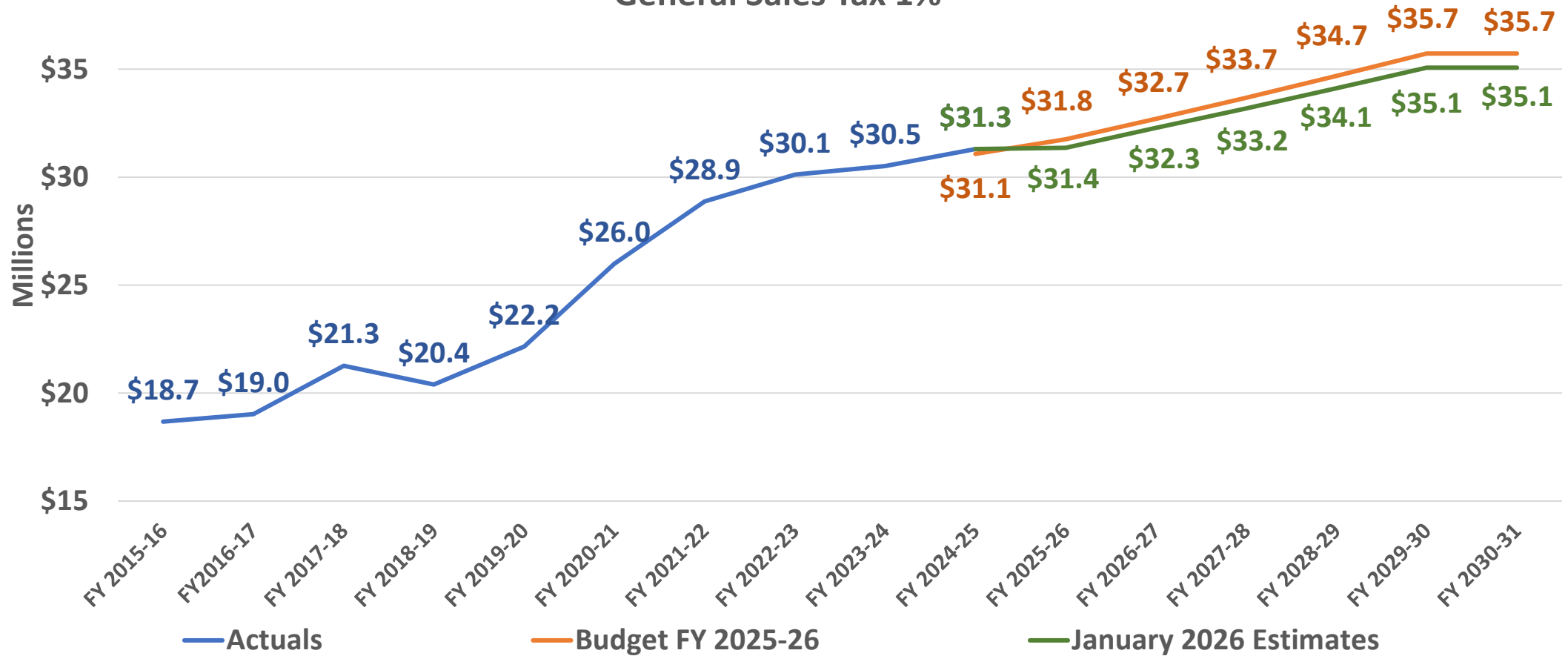
Category	FY 2025-26 Budget	Estimate Thru September Returns	Estimate Thru October Returns	Estimate Thru November Returns	Estimate Thru December Returns	FY 2025-26 Estimate vs Budget	October % Change
<b>Sales Taxes</b>							
Utilities	\$ 1,342,300	\$ 1,330,000	\$ 1,347,000	\$ 1,347,000	\$ 1,337,000	\$ (5,300)	-0.4%
Telecommunications	165,600	128,000	134,000	136,000	138,000	(27,600)	-16.7%
Restaurant/Bars	4,228,200	4,244,000	4,254,000	4,233,000	4,270,000	41,800	1.0%
Amusements	134,900	157,000	162,000	150,000	144,000	9,100	6.7%
Commercial Rental	1,423,500	1,390,000	1,404,000	1,404,000	1,435,000	11,500	0.8%
Personal Property Rental	996,000	970,000	964,000	960,000	960,000	(36,000)	-3.6%
Contracting	3,120,900	3,115,000	3,118,000	3,015,000	2,980,000	(140,900)	-4.5%
Retail	14,845,100	14,670,000	14,628,000	14,738,000	14,770,000	(75,100)	-0.5%
Marketplace Retail	1,385,300	1,486,000	1,443,000	1,441,000	1,467,000	81,700	5.9%
Hotel/Motel/STR	2,155,300	2,053,000	2,043,000	1,999,000	2,015,000	(140,300)	-6.5%
Miscellaneous	83,100	69,700	66,400	64,800	64,700	(18,400)	-22.1%
Use Tax	1,872,500	1,648,000	1,700,000	1,741,000	1,780,000	(92,500)	-4.9%
<b>Sales Taxes Total</b>	<b>\$ 31,752,700</b>	<b>\$ 31,260,700</b>	<b>\$ 31,263,400</b>	<b>\$ 31,228,800</b>	<b>\$ 31,360,700</b>	<b>\$ (392,000)</b>	<b>-1.2%</b>
		\$ (492,000)	\$ (489,300)	\$ (523,900)	\$ (392,000)		



# General Fund



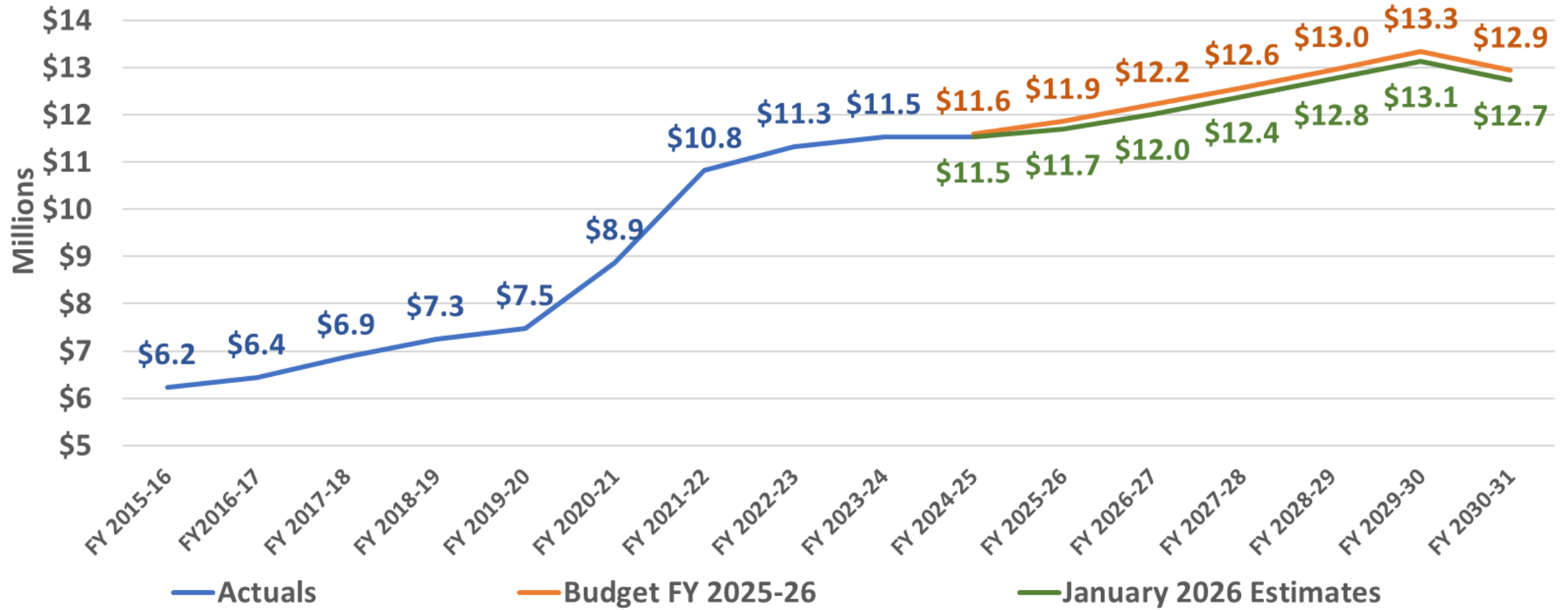
### General Sales Tax 1%





# General Fund

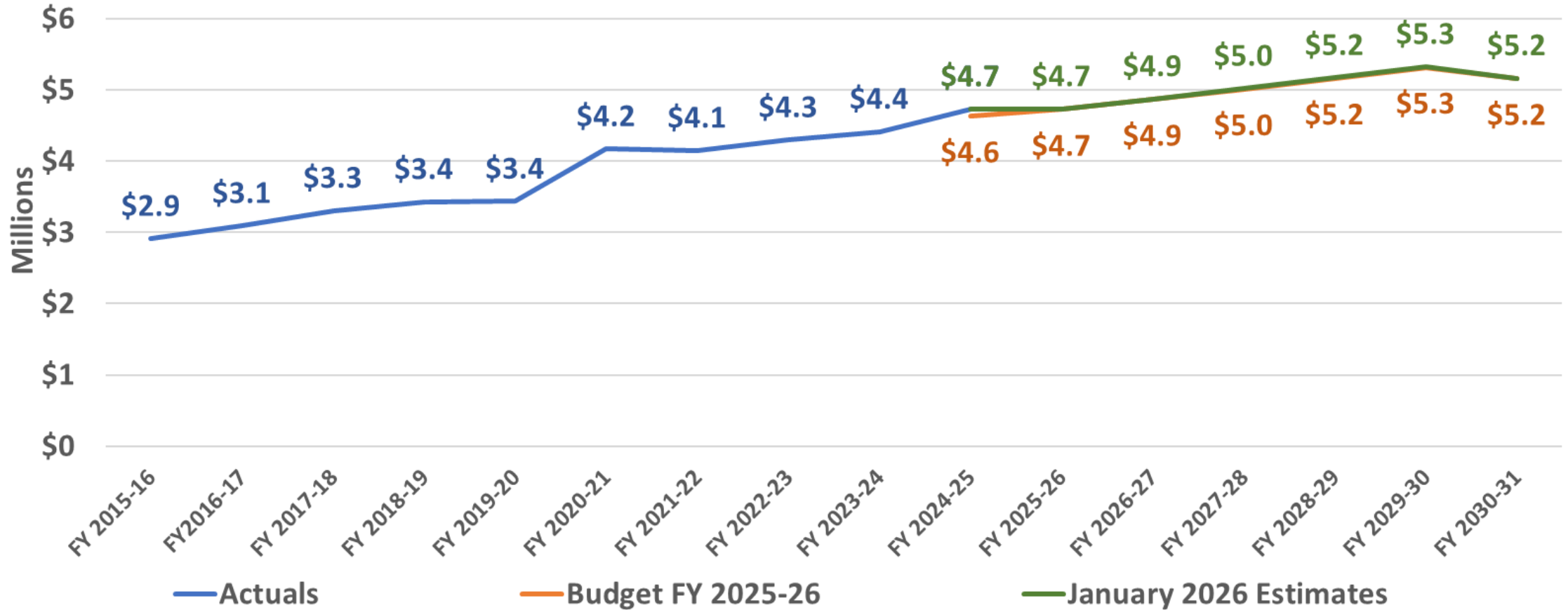
## State Shared Sales Tax





# General Fund

## State Shared Auto Lieu

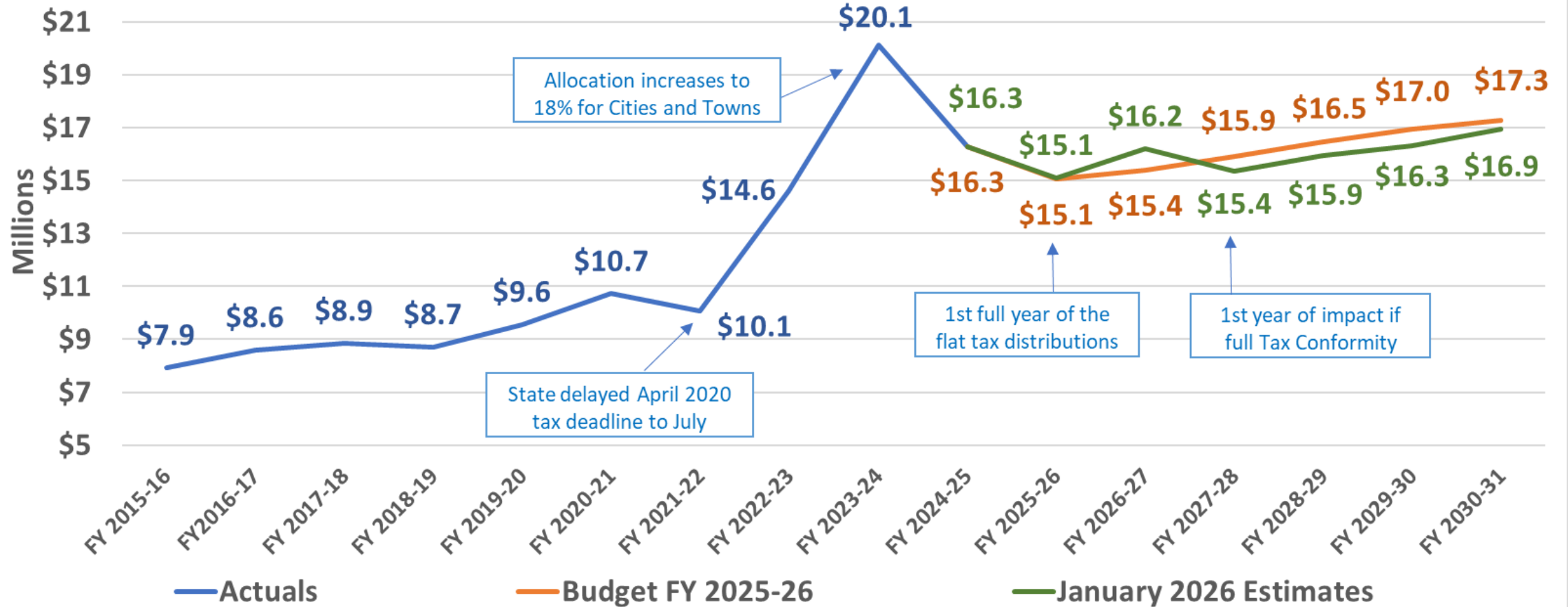




# General Fund



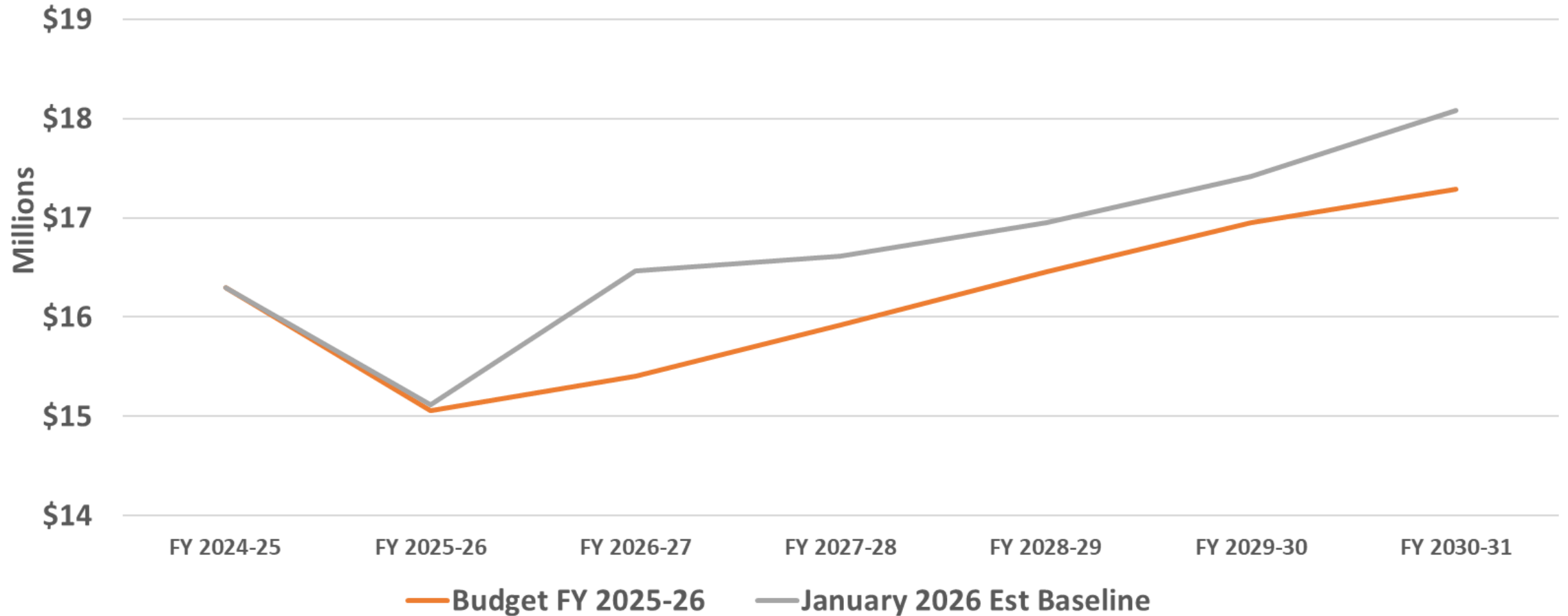
### State Shared Urban Revenue (Income Tax)





# General Fund

## State Shared Urban Revenue (Income Tax)

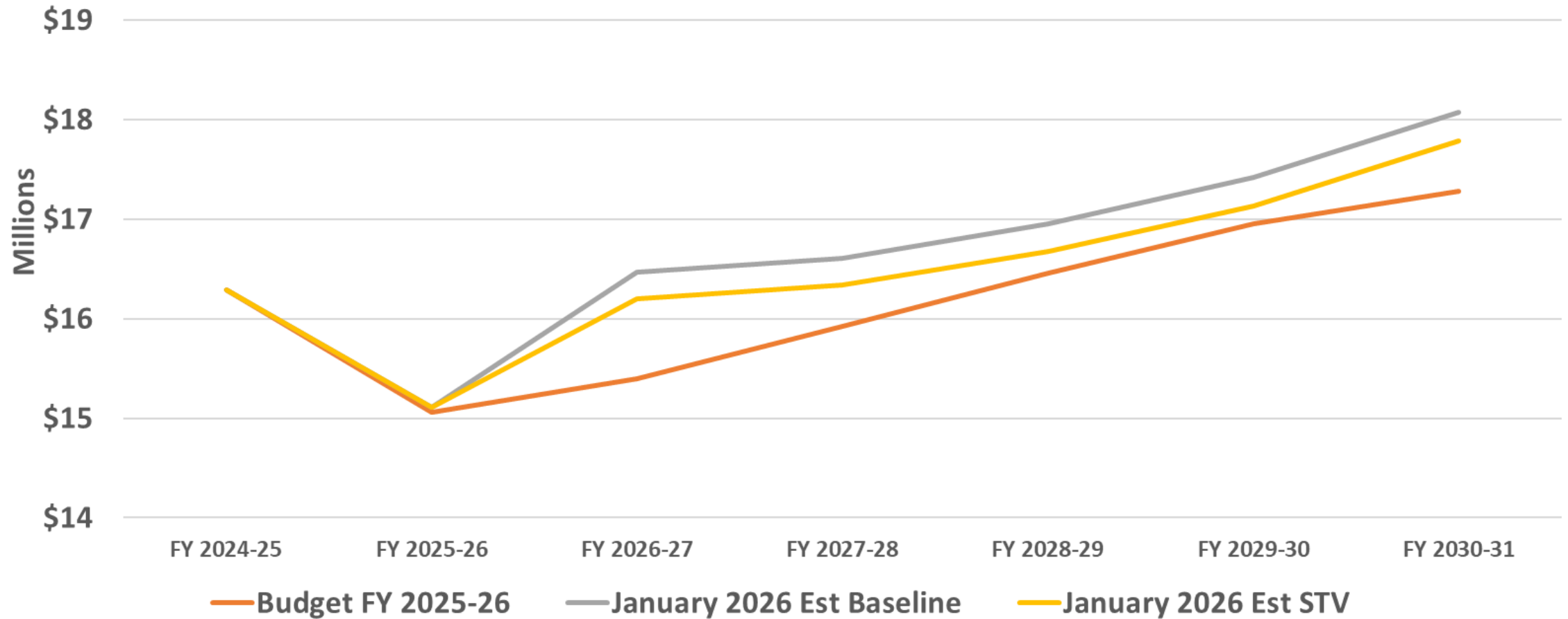




# General Fund

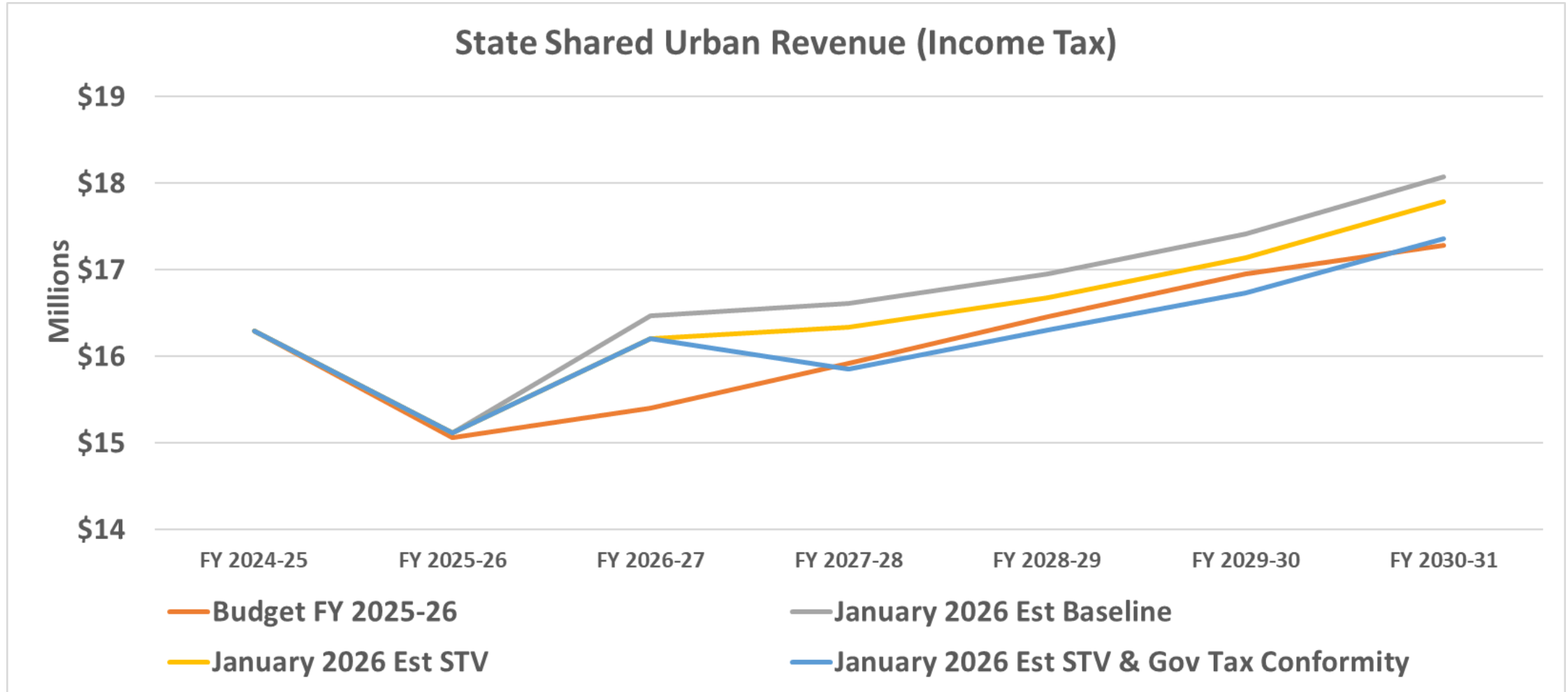


### State Shared Urban Revenue (Income Tax)





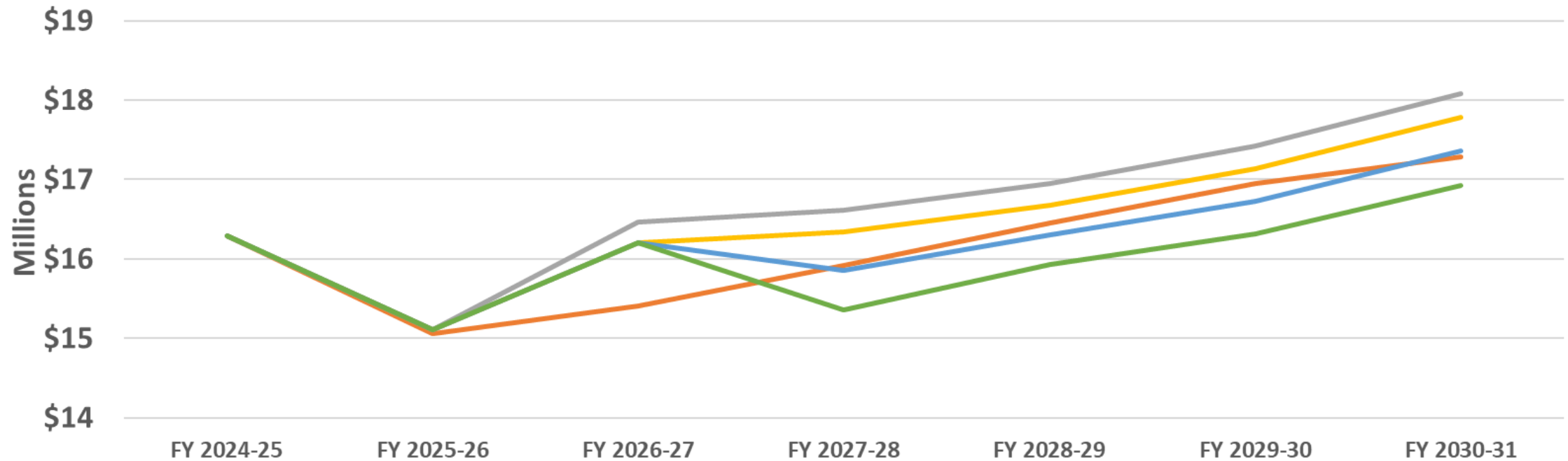
# General Fund





# General Fund

## State Shared Urban Revenue (Income Tax)



- Budget FY 2025-26
- January 2026 Est STV
- January 2026 Est STV & Tax Conformity

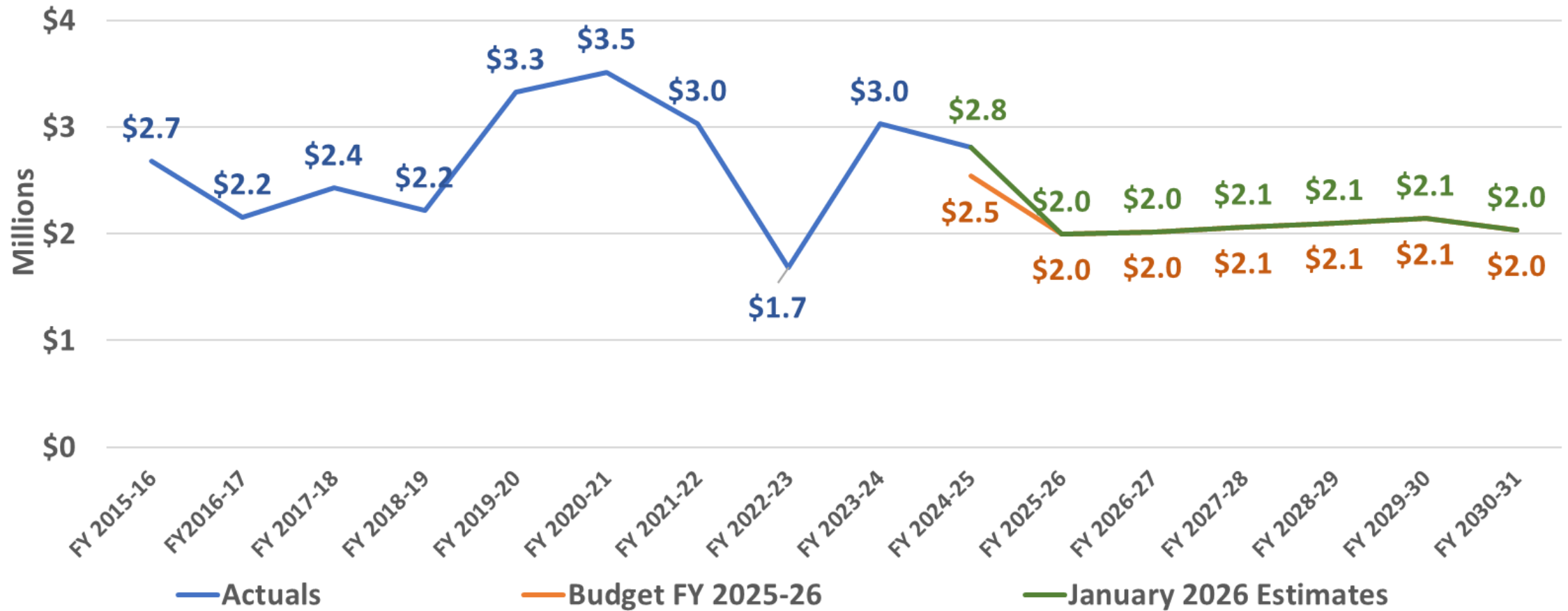
- January 2026 Est Baseline
- January 2026 Est STV & Gov Tax Conformity

Average of \$850K annual impact FY 28 to FY 30.



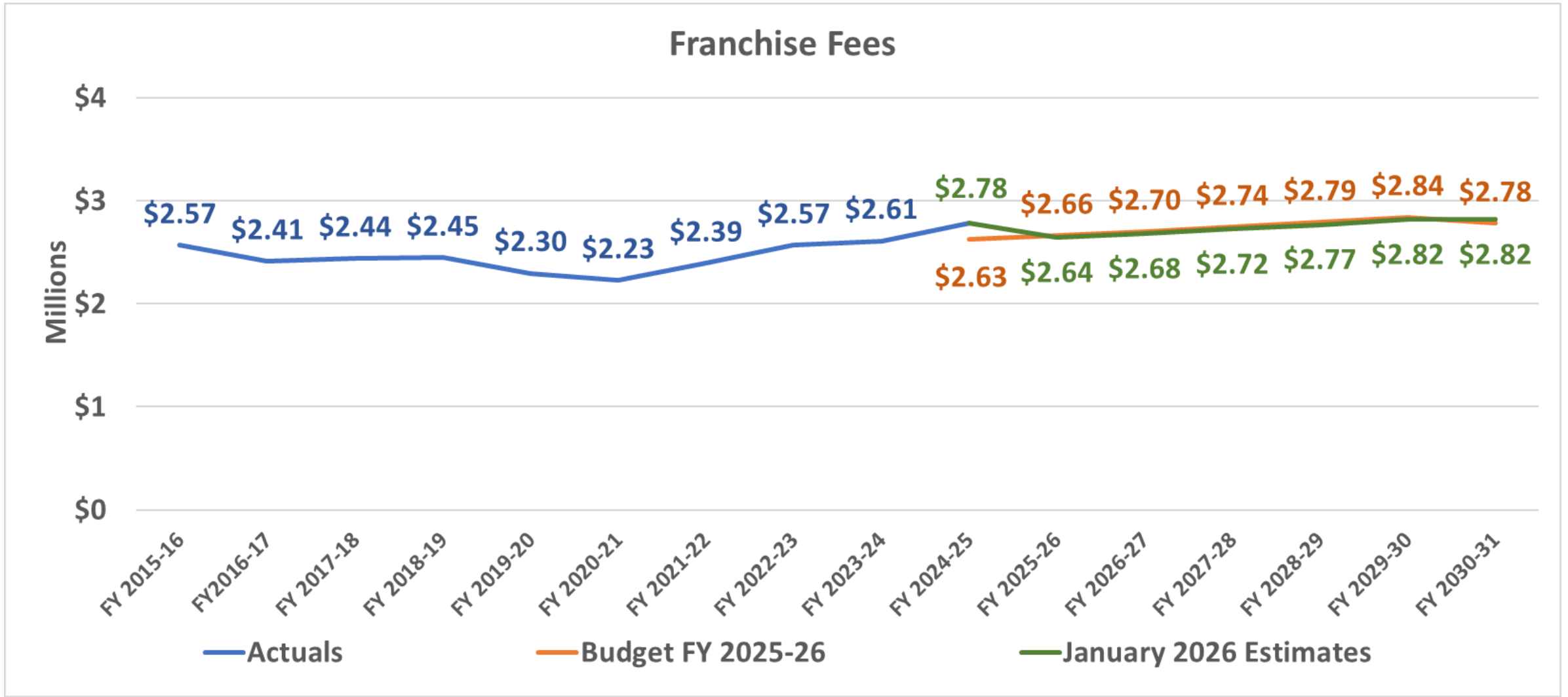
# General Fund

## Building Permits





# General Fund





# State Legislation Impacts

The following are some of the bills that could have a fiscal impact on City revenues

- Tax Conformity: Biggest impact to General Fund \$425-850K
- HCR1028, HB2839/Food Tax: No impact to City, but hurts many other cities and would create conflicting ballot measures
- HB2290 TPT Sourcing/Remote Sales Tax: Changes formula for where sales tax is charged
  - Shift to warehouse locations in Arizona
  - Every 10% shift has \$150K impact to General Fund plus Transportation Tax



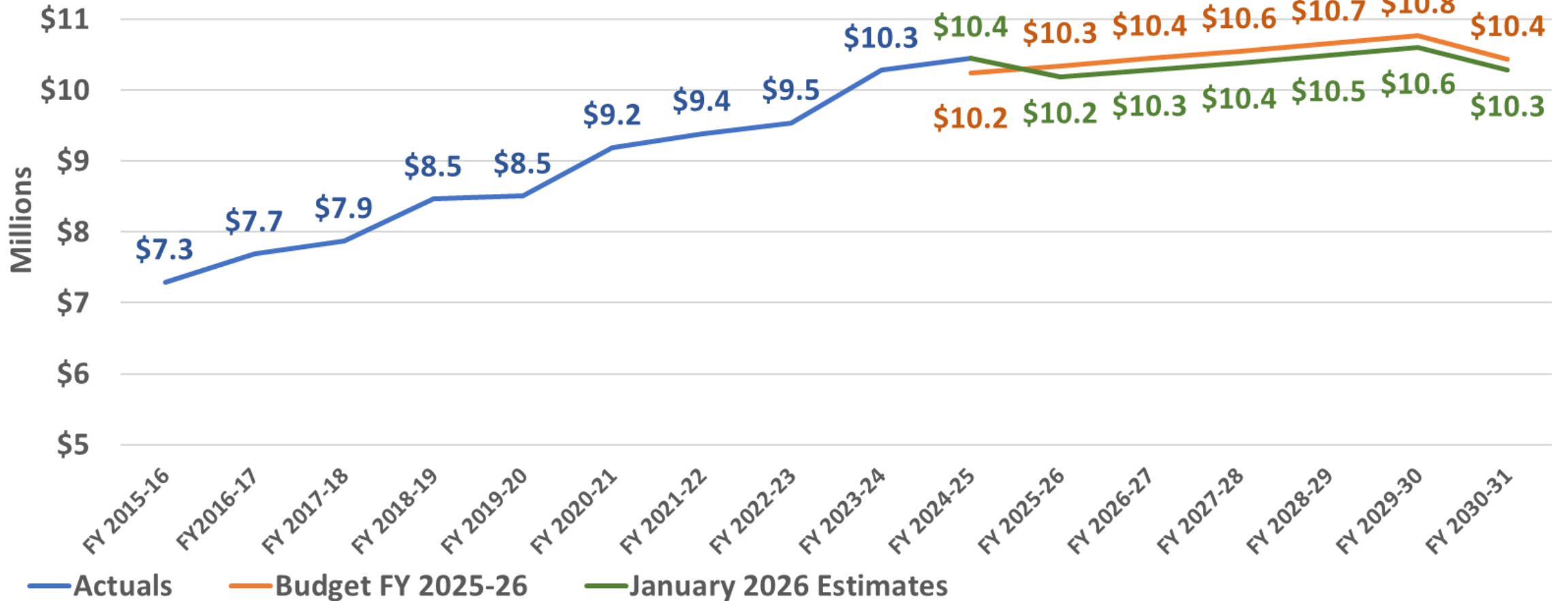
# State Legislation Impacts - Continued

- HB2259: TPT; distribution; HURF : State TPT sales tax on electric vehicle charger diverts to HURF - this has pros and cons
- HB2400: motor fuel tax holiday: Maricopa and Pima Counties
  - May to September eliminate or reduce \$0.18 gas tax
  - Reduces HURF funds but try to keep cities whole
- HB2269, Utilities TPT exemption: Potential \$115M impact to all Cities over three year - \$1.5M impact to Flagstaff
- HB2119 Data Center TPT exemption: Change expiration of tax exemption from 12/31/2033 to 12/31/2026
  - Potential growth in State Share Sales Tax



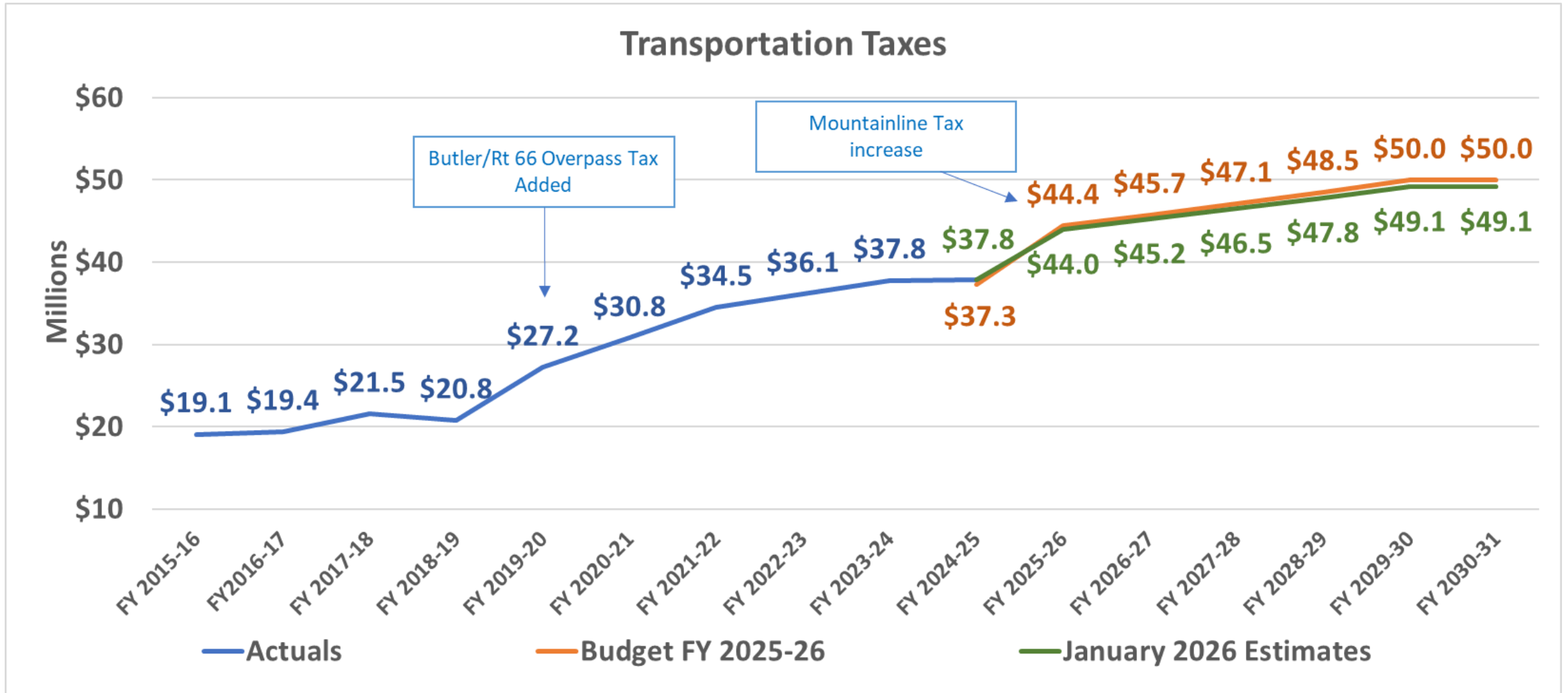
# Highway User Revenue Fund

### Highway User Revenue (Gas Tax)



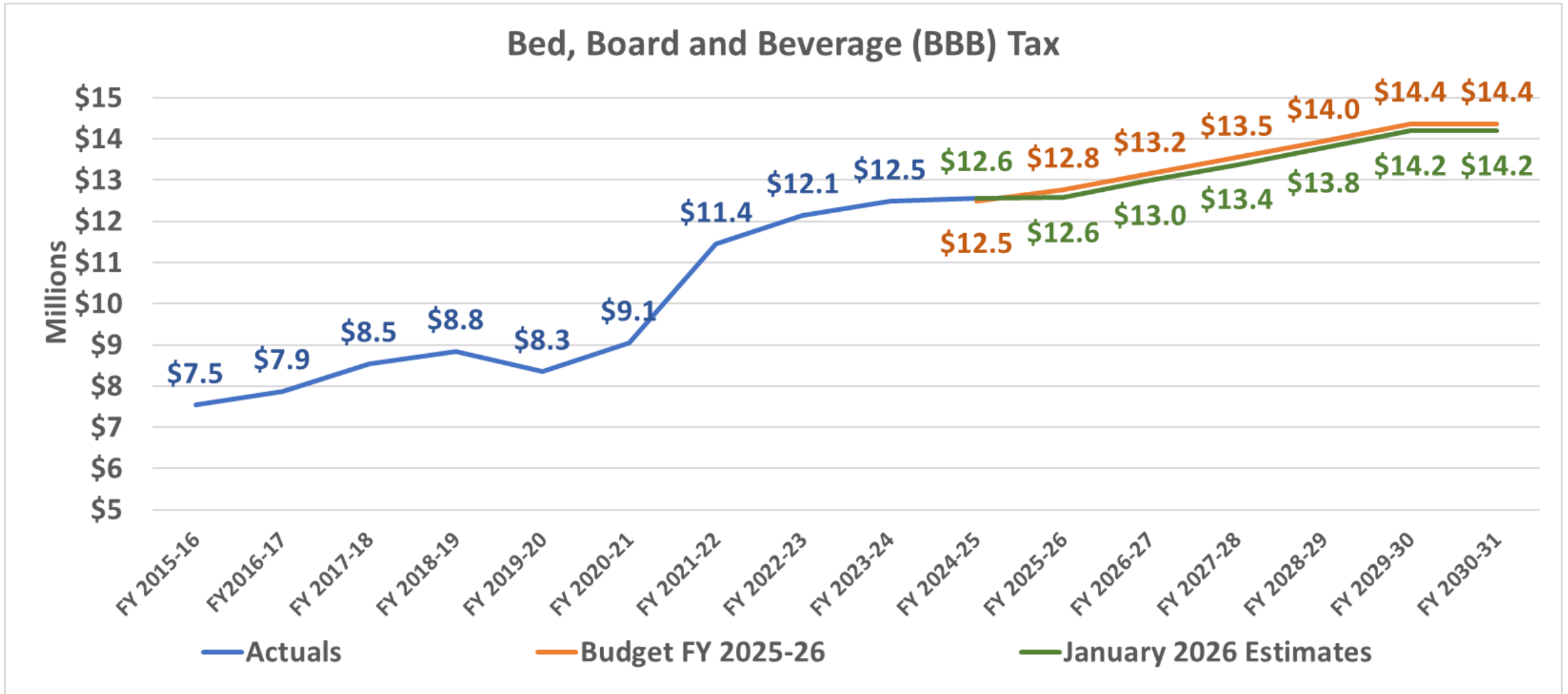


# Transportation Taxes





# Bed, Board and Beverage Funds



# Available Resources and Fixed Costs

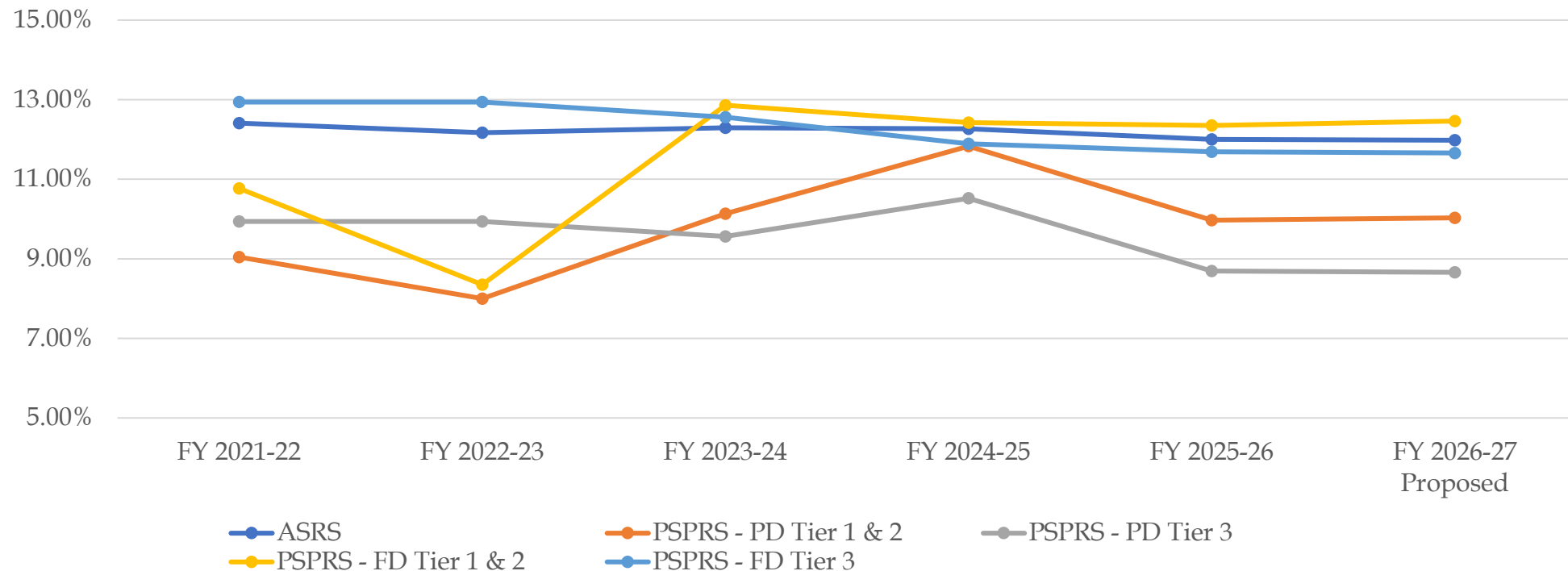




# Pension Contribution Rates

Retirement Plan*	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27 Proposed
ASRS	12.41%	12.17%	12.29%	12.27%	12.00%	11.98%
PSPRS - PD Tier 1 & 2	9.04%	8.00%	10.13%	11.83%	9.97%	10.03%
PSPRS - PD Tier 3	9.94%	9.94%	9.56%	10.52%	8.69%	8.66%
PSPRS - FD Tier 1 & 2	10.77%	8.35%	12.86%	12.42%	12.35%	12.46%
PSPRS - FD Tier 3	12.94%	12.94%	12.56%	11.89%	11.69%	11.66%

\*Excludes EORP

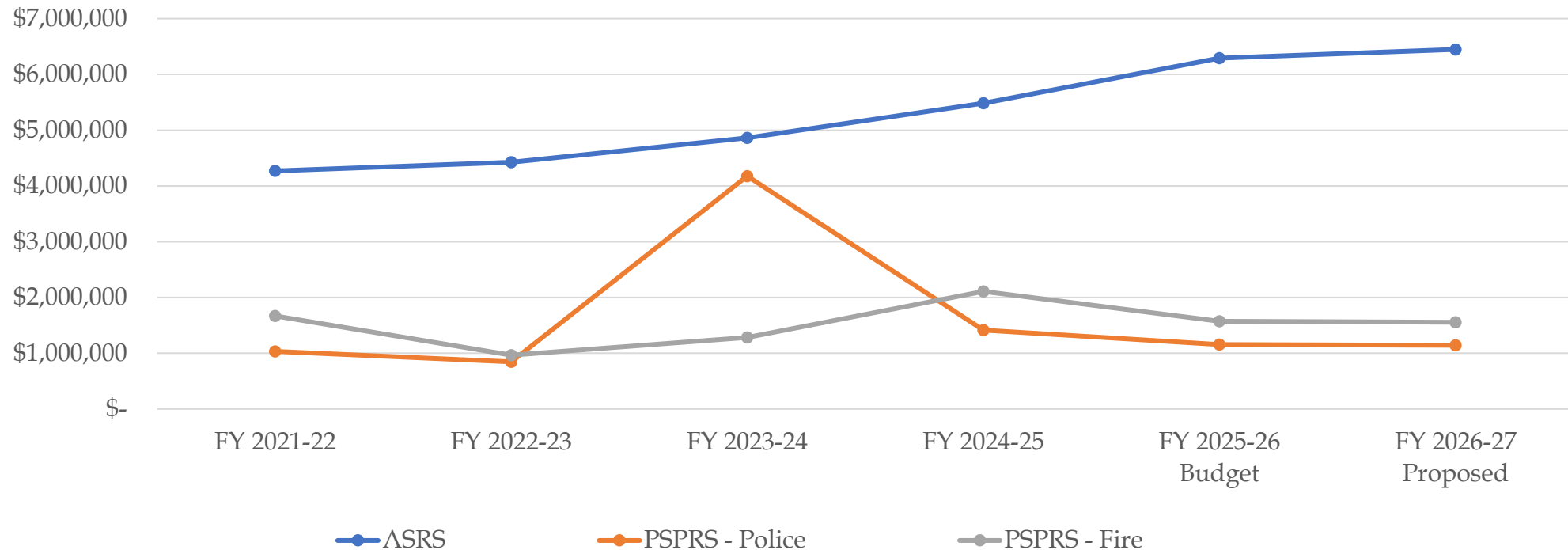




# Pension Expenditures

Retirement Plan*	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26 Budget	FY 2026-27 Proposed
ASRS	\$ 4,270,225	\$ 4,424,530	\$ 4,863,673	\$ 5,481,561	\$ 6,292,210	\$ 6,447,986
PSPRS - Police	1,034,798	845,958	4,177,427	1,413,917	1,157,296	1,142,863
PSPRS - Fire	1,669,895	966,279	1,282,256	2,109,330	1,575,923	1,555,553
Total	\$ 6,974,918	\$ 6,236,767	\$10,323,356	\$ 9,004,808	\$ 9,025,429	\$ 9,146,402

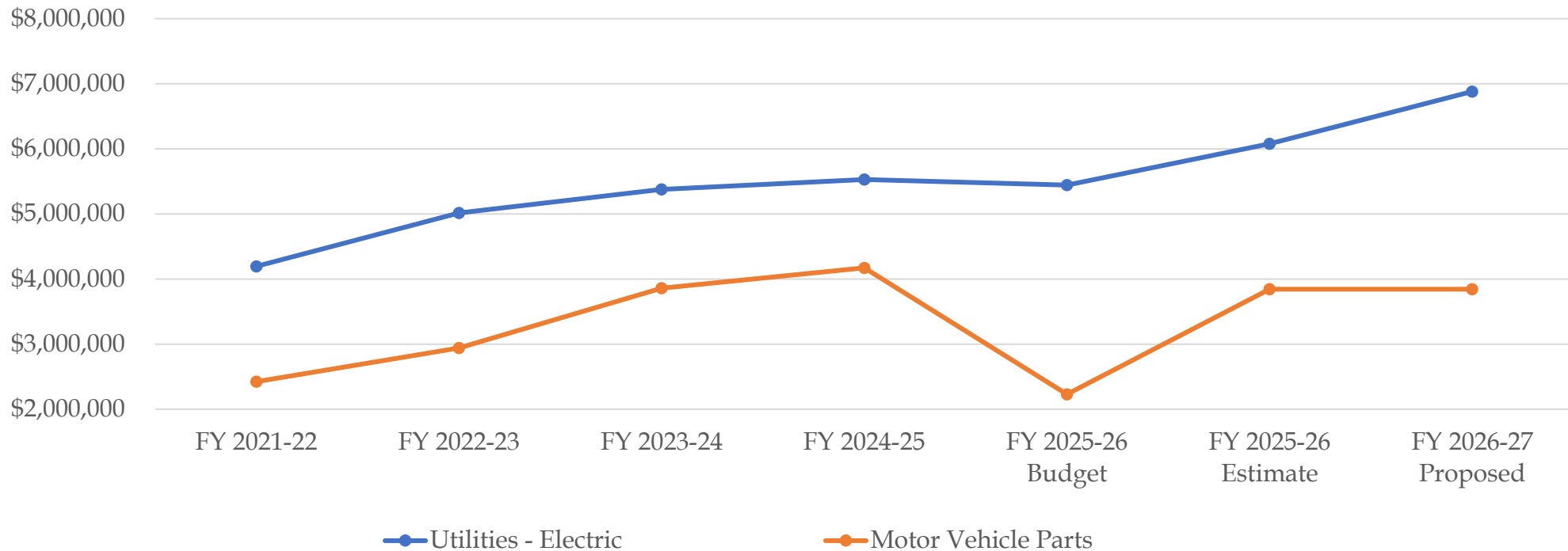
\*Excludes EORP





# Other Fixed Costs

Description	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26 Budget	FY 2025-26 Estimate	FY 2026-27 Proposed
Utilities - Electric	\$ 4,194,595	\$ 5,014,361	\$ 5,378,602	\$ 5,527,213	\$ 5,442,694	\$ 6,078,187	\$ 6,881,000
Motor Vehicle Parts	2,422,236	2,940,765	3,860,601	4,171,652	2,229,237	3,843,067	3,843,000





# Available Resources – General Fund

General Fund	One-Time	Ongoing
FY 2024-25 Revenue Growth	\$ 4,411,000	\$ 0
FY 2024-25 Expenditure Savings	2,000,000	0
FY 2025-26 Revenue Estimate	911,000	0
FY 2025-26 Personnel Savings	0	375,000
FY 2026-27 Revenue Projection	1,045,000	(375,000)
Investment Earnings	2,245,000	500,000
10 Year Tax Conformity Revenue Loss Adjustments	(8,391,000)	0
Total Capacity	\$ 2,221,000	\$ 500,000



# Fixed Costs – General Fund



General Fund	Ongoing
Pay for Performance/Step Increases (Funded)	\$ 2,115,000
Ongoing Operating Expenditures Funded One-time	3,832,000
Pension Cost Increase (Funded)	88,000
Medical/Dental Insurance – Maintaining Cost Share Ratio	358,000
Utility Rate Increases	330,000
Liability and Property Insurance	231,000
Workers' Compensation	TBD



# Highway User Revenue Fund



## Fiscal Health Concern

- Shift to more fuel-efficient vehicles impacts revenue
- Ongoing revenue distribution impacts due to San Tan Valley
- Operating costs are outpacing revenue growth
  - Increased personnel costs
  - Maintenance of existing streets
  - Maintenance of new infrastructure



# Water Resource Infrastructure Protection Fund



## Fiscal Health Concern

- Operational costs are out pacing revenue growth
- No capacity to implement new programs or increase staffing
- Currently included in the Public Safety ballot measure discussions
- Scheduled for fee review in calendar year 2028



# Solid Waste Fund



## Fiscal Health Concern

- Operational costs are out pacing revenue growth
- Material Recovery Facility (MRF)/recycling contract impacts
- Implemented service delivery changes to offset operational cost increases
- Continuing to look at operations for efficiencies
- Rate study this calendar year



# Airport Fund



## Fiscal Health Concern

- Operational costs are outpacing revenue growth
  - Paid parking not generating as much revenue as anticipated
  - Index B requiring ARFF 24/7 operations since FY 2020-21
  - TSA law enforcement officer reimbursement discontinued
  - Maintenance costs of runway continue to increase significantly
- No longer self-sufficient - \$300,000 annual support from General Fund
- Parking fee increases and badging fees adopted
- Staff actively working on:
  - 2<sup>nd</sup> airline
  - Airport rate study
  - Included in the Public Safety ballot measure discussions
  - Restart of commercial advertising
  - Future hangar leases



HOTEL MONTE VISIT



# Emerging Needs





# Ongoing Infrastructure Costs



- New infrastructure requires maintenance
- Ensure ongoing maintenance needs are identified and funded appropriately
- Examples
  - Beulah and University landscaping
  - Vegetation in city owned right of way
  - New roadway construction with developments
  - New buildings such as the Courthouse





# Ongoing Infrastructure Costs



- Keeping sidewalks and trail systems maintained for multi-modal connection
- Maintaining accessibility
- Examples
  - Downtown infrastructure
  - Flagstaff Urban Trail System (FUTS)





# Code Compliance



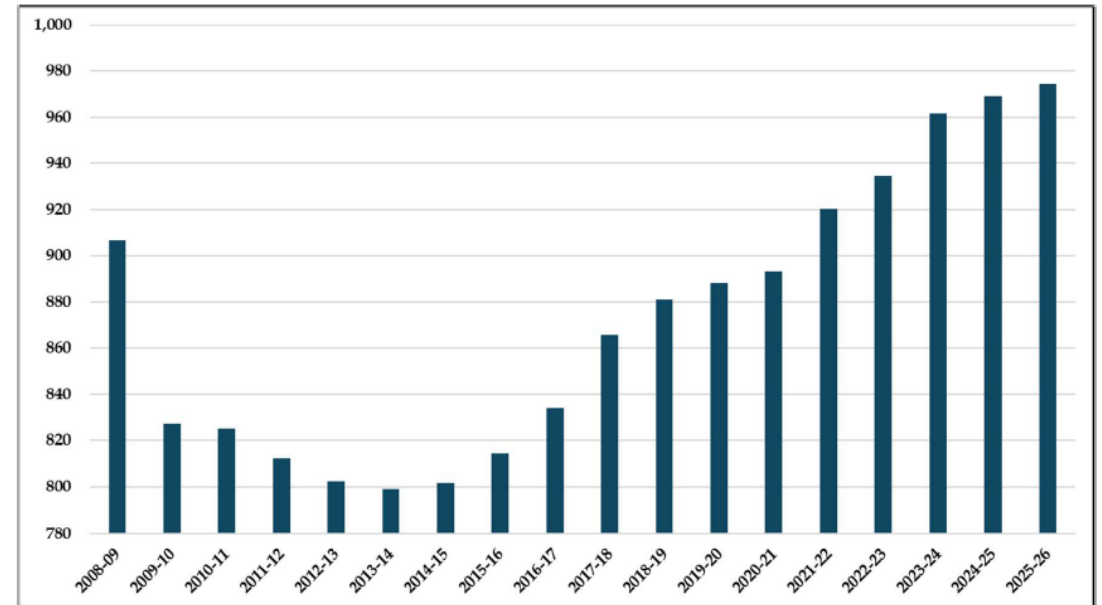
- Maintain community character and quality of life
- Keeping neighborhoods safe, clean and thriving
- Examples
  - Short-term rental accountability
  - Encourage voluntary compliance
  - Property care
  - Safe sidewalks





# Personnel Needs

- Community growth and added programs
- Increased service level demands
- Limitations of ongoing revenue
- Pent up demand
- Examples
  - Public Safety
  - Public Works
  - City Engineering
  - Planning and Development Services





# Future Projects

- Indigenous Community Cultural Center (ICCC)
- East Flagstaff Library
- Downtown Connection Center Civic Space





HOTEL MONTE VISIT



# Revenue Considerations





# Property Tax

## Anatomy of Property Taxes

Tax Rate X Net Assessed Valuation (NAV) = Tax Levy (Revenue)

- Net Assessed Valuations are set by the County Assessor
  - Use the limited cash value versus the full cash value
    - Limited cash value can only increase up to 5% annually
    - Full cash value is 60% higher than limited cash value (20% in 2020)
  - Limited cash value is multiplied by the tax classification to get the NAV
    - Class 3 and 4 related to residential (primary, rental and second homes): 10%
      - Makes up about 67% of the NAV
    - Class 1 related to commercial (commercial, shopping centers, golf course, etc.): 16.5%
      - Makes up about 24% of the NAV



# Property Tax

## Anatomy of Property Taxes

Tax Rate X Net Assessed Valuation (NAV) = Tax Levy (Revenue)

- Tax Rate is adopted by City Council
  - Primary property tax rate creates a levy (revenue) to support the general operations of city government, unrestricted use
  - Secondary property tax rate creates a levy (revenue) to support the repayment of general obligation debt, restricted use
- Tax Levy is the result of the NAV and tax rate decisions
  - In FY 2023-24 the city tax levy made up approximately 21% of the total property tax bill



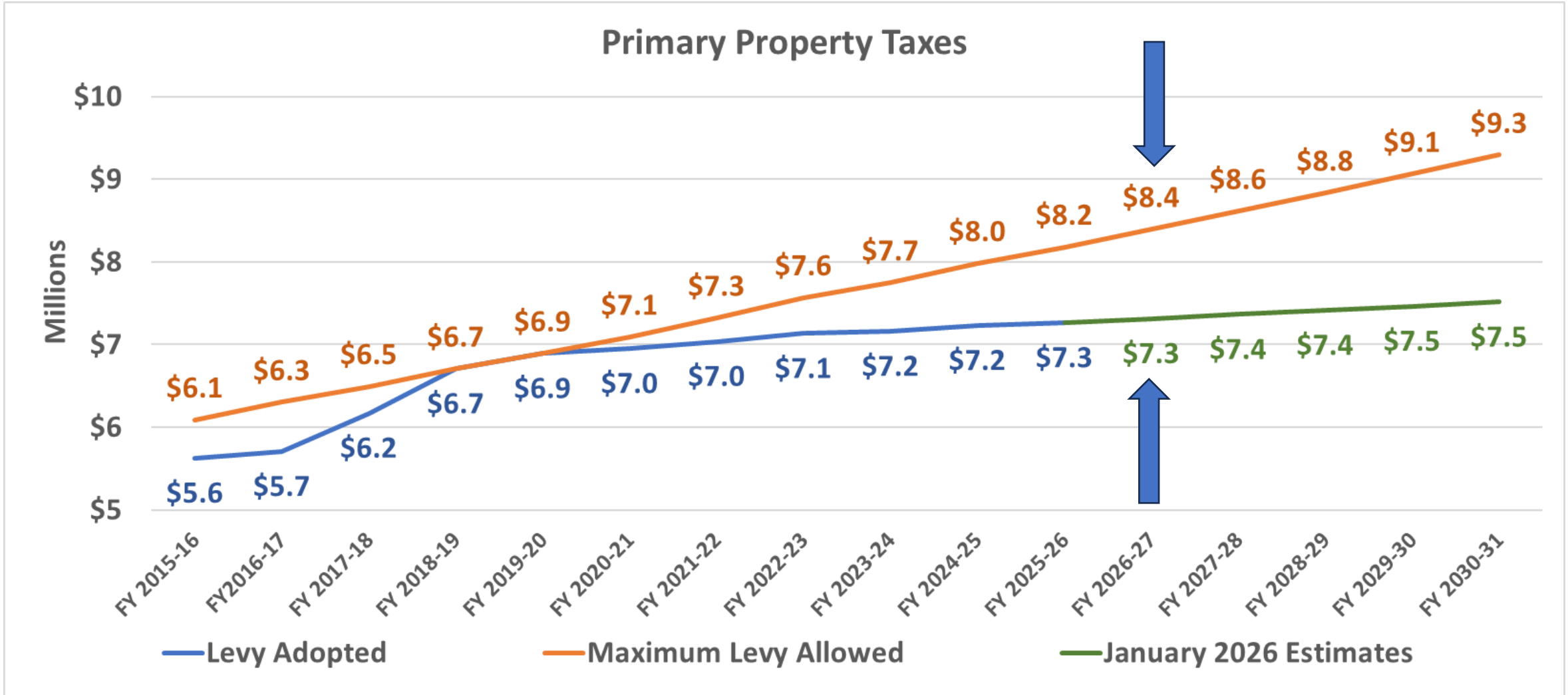
# Primary Property Tax

- Rate adopted by City Council annually to impose a levy
- FY 2025-26 levy = \$7,264,480 (4.7% of General Fund revenue)
- State restrictions on annual increase in levy is 2%, plus new construction
- FY 2026-27 capacity up to 14%, approximately \$1,080,000 (not recommended)
- Requires 60-day public notice prior to adoption of an increase in the tax levy (excludes new construction)
- If increase direction given at April retreat, City will also follow Truth In Taxation requirements for tax adoption



# Primary Property Tax

## Primary Property Taxes





# Secondary Property Tax

- Secondary property tax can only be used to pay back general obligation (GO) bonds
- To issue GO bonds, the City must receive voter approval at a November election
- City levies a secondary property tax for payment of debt
- Rate is calculated each year to confirm/adjust to projected debt obligations (property tax oversight)



# Secondary Property Tax

- Legal Limits – assessed valuations (State statute)
  - 20% Limitation: Water, sewer, artificial lighting, parks, open space, recreational facilities, public safety, law enforcement, fire and emergency services and street and transportation facilities
    - Bond capacity in this limitation July 2025 = \$327M
  - 6% Limitation (e.g., Housing)
    - Everything else
    - Currently no issuance under this limitation
    - Bond capacity in this limitation July 2025 = \$110M



# Secondary Property Tax

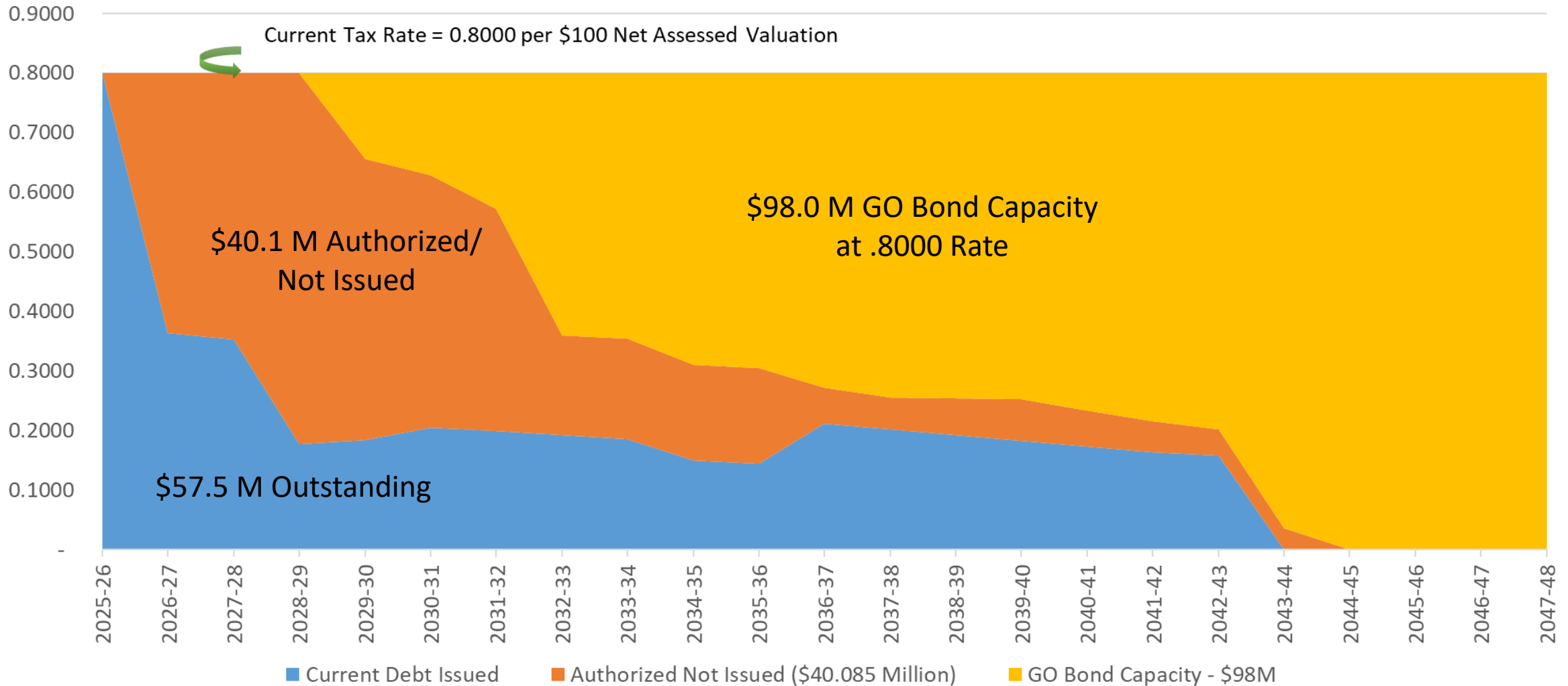
- Current rate is 0.8000 per \$100 of assessed valuation
  - Current policy to remain at or below 0.8000 rate based on promises made during past elections
  - The City is allowed to go above this rate for the purpose of paying debt
- Based on current projection of assessed valuations
  - Estimated capacity \$98M under current rate policy
  - Uses capacity through FY 2047-48
  - Increasing the rate adds bonding capacity
  - Decreasing the rate reduces bonding capacity



# Secondary Property Tax



### Secondary Property Tax Rate Capacity





# Property Tax History



Property Tax Rates	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Primary	0.8233	0.8334	0.7933	0.7510	0.7186	0.6954	0.6634	0.6363	0.6045
Secondary	0.8366	0.8366	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000
Total	1.6599	1.6700	1.5933	1.5510	1.5186	1.4954	1.4634	1.4363	1.4045

- FY 2017-18 and FY 2018-19 adopted maximum primary property tax levy
- FY 2019-20 reduced secondary property tax flat levy policy
  - November 2022 election presented with 0.8000 flat rate



# Primary Property Tax Levy

Consideration of 2% Primary Property Tax levy increased  
Approximately \$150K revenue  
Residential Impact – Illustrative Only

Flat Levy/Flat Rate Policy	\$100,000 Property in TY 2025		\$105,000 Property in TY 2026 (*)	
City Taxing Authority	Rate	Taxes	Rate	Taxes
Primary Property Tax (Flat Levy)	0.6045	\$ 60.45	0.5757	\$ 60.45
Secondary Property Tax (Flat Rate)	0.8000	\$ 80.00	0.8000	\$ 84.00
Total: City Taxing Authority	1.4045	\$ 140.45	1.3757	\$ 144.45
			Change	\$ 4.00

2% Levy Increase	\$100,000 Property in TY 2025		\$105,000 Property in TY 2026 (*)	
City Taxing Authority	Rate	Taxes	Rate	Taxes
Primary Property Tax (2% Increase)	0.6045	\$ 60.45	0.5872	\$ 61.66
Secondary Property Tax (Flat Rate)	0.8000	\$ 80.00	0.8000	\$ 84.00
Total: City Taxing Authority	1.4045	\$ 140.45	1.3872	\$ 145.66
			Change	\$ 5.21

(\*) Based on 5% maximum allowed



# Primary Property Tax Levy

Consideration of 2% Primary Property Tax levy increased  
Approximately \$150K revenue

**Commercial Impact – Illustrative Only**

Flat Levy/Flat Rate Policy	\$1,000,000 Property in TY 2025		\$1,050,000 Property in TY 2026 (*)	
City Taxing Authority	Rate	Taxes	Rate	Taxes
Primary Property Tax (Flat Levy)	0.6045	\$ 997.43	0.5757	\$ 997.42
Secondary Property Tax (Flat Rate)	0.8000	\$ 1,320.00	0.8000	\$ 1,386.00
<b>Total: City Taxing Authority</b>	<b>1.4045</b>	<b>\$ 2,317.43</b>	<b>1.3757</b>	<b>\$ 2,383.42</b>
			Change	\$ 65.99

2% Levy Increase	\$1,000,000 Property in TY 2025		\$1,050,000 Property in TY 2026 (*)	
City Taxing Authority	Rate	Taxes	Rate	Taxes
Primary Property Tax (2% Increase)	0.6045	\$ 997.43	0.5872	\$ 1,017.37
Secondary Property Tax (Flat Rate)	0.8000	\$ 1,320.00	0.8000	\$ 1,386.00
<b>Total: City Taxing Authority</b>	<b>1.4045</b>	<b>\$ 2,317.43</b>	<b>1.3872</b>	<b>\$ 2,403.37</b>
			Change	\$ 85.94

(\*) Based on 5% maximum allowed



# Property Tax Levy Shift

- Reduce Secondary Tax Levy
  - Manage future debt issuance within a lower rate
  - With Flat Rate, 0.8000, planned \$480K increase revenue for debt payments
- Increase Primary Tax Levy
  - Consider shifting 1/2 the secondary tax levy to primary
  - Provides \$240K unrestricted funds for the General Fund
- Still falls in current flat rate and flat levy plan



# Property Tax Levy Shift

Consideration shift of 1/2 the planned Secondary Property Levy increase  
 Approximately \$240K revenue to General Fund  
 Residential Impact – Illustrative Only

Flat Levy/Flat Rate Policy	\$100,000 Property in TY 2025		\$105,000 Property in TY 2026 (*)	
City Taxing Authority	Rate	Taxes	Rate	Taxes
Primary Property Tax (Flat Levy)	0.6045	\$ 60.45	0.5757	\$ 60.45
Secondary Property Tax (Flat Rate)	0.8000	\$ 80.00	0.8000	\$ 84.00
<b>Total: City Taxing Authority</b>	<b>1.4045</b>	<b>\$ 140.45</b>	<b>1.3757</b>	<b>\$ 144.45</b>
			Change	\$ 4.00

Tax Levy Shift	\$100,000 Property in TY 2025		\$105,000 Property in TY 2026 (*)	
City Taxing Authority	Rate	Taxes	Rate	Taxes
Primary Property Tax	0.6045	\$ 60.45	0.5947	\$ 62.45
Secondary Property Tax	0.8000	\$ 80.00	0.7810	\$ 82.00
<b>Total: City Taxing Authority</b>	<b>1.4045</b>	<b>\$ 140.45</b>	<b>1.3757</b>	<b>\$ 144.45</b>
			Change	\$ 4.00

(\*) Based on 5% maximum allowed



# Property Tax Levy Shift

Consideration shift of 1/2 the planned Secondary Property Levy increase  
 Approximately \$240K revenue to General Fund  
**Commercial Impact– Illustrative Only**

Flat Levy/Flat Rate Policy	\$1,000,000 Property in TY 2025		\$1,050,000 Property in TY 2026 (*)	
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<b>Total: City Taxing Authority</b>	<b>1.4045</b>	<b>\$ 2,317.43</b>	<b>1.3757</b>	<b>\$ 2,383.42</b>
			Change	\$ 65.99

Tax Levy Shift	\$1,000,000 Property in TY 2026		\$1,050,000 Property in TY 2026 (*)	
City Taxing Authority	Rate	Taxes	Rate	Taxes
Primary Property Tax	0.6045	\$ 997.43	0.5947	\$ 1,030.37
Secondary Property Tax	0.8000	\$ 1,320.00	0.7810	\$ 1,353.05
<b>Total: City Taxing Authority</b>	<b>1.4045</b>	<b>\$ 2,317.43</b>	<b>1.3757</b>	<b>\$ 2,383.42</b>
			Change	\$ 65.99

(\*) Based on 5% maximum allowed



# Property Tax Direction

Staff is looking for direction on the following:

1. Increase primary property tax levy for budgetary needs
  - Each 2% levy increase is approximately \$150,000
2. Use the secondary property tax levy shift to increase the primary property tax levy
  - Staff will analyze how much the tax shift could be and maintain our ability to pay GO bond debt
  - If not chosen, we will continue to pay off debt sooner



# User Fees and Rates

What user fees and rates we are reviewing...

- General Fund
  - Communication and Civic Engagement
  - Parks, Recreation, Open Space and Events
  - Short Term Rental License
- Airport
- Sustainability
- Solid Waste

# Council Forum/ Budget Expectations

