

---

---

# City Council Budget Retreat

December 9, 2015

---

---

# City Council Budget Retreat Outline

- Purpose and overview of retreat agenda
- Progress report on Council goals
- Budget outlook
- Fixed cost forecast
- Budget priority exercise
- Additional information requests
- Annual Federal Lobbying Trip
- Retreat Wrap up



# City Council Budget Retreat Objectives

- Review 2015 – 2017 progress report on Council Goals
- Understand initial budget outlook for FY17
- Identify budget priorities for FY17

# Progress Report on Council Goals



# Progress Report on Council goals

## City Council Goals

- Adopted by Council in December 2014
- 2 year term
- Advanced through the budget
- Provide ongoing direction and allocation of resources

*Detailed report included in packet*

# Progress Report on Council goals

## **Invest in our employees and implement retention and attraction strategies**

- 2% market increase for employees and market-based pay for sworn police
- Dispatcher retention and attraction pay strategies
- Employer Assisted Housing program for officers and dispatch employees
- Additional \$146,000 for employee training

# Progress Report on Council goals

## **Ensure Flagstaff has a long-term water supply for current and future needs**

- Water rate study
- Groundwater level monitoring study for all City-owned water supply wells
- Grant received for study of the Red Gap Ranch area
- Phase 2 Water Loss leak detection survey
- Water conservation education

# Progress Report on Council goals

**Provide sustainable and equitable public facilities, services, and infrastructure systems in an efficient and effective manner to serve all population areas and demographics**

- \$120,000 in grant funding to improve open space public facilities
- GPS routing software program for trash/recycle collections programs
- Airport Sustainability Master Plan

# Progress Report on Council goals

## **Infrastructure and Public Services Continued...**

- Stormwater improvement project at 5-Points
- Increased Library's internet speed to 70Mbps and upgraded Wi-Fi access
- Clay Avenue Wash Detention Basin
- Bushmaster Park improvements

# Progress Report on Council goals

## **Infrastructure and Public Services Continued...**

- Completed annexation, Regional Plan amendment and rezone for Core Services Maintenance Facility
- Research and development of street lighting for dark skies communities
- Capital improvement, road repair and street safety improvements

# Progress Report on Council goals

## **Explore and adopt policies to lower the costs associated with housing to the end user**

- Merger of the City's housing related functions
- Do It Yourself home energy efficiency kits and training
- High efficiency appliance incentives
- Partnerships to create additional affordable housing units
- Employer Assisted Housing program for Officers and Dispatch employees

# Progress Report on Council goals

**Develop and implement guiding principles that address public safety service levels through appropriate staffing levels**

- Reduced crime in Flagstaff 11% year to date
- Continued 3 federally-funded officers on the Southside
- Employee retention: +7% Dispatch and +13% Patrol
- Addition of legal advisor for the Police Department
- Strengthened Crime Free Multi-Housing partnerships

# Progress Report on Council goals

## **Relieve traffic congestion throughout Flagstaff**

- Milton Road study
- Bicycle system modeling
- Review of City's Transportation Impact Analysis procedures and FMPO regional travel model
- I-40W, I-40E and I-17 Corridor Profiles
- Regional Transportation Plan Steering Committee

# Progress Report on Council goals

## **Address key issues and processes related to the implementation of the Regional Plan**

- Regional Plan 2030 Annual Report.
- Student Housing Action Plan external working group
- Parking study and extensive public outreach on parking solutions
- Citizens committee on Dark Skies

# Progress Report on Council goals

## **Improve effectiveness of notification, communication, and engagement with residents, neighborhoods and businesses and about City services**

- Peak Democracy, an online civic engagement forum
- Zoning code amendments to public notifications and neighborhood meeting requirements
- Outreach on the proposed charter amendments

# Progress Report on Council goals

## **Improve effectiveness of notification, communication, and engagement with residents, neighborhoods and businesses and about City services**

- Body camera program completed for all uniformed officers and supervisors
- Online access to City utility bills
- Online display of grants awarded to the City
- Hosted several of signature community events

# Progress Report on Council goals

## **Foster relationships and maintain economic development commitment to partners**

- Revisions to animal keeping chapter of the City Code
- Skilled nursing facility for veterans
- Marketing Flagstaff as a premier travel destination
- Partnered with Nestle Purina to extend the GPLET
- Opened the Business Accelerator

# Progress Report on Council goals

## **Decrease the number of working poor**

- Legal research on a local livable wage authority
- Managed the sale of auto park Lot 11 – job creation
- Computer training to the un/under employed
- High efficiency incentives to home owners and renters
- Job training, one-on-one tutoring and resume/application trainings
- Connected with ten new businesses openings

# Progress Report on Council goals

## **Ensure that we are as prepared as possible for extreme weather events**

- Emergency backup generator at the landfill
- Alternate Emergency Operations Center
- Upper Lake Mary watershed monitoring
- Monsoon Awareness Program
- Flagstaff Watershed Protection Project
- Continuity of Operations Planning

# Progress Report on Council goals

## Recap

- Confirmation of Council goals
- FY17 Budget will continue to advance Council goals

# FY17 Budget Outlook



# Budget Outlook

## What is working against us?

- Recession Talk
- Arizona Department of Revenue – Transition
- Mid-Decade Census
- Pension Costs/Litigation
- Discussion of the elimination of state income tax (impact on local sales tax)

# Budget Outlook

## What is working for us?

- Revenue Projections
- Tourism
- ADOR Delay
- Housing Market
- Construction

# Budget Outlook

## What is working for us?

- Fuel Prices
- PSPRS Legislation
- NAU Projected Growth
- Downtown District Manager
- Interest Rates

# Budget Outlook

## What is working for us?

- Team Flagstaff



# FY17 Budget Outlook – Fixed Costs



# Budget Outlook – Fixed Costs

## Compensation

- Market Pay
  - General Fund \$1,800,847
  - Other Funds \$830,178
- Maintain Market Pay
  - General Fund \$202,141
  - Other Funds \$155,018
- 1% increase
  - General Fund \$415,000
  - Other Funds \$170,000

# Budget Outlook – Fixed Costs

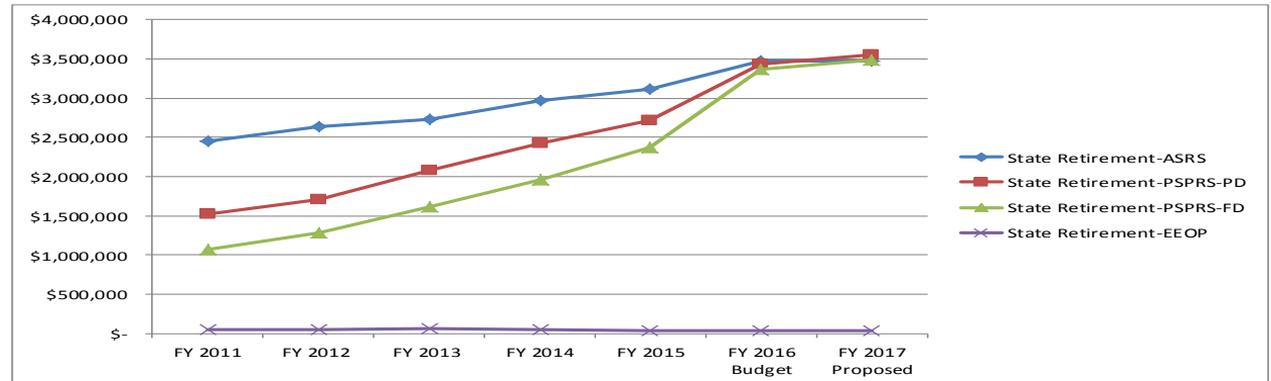
## Health/Dental/Vision

- Preliminary estimate is a 5% increase
- General Fund has 5% in 5-Year Plan

# Budget Outlook – Fixed Costs

- Pensions
- ASRS
- PSPRS

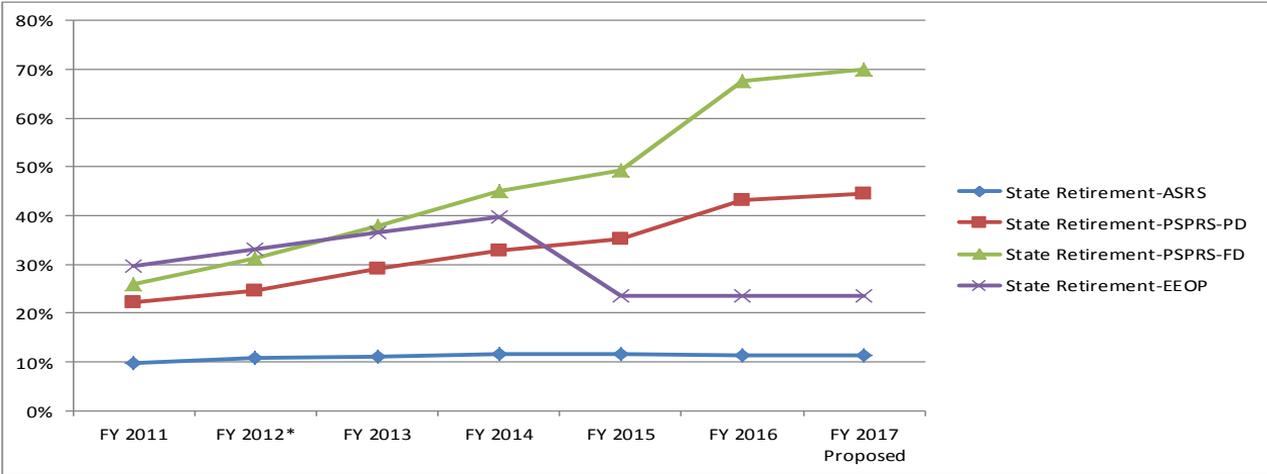
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 Budget	FY 2017 Proposed
State Retirement-ASRS	2,447,568	2,634,123	2,737,048	2,963,027	3,121,635	3,468,941	3,468,941
State Retirement-PSPRS-PD	1,517,911	1,710,445	2,081,724	2,420,059	2,722,514	3,435,091	3,555,319
State Retirement-PSPRS-FD	1,067,592	1,287,623	1,609,719	1,957,678	2,375,094	3,371,916	3,489,933
State Retirement-EEOP	48,694	54,254	65,703	56,413	40,950	39,870	39,870
<b>Total</b>	<b>5,081,765</b>	<b>5,686,445</b>	<b>6,494,194</b>	<b>7,397,177</b>	<b>8,260,194</b>	<b>10,315,818</b>	<b>10,554,063</b>
<b>CHANGE YEAR TO YEAR</b>							
State Retirement-ASRS	11,778	186,555	102,925	225,979	158,608	347,306	-
State Retirement-PSPRS-PD	(29,289)	192,534	371,279	338,335	302,455	712,577	120,228
State Retirement-PSPRS-FD	(133,768)	220,031	322,096	347,959	417,416	996,822	118,017
State Retirement-EEOP	14,835	5,560	11,449	(9,290)	(15,463)	(1,080)	-
<b>Total</b>	<b>(136,444)</b>	<b>604,680</b>	<b>807,749</b>	<b>902,983</b>	<b>863,017</b>	<b>2,055,624</b>	<b>238,245</b>
<b>% CHANGE</b>							
State Retirement-ASRS	0%	8%	4%	8%	5%	11%	0%
State Retirement-PSPRS-PD	-2%	13%	22%	16%	12%	26%	3%
State Retirement-PSPRS-FD	-11%	21%	25%	22%	21%	42%	3%
State Retirement-EEOP	44%	11%	21%	-14%	-27%	-3%	0%



# Budget Outlook – Fixed Costs

- Pensions
- ASRS
- PSPRS

	FY 2011	FY 2012*	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Proposed
State Retirement-ASRS	9.85%	10.74%	11.14%	11.54%	11.60%	11.47%	11.47%
State Retirement-PSPRS-PD	22.32%	24.54%	29.22%	32.87%	35.16%	43.29%	44.66%
State Retirement-PSPRS-FD	25.97%	31.28%	37.80%	44.99%	49.26%	67.71%	70.05%
State Retirement-EEOP	29.79%	32.99%	36.44%	39.62%	23.50%	23.50%	23.50%
* FY 2012 shown at ASRS 50/50 split.							
<b>CHANGE YEAR TO YEAR</b>							
State Retirement-ASRS	0.45%	0.89%	0.40%	0.40%	0.06%	-0.13%	0.00%
State Retirement-PSPRS-PD	0.17%	2.22%	4.68%	3.65%	2.29%	8.13%	1.37%
State Retirement-PSPRS-FD	-1.51%	5.31%	6.52%	7.19%	4.27%	18.45%	2.34%
State Retirement-EEOP	3.54%	3.20%	3.45%	3.18%	-16.12%	0.00%	0.00%

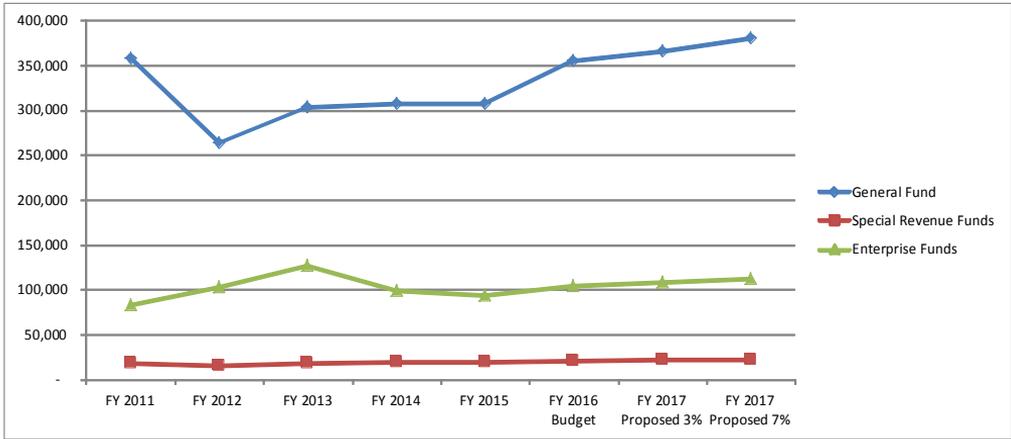


# Budget Outlook – Fixed Costs

- Utilities

UTILITIES-WTR-SWR-REFUSE	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 Budget	FY 2017 Proposed 3%	FY 2017 Proposed 7%
General Fund	357,981	263,953	303,489	307,087	306,967	355,575	366,242	380,465
Special Revenue Funds	18,222	16,232	18,123	19,454	19,304	21,077	21,709	22,552
Enterprise Funds	83,024	103,489	126,681	99,103	93,425	105,100	108,253	112,457
	459,227	383,674	448,293	425,644	419,696	481,565	496,204	515,474

CHANGE YEAR TO YEAR								
General Fund	(26,516)	(94,028)	39,536	3,598	(120)	48,608	10,667	24,890
Special Revenue Funds	1,842	(1,990)	1,891	1,331	(150)	1,773	632	1,475
Enterprise Funds	1,792	20,465	23,192	(27,578)	(5,678)	11,675	3,153	7,357
	(22,882)	(75,553)	64,619	(22,649)	(5,948)	62,056	14,452	33,722



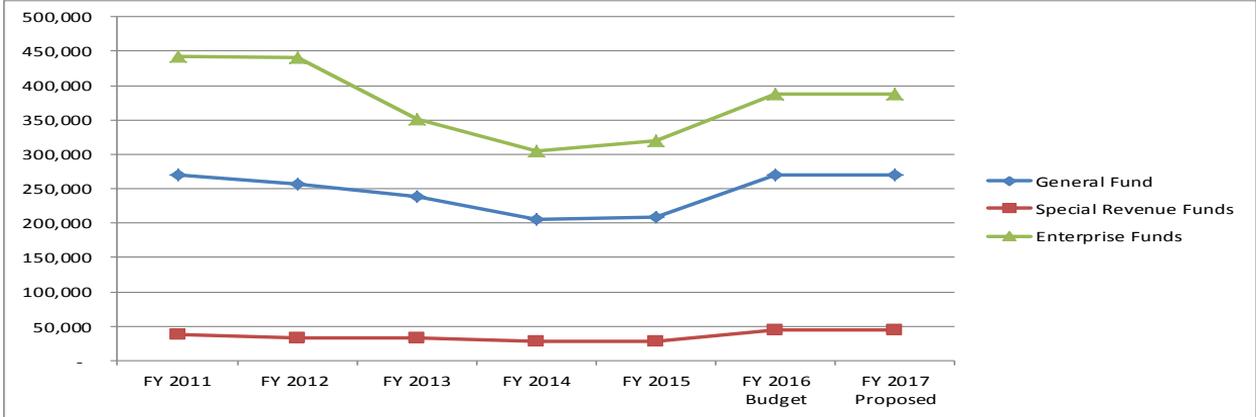
# Budget Outlook – Fixed Costs

- Utilities

UTILITIES-NATURAL GAS	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 Budget	FY 2017 Proposed
General Fund	270,401	257,039	239,189	205,213	209,335	270,292	270,292
Special Revenue Funds	37,452	33,528	33,442	28,376	27,394	44,052	44,052
Enterprise Funds	442,619	440,771	351,602	305,655	320,458	387,710	387,710
	<u>750,472</u>	<u>731,338</u>	<u>624,233</u>	<u>539,244</u>	<u>557,186</u>	<u>702,054</u>	<u>702,054</u>

CHANGE YEAR TO YEAR							
General Fund	2,921	(13,362)	(17,850)	(33,976)	4,122	60,957	-
Special Revenue Funds	2,293	(3,924)	(86)	(5,066)	(983)	16,659	-
Enterprise Funds	151,235	(1,848)	(89,169)	(45,947)	14,803	67,252	-
	<u>156,449</u>	<u>(19,134)</u>	<u>(107,105)</u>	<u>(84,989)</u>	<u>17,942</u>	<u>144,868</u>	<u>-</u>



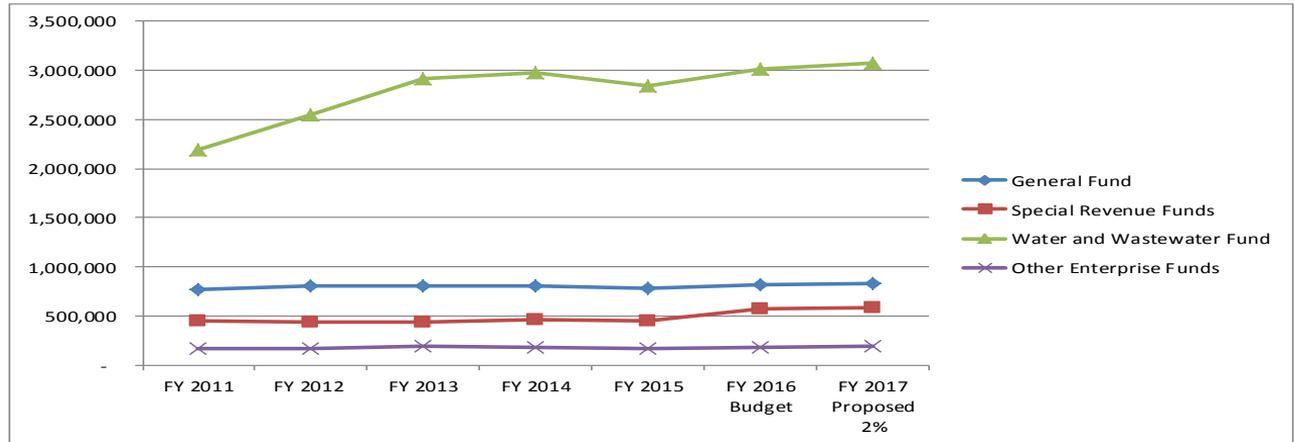
- Utilities

# Budget Outlook – Fixed Costs

UTILITIES-LIGHT & POWER	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 Budget	FY 2017 Proposed 2%
General Fund	761,813	800,023	798,516	810,054	783,555	817,615	833,967
Special Revenue Funds	454,243	440,485	441,980	464,297	448,160	574,256	585,741
Water and Wastewater Fund	2,190,164	2,547,268	2,912,123	2,981,300	2,843,134	3,016,558	3,076,889
Other Enterprise Funds	166,681	168,585	189,896	174,589	171,635	181,357	184,984
	<b>3,572,901</b>	<b>3,956,361</b>	<b>4,342,515</b>	<b>4,430,240</b>	<b>4,246,485</b>	<b>4,589,786</b>	<b>4,681,581</b>

## CHANGE YEAR TO YEAR

General Fund	33,133	38,210	(1,507)	11,538	(26,499)	34,060	16,352
Special Revenue Funds	(14,195)	(13,758)	1,495	22,317	(16,137)	126,096	11,485
Water and Wastewater Fund	(143,150)	357,104	364,855	69,177	(138,166)	173,424	60,331
Other Enterprise Funds	14,740	1,904	21,311	(15,307)	(2,954)	9,722	3,627
	<b>(109,472)</b>	<b>383,460</b>	<b>386,154</b>	<b>87,725</b>	<b>(183,755)</b>	<b>343,301</b>	<b>91,795</b>

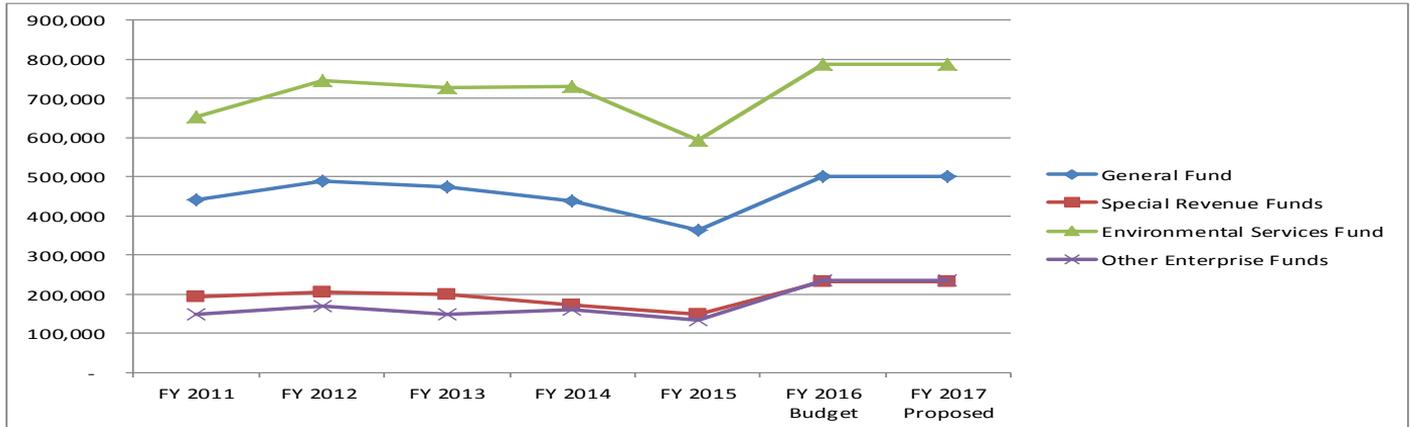


# Budget Outlook – Fixed Costs

- Fuel

FUEL AND OIL	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 Budget	FY 2017 Proposed
General Fund	440,187	487,851	473,765	437,818	362,588	501,971	501,971
Special Revenue Funds	192,195	205,734	198,732	173,440	149,363	231,388	231,388
Environmental Services Fund	653,976	744,762	728,091	729,528	593,303	786,092	786,092
Other Enterprise Funds	149,702	168,243	150,015	159,278	134,658	234,695	234,695
	<b>1,436,060</b>	<b>1,606,590</b>	<b>1,550,603</b>	<b>1,500,064</b>	<b>1,239,912</b>	<b>1,754,146</b>	<b>1,754,146</b>

CHANGE YEAR TO YEAR							
General Fund	51,466	47,664	(14,086)	(35,947)	(75,230)	139,383	-
Special Revenue Funds	6,665	13,539	(7,002)	(25,292)	(24,077)	82,025	-
Environmental Services Fund	154,344	90,786	(16,671)	1,437	(136,225)	192,789	-
Other Enterprise Funds	(4,562)	18,541	(18,228)	9,263	(24,620)	100,037	-
	<b>207,913</b>	<b>170,530</b>	<b>(55,987)</b>	<b>(50,539)</b>	<b>(260,152)</b>	<b>514,234</b>	<b>-</b>



# Budget Outlook – Fixed Costs

## Workers Compensation and Property Liability

- Too Early to Tell, but a 5% increase will:
- Increase Workers Compensation expense by \$45K (\$30K to General Fund)
- Increase Property Insurance expense by \$43K, this can be absorbed in the Self Insurance Trust Fund.

# FY17 Budget Priorities Exercise



# FY17 Budget Priorities Exercise

## **What does the Council think should be the highest priority or areas of emphasis in FY17 Budget?**

- Divide into mixed Council, Leadership and EAC groups (7)
- Councilmembers to individually recommend priorities
- Connect recommended priorities to Council goals
- What does success look like for these priorities? (i.e. % increase, etc.)
- Dot voting to determine collective Council priorities

# FY17 Budget Priorities Exercise

## Starting Place

- Council's established 11 goals
- Progress report on Council goals
- Budget outlook
- EAC and Leadership Team's recommended priorities

# FY17 Budget Priorities Exercise

## Employee Advisory Committee's Recommended Budget Priorities

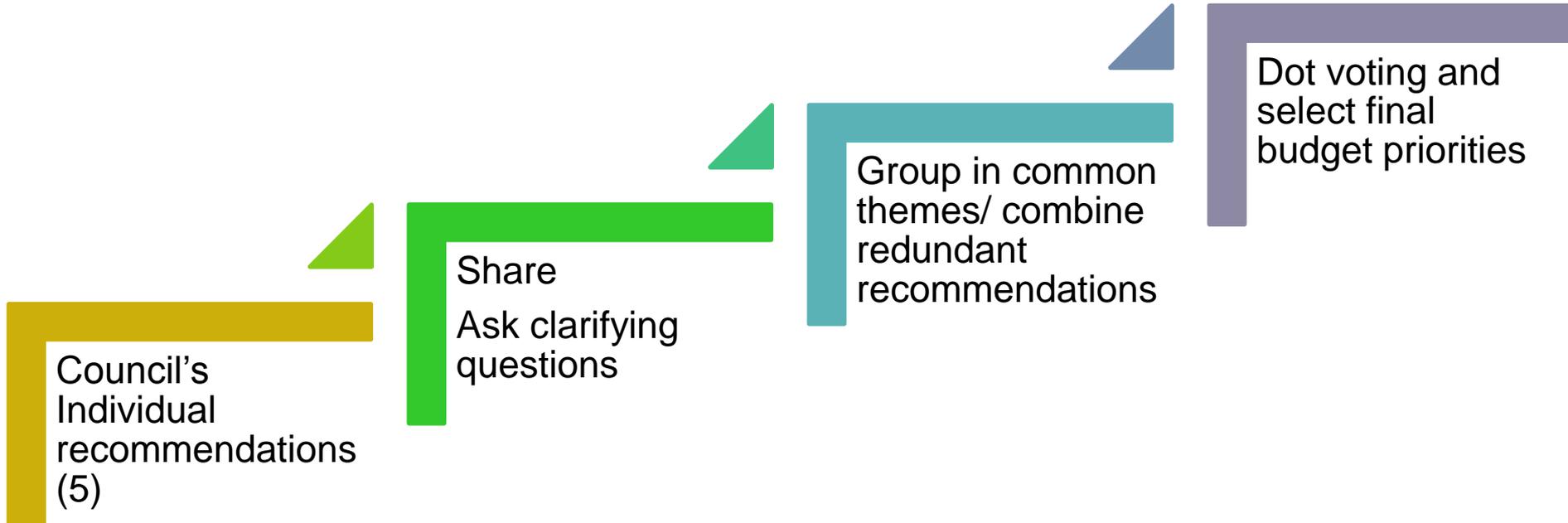
- Merit
- Market
- Insurance Costs Decreased or Stabilized
- Compaction
- Restoration of Deferred Compensation & Insurance Subsidy
- Vacation Payout
- Paid Maternity/Paternity Leave
- Christmas Eve Holiday

# FY17 Budget Priorities Exercise

## Leadership Team's Recommended Budget Priorities

- Employee compensation
- Technology resources
- Employee training
- Projects/programs that grow economy
- Communication and outreach resources

# FY17 Budget Priorities Exercise



# FY17 Budget Priorities Exercise

## **Council Discussion**

- Review outcomes of priority setting exercise
- Identify highest priorities or areas of emphasis
- Consider success indicators

# Retreat Wrap-up



# Annual Federal Lobbying Trip

