

## MINUTES

SPECIAL BUDGET MEETING  
THURSDAY, FEBRUARY 14, 2013  
FLAGSTAFF AQUAPLEX  
1702 NORTH FOURTH STREET  
8:00 A.M.

1. **Call to Order**

Mayor Nabours called the meeting to order at 8:03 A.M.

2. **Roll Call**

*NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.*

Present:

MAYOR NABOURS	
VICE MAYOR EVANS	COUNCILMEMBER ORAVITS
COUNCILMEMBER BAROTZ	COUNCILMEMBER OVERTON
COUNCILMEMBER BREWSTER	COUNCILMEMBER WOODSON

Others present: City Manager Kevin Burke; Deputy City Attorney Michelle D'Andrea.

3. **Budget Discussion / Direction:**

*(The following times are estimated; actual times may vary)*

8:00 AM - 8:15 AM Overview of retreat

Mr. Burke welcomed everyone and reviewed the process they would be following for the meeting.

8:15 AM - 9:15 AM Presentation of Targets

Mr. Burke then began review of the targets, referenced in the attached PowerPoint presentation, Exhibit A, attached hereto and made a part hereof, which addressed:

◆EMPLOYEE COMPENSATION

Mr. Burke reviewed the compensation charts. He clarified that a market increase would apply to everyone; a merit increase would be performance-based and some are already at the top of their range and would not be eligible. The salary survey was done with Arizona comparisons, not on a national basis. He added that the Employee Advisory Committee (EAC) indicated that compaction was not as important as a market increase.

He then reviewed the targets related to infrastructure, and also the spreadsheet which had previously been provided indicating the streets in need of repair. He noted that the big numbers were on those streets that were the worst; they were past the period of repair and needed to be rebuilt.

He said that \$51 million was needed to get all streets up to the target condition, and those would be one-time funds; \$26 million was needed just to maintain them in poor condition. Dan Holmes reviewed the list. He added that the figures were from the 2010 survey of the street conditions. The bonds would be taking care of some of the worst streets and they have not been evaluated since this time.

Mr. Burke said that they would need to take it in steps; the next target would be the \$4.5 million which would be an annual investment to maintain the roads.

Councilmember Woodson asked what the typical source of funding was for streets. Mr. Burke replied that historically the HURF (Highway User Revenue Fund) was, and they have been supplemented by the 4/10 of 1% transportation tax which was designated for specific projects, plus the Safe Routes to School program.

It was noted that these were targets. If they are not reached the conditions just continue to get worse and worse.

Mr. Burke said that the good news was on the revenue side they were expecting a \$1 million increase ongoing from sales tax. The bad news was that between health insurance increases, pensions, other insurances, etc., that will all be used up.

Further discussion was held on the compensation issue. Ms. Anderson explained that they were comparing structures of municipalities in Arizona. They look at the midpoint of their structure and compare it to Flagstaff's midpoint. She said that benefits were comparable. They have not compared with municipalities in surrounding states.

Councilmember Oravits asked if any comparison had been made between public versus private employees. He often hears that many in the private sector have taken a 40-50% pay cut. Mr. Burke noted that they also have the number of position comparison and the City has reduced the number of positions by 13%. He said that they compared with other municipalities in Arizona because that is where the City attracts or loses their work force.

#### 9:15 AM - 10:15 AM Recreation Fees

Brian Grube, Recreation Director, continued with the PowerPoint presentation that addressed:

- ◆WHY ARE WE HERE TODAY?

- ◆LEVELS OF COST COVERY

- ◆USER FEE POLICY

- ◇Purpose

- ◇Rationale

Vice Mayor Evans asked who sets the “high priority” programming in Recreation. Mr. Grube said that historically it has been between staff, the Council and the Parks and Recreation Commission members. Vice Mayor Evans said that she would like to see those programs be more transparent. Mr. Burke said that the Commission would be the public’s avenue for public participation.

- ◇Fee Guidelines
- ◇Fee Waivers

Mr. Burke noted that there are a number of recreation programs sponsored by the City of Flagstaff, and there are also private groups using the facilities and fields. The difference is that when the City uses the facility for fee, there is no cost recovery, but the private groups are charged.

#### ◆USER FEE INCREASES

Vice Mayor Evans asked what the \$100,000 was to be used for. Mr. Burke said that it was budgeted to go into the General Fund. They had specific things they were trying to accomplish such as increase in parks maintenance, fleet, facilities, compensation, etc. It was a target and this was one way to raise revenues. There was not a direct use for the funds, but the Council could specify its use if they preferred.

#### ◆\$100,000 + IN ADDITIONAL REVENUE

Discussion was held on the costs for arts and craft shows in Wheeler Park and various locations around the City. Staff as asked to provide a report to Council on total costs for such events at different facilities.

#### ◆FULL COST OF SERVICES FROM 18% TO 25%

#### ◆FIELD/FACILITY MAINTENANCE COST

#### ◆FIELD/FACILITY FEE

Councilmember Oravits asked why they did not have a CPI on programming fees.

#### ◆PROGRAM FEES

Discussion was held on different scenarios for raising fees, and Council consensus was to direct staff to shoot for the \$330,000 target by increasing adult user fees across the board by 10% and adding a CPI, and increasing the 18% to 25% with the 7% a year over 3 years. Staff was directed to bring back information on total costs involved of holding events, for A, B and C type events.

A break was held from 10:21 a.m. to 10:35 a.m.

10:30 AM - 12:00 PM Presentation of Reallocation & Revenue Possibilities

#### ◆2.5% REDUCTION EXERCISE

◆CITY MANAGER'S EMPLOYEE INNOVATION COMMITTEE

◆VACANCY/ATTRITION MANAGEMENT

◆VACANCY/ATTRITION MANAGEMENT – Strategies

◆GENERAL FUND REALLOCATIONS

Vice Mayor Evans asked if they could transfer funding for the Cardinals from the General Fund to Economic Development. Mr. Burke said that he has avoided transfers from Economic Development because they also receive a General Fund transfer. He has focused on those funds not receiving a General Fund transfer, and the BBB is attractive because it has been growing.

After questioning whether the General Fund was subsidizing Economic Development, the Mayor said that he would like to review some of those expenditures. Ms. Goodrich noted that the transfer is basically used for the operating contract for the NACET building as well as debt service.

Councilmember Oravits said that when they discussed United Way, they never got into a discussion of how they fund it. He knew they talked about housing, and he asked about the \$1 million funding from housing. Mayor Nabours added that a part of the United Way funding goes to housing issues. Mr. Burke said that Mayor talked about a voluntary contribution through the water bills, and that was a possibility.

Vice Mayor Evans declared a conflict of interest, since they were talking specifics with United Way.

Councilmember Overton said that he was not yet to the point of saying they should use the \$1.2 million from housing, but he was open to suggestions of finding different funding mechanisms. He said that outside agencies do not have to be reliant to the General Fund, and it helps them become more stable as well. If they diversity how they are funded it would insulate them from a General Fund strike.

◆REALLOCATION BETWEEN OTHER FUNDS

Councilmember Barotz said that she had some concerns with the Science Foundation as there was no direct service fee. Mayor Nabours asked when they would address whether they wanted to continue funding ECONA, SEDI and the Science Foundation. Mr. Burke noted that they had a multi-year obligation with ECONA and the Science Foundation was a collaborative effort with Flagstaff 40.

Councilmember Barotz said that she would like to look at the contract with the Science Foundation. They should be consistent in how they manage the City's money and there should be contracts with all of the agencies. Councilmember Barotz requested a list of the science grants given by Flagstaff Cultural Partners.

◆INFRASTRUCTURE/MAINTENANCE

Mr. Solberg gave some history on the downtown tree maintenance. Mr. Burke said that this started many years ago and last year the City decided that it was not worth the hassle to get the businesses to maintain the trees. Mayor Nabours said that maybe the property owners would now see that the trees are a benefit and agree to maintain them themselves.

Councilmember Brewster asked about the medians. Mr. Burke said that if the City built them, such as those on Butler, the City was maintaining them.

Discussion was held on the BBB – Recreation transfer to the General Fund. He said that the \$3 million was an either/or scenario. He said that they have been doing \$200,000 a year to offset operations, but they could consider using the \$3 million for facilities, although then they would not have the annual operations contribution.

◆LOCAL CONTROL – General Fund

Mr. Burke reviewed the various revenue sources through sales tax. A consensus of Council (Mayor Nabours, Vice Mayor Evans, and Councilmembers Barotz and Woodson) agreed to tax water sales, but then Councilmember Barotz said she would at least consider it further.

◆LOCAL CONTROL – General Fund

Mr. Burke said that the “business license” heading listed should read “sales tax license.” It was noted that if they doubled the business license, it would raise another \$33,000 approximately.

Revenue Director Andy Wagemaker said that having an annual sales tax license would help the City keep their records more current. He said that a lot of companies use the City as their CPA; the City helps them fill out their returns, provide advice, etc. and this type of license would help offset those costs.

Mayor Nabours asked if that would be affected by the State changing the laws, and suggested that they wait and see what happens there.

Vice Mayor Evans said that she appreciates the customer service provided, but asked at what point the businesses should go out and hire their own CPA's. Councilmember Oravits said that there may be legal reasons why the City should not be helping them. Mr. Wagemaker said that they would prefer to help in the front end, to ensure the City is receiving everything, rather than having to do it through an audit later on.

Further discussion was held on building fees and it was suggested that it was important to ensure that the deposit required up front would cover the costs associated with outside vendors providing plan review services, if the developer never came back in to pick up their plans.

Community Development Director Mark Landsiedel said that they bring in about \$400,000 a year with recovering 50% of building fees; so if they increased it from 50% to 60%, they could be looking at another \$40,000 to \$50,000. Vice Mayor Evans asked why

they did not consider increasing by more than 10%. Mayor Nabours noted that if they increase the fees too much it may impact the amount of building taking place.

Discussion was held on a possible increase in the Library District property tax. Library Director Heidi Holland noted that they were currently looking at a 13% deficit district-wide, and at this time if they increased it, it would keep them stay flat, but if the future as values increased it could be more beneficial.

Mr. Burke said that they included the transportation tax since this tax is set to expire in 2020. He said that they would like to set some planning in motion, with collaboration between FMPO, NAIPTA and the County. He said that they may want to consider going to the voters in 2016 or 2018 with an overall transportation tax that would address needs of all of these agencies.

Staff was directed to place on a future work session agenda discussion of a transportation sales tax election.

#### ◆POTENTIAL OPTIONS

Councilmember Overton said that he was concerned with asking staff to reduce more. They have been doing that over the last few years, and it is now to the point of asking what services they do not want to provide. He said that half of the \$1.2 million proposed will not be politically-acceptable. Mayor Nabours said that the top two reductions would be from police and fire. Councilmember Oravits asked if they need to have a discussion on reduction of services.

#### 12:00 PM - 1:00 PM Lunch

Lunch was held between 12:25 p.m. and 1:10 p.m.

#### 1:00 PM - 2:00 PM Direction from Council

Councilmember Brewster said that they have done cuts with personnel the last few years and everyone understands the results in those reductions. She said that when someone calls and no one answers the phone, or the Council wants to talk about revisiting the 4" snow policy, they all have repercussions. She did not think they could absorb any more cuts.

Vice Mayor Evans said that she would like to have a better understanding of what the roads needing work look like. Councilmember Oravits said that the roads number was huge, and if they do not find a way to quickly fund those improvements they will continue to deteriorate. He said that he would like for them to be the Council that takes care of the roads. He asked if there was something bold that could be done, possibly outsourcing an entire department.

Mr. Burke said that they would not get there by outsourcing, but to get to the scale of the issue, they would be looking at something more like closing the east branch of the Library, or closing recreational facilities. If they were looking for \$1/2 million, they are looking at closing full services. It was suggested that perhaps they try and hold another

work session prior to the April budget retreat. He said that today was more of a briefing and reality check.

#### 4. **Review of Psychological Contract**

Mr. Burke reviewed the psychological contracts developed at the previous meeting with the Nalbians. Discussion was held and the following comments were made:

- ◆ Felt the Council was functioning very well
- ◆ The Mayor runs a good meeting; he is sensitive to ensuring that everyone gets to talk
- ◆ The energy is positive and they have moved through difficult issues a good way
- ◆ Councilmembers need to be cognizant of each other's style; some may be more aggressive; do not take that the wrong way; everyone is still learning the various styles and how they react in different situations
- ◆ The Mayor has been flexible on alternating the process to improve meetings
- ◆ There is a freedom and openness to support and explore Council ideas by staff
- ◆ Appreciate everyone's comments; even though they may disagree on items the meetings have been very civil
- ◆ There may be different ways to express points of view; members will work on those
- ◆ Even though they have very distinct personalities, they work through issues and hopefully the public has seen that as being respectful of one another
- ◆ They are able to separate personal from professional
- ◆ Try not to pigeon-hole votes; remember the Council has a lot of influence
- ◆ Once a vote is taken, communications with the public should not be vetted in another direction

Discussion was held on different projects and what seemed to work and did not work between Council and staff.

- ◆ Core Services – included a lot of discussions, communications were respectful and Council pulled in staff's feedback
- ◆ Civil Rights Ordinance – good and bad; indicated the difficulty in integrating past Councilmembers that have dealt with an issue for a long time with new members
- ◆ Open Meeting Law – sometimes hampers Mayor and Councilmembers from being able to work through issues
- ◆ Water Policy – Many have differences of opinion on the different parts within the policy, but everyone agrees they need to adopt one
- ◆ By not requiring a vote on every aspect of an item, it helps their ability to have dialogue and come to consensus
- ◆ When information is sent out it would be nice to hear from at least one that they received it
- ◆ Nice to have a Mayor giving a professional appearance; believe it was evident with the recent bond election success
- ◆ Some Councilmembers struggle with context of issues that staff works on all the time; often need a lot of information
- ◆ Council appreciates staff's quick response to requests for further information; very responsive
- ◆ Reiterate to staff that questions made by Councilmembers are not to be taken as an attack; they are processing and they are not a reflection of distrust

- ◆There is a high expectation by Council of staff and it keeps staff on their toes; the community gets better government from that
- ◆Staff asks that Council feel free to communicate if something does not feel right and they may not be voting a certain way
- ◆Everyone communicates differently; some by phone, electronically, etc.

Discussion was held on the amount of information included in the staff summaries, with copies of entire contracts, etc. It was noted that some Councilmembers desire much more information than others and usually staff is compelled to include more rather than less.

- ◆Is beneficial to all when the Mayor recaps an issue at the end of a discussion and/or vote
- ◆Would be helpful to allow staff to give their entire presentation before starting to pick things apart
- ◆Further discussion on certain issues may need to be held in a work session prior to being placed on an agenda for action (example: sale of properties)
- ◆Rough start in reviewing zoning revisions, but there was good interaction at the end

5. **Adjournment**

The Special Budget Meeting of February 14, 2013, adjourned at 2:29 p.m.

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MAYOR

ATTEST:

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CITY CLERK