

## **WORK SESSION AGENDA**

CITY COUNCIL WORK SESSION  
TUESDAY  
NOVEMBER 10, 2020

STAFF CONFERENCE ROOM  
SECOND FLOOR - CITY HALL  
211 WEST ASPEN AVENUE  
3:00 P.M.

### **ATTENTION**

**IN-PERSON AUDIENCES AT CITY COUNCIL MEETINGS HAVE BEEN SUSPENDED UNTIL FURTHER NOTICE**

The meetings will continue to be live streamed on the city's website  
(<https://www.flagstaff.az.gov/1461/Streaming-City-Council-Meetings>)

### **PUBLIC COMMENT PROTOCOL**

**The process for submitting a public comment has changed and public comments will no longer be read by staff during the Council Meetings.**

All public comments will be taken either telephonically or accepted as a written comment.

**Public comments may be submitted to [publiccomment@flagstaffaz.gov](mailto:publiccomment@flagstaffaz.gov)**

If you wish to address the City Council with a public comment by phone you must submit the following information:

First and Last Name  
Phone Number  
Agenda Item number you wish to speak on

If any of this information is missing, you will not be called. We will attempt to call you only one time. We are unable to provide a time when you may be called.

All comments submitted otherwise will be considered written comments and will be documented into the record as such.

If you wish to email Mayor and Council directly you may do so at [council@flagstaffaz.gov](mailto:council@flagstaffaz.gov).

---

## **AGENDA**

### **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 legal advice and discussion 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. Pledge of Allegiance and Mission Statement**

**MISSION STATEMENT**

*The mission of the City of Flagstaff is to protect and enhance the quality of life for all.*

**3. ROLL CALL**

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

MAYOR EVANS

VICE MAYOR SHIMONI

COUNCILMEMBER ASLAN

COUNCILMEMBER MCCARTHY

COUNCILMEMBER ODEGAARD

COUNCILMEMBER SALAS

COUNCILMEMBER WHELAN

**4. Public Participation**

*Public Participation enables the public to address the council about items that are not on the prepared agenda. Public Participation appears on the agenda twice, at the beginning and at the end of the work session. You may speak at one or the other, but not both. Anyone wishing to comment at the meeting is asked to fill out a speaker card and submit it to the recording clerk. When the item comes up on the agenda, your name will be called. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone to have an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.*

**5. Review of Draft Agenda for the November 17, 2020 City Council Meeting**

*Citizens wishing to speak on agenda items not specifically called out by the City Council may submit a speaker card for their items of interest to the recording clerk.*

**6. PBB Final Priorities and Objectives**

**7. Employee Survey Results**

**8. Housing Presentation to City Council on the impacts of COVID-19 on Flagstaff's most vulnerable community members**

**9. Presentation and Recommendations: regarding additional CDBG-CV (Community Development Block Grant funding for prevention, preparation and response to Coronavirus) funds provided to the City of Flagstaff by the Department of Housing and Urban Development and the CARES (Coronavirus Aid, Relief, and Economic Security) Act.**

**10. Discuss strategies that would recognize the true cost of carbon associated with transportation in Flagstaff and looking at options to offset that true cost in some fashion.**

11. Discussion regarding the City's Bed, Board, and Beverage (BBB) appropriation.
12. Public Participation
13. Informational Items To/From Mayor, Council, and City Manager; future agenda item requests
14. 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 \_\_\_\_\_, 2020.

\_\_\_\_\_  
Stacy Saltzburg, MMC, City Clerk

## **CITY OF FLAGSTAFF**

### **STAFF SUMMARY REPORT**

**To:** The Honorable Mayor and Council  
**From:** Sarah Langley, Management Analyst  
**Co-Submitter:** Shane Dille  
**Date:** 11/02/2020  
**Meeting Date:** 11/10/2020



---

#### **TITLE**

#### **PBB Final Priorities and Objectives**

#### **STAFF RECOMMENDED ACTION:**

Give feedback on and approve edits to the PBB budget objectives in order to incorporate public input received through the PBB Community Input Survey.

#### **EXECUTIVE SUMMARY:**

In May of 2019, the City of Flagstaff embarked on a journey to implement Priority Based Budgeting (or PBB). PBB is a leading best practice in municipal government budgeting and allows cities to re-envision how they utilize their budgets. Specifically, PBB enables cities to measure investments in priorities, create programmatic insights, and identify opportunities for future action. PBB also offers an array of opportunities for public engagement in the city's budgeting process.

In order to achieve greater public involvement in the City's budgeting process, the PBB Project Team conducted a PBB Community Input survey to create an opportunity for Flagstaff community members to provide their feedback and input on the PBB budget objectives. Specifically, the survey allowed Flagstaff community members to suggest edits to existing objectives or suggest new objectives to be added. City staff will present the key themes that emerged from the survey, as well as suggested edits to the PBB budget objectives that would work to incorporate this public input. The key themes from the survey, as well as a presentation that outlines the suggested edits, can be found as attachments in the agenda packet.

After the PBB budget objectives are approved by Council, staff and Peer Review teams will utilize the approved objectives to score each of the City's programs. This scoring data can then be used to further guide budgetary decision-making and prioritize programs based on their alignment with Flagstaff's Key Community Priorities and Objectives.

#### **INFORMATION:**

##### **Has there been previous council decision on this topic?**

- At the January 16, 2019, Council Budget Retreat, staff presented the topic of High Performing Government. This included consideration for changing budget processes to a priority-based system.
- At the April 2019 Council Budget Retreat, staff presented a budget which included funding for



## Priority Based Budgeting.

- At the May 2019 Council Meeting, Council approved the Sole Source License and Host Agreement with Resource Exploration, LLC for Priority Based Budgeting.
- At the September 2019 Council Retreat, Council provided input on the PBB Priorities and Objectives.
- At the October 2019 Council Meeting, Council provided further input on the PBB Priorities and Objectives and agreed upon a final version.
- At the December 2019 Council Meeting, Council heard an update on the progress of implementing PBB, specifically focusing on the Program Inventory and Program Costing phases.
- At the January 2020 Council Meeting, Council heard an update on the progress of implementing PBB, specifically focusing on the Program Scoring phase.
- At the February 2020 Budget Retreat, Council heard an overview of the online PBB tools that would be available for future use in analyzing Flagstaff's PBB data.
- At the August 2020 Council Meeting, Council heard an initial overview of the PBB Public Engagement Plan.
- At the September 2020 Council Meeting, Council was presented with more detail on the PBB Public Engagement Plan and directed staff to proceed with the PBB Community Input Survey to gather public input on the PBB budget objectives.

**Attachments:**

## Presentation

## Council Approved Priorities and Objectives Sept 22 Update

### Key Themes from Survey

### Neighborhood Map



# Priority Based Budgeting

Community Input Survey





# Community Input Survey

Flagstaff's Key  
Community Priorities  
and Objectives





# PBB Survey Dissemination

## Outreach Methods

- Community Forum announcement
- Social media posts
- Email to community stakeholders
- Email to tribal governments
- PBB Education Videos
- Paper copies
- Newspaper advertisement
- Spanish translation of survey
- Postcard with survey link →

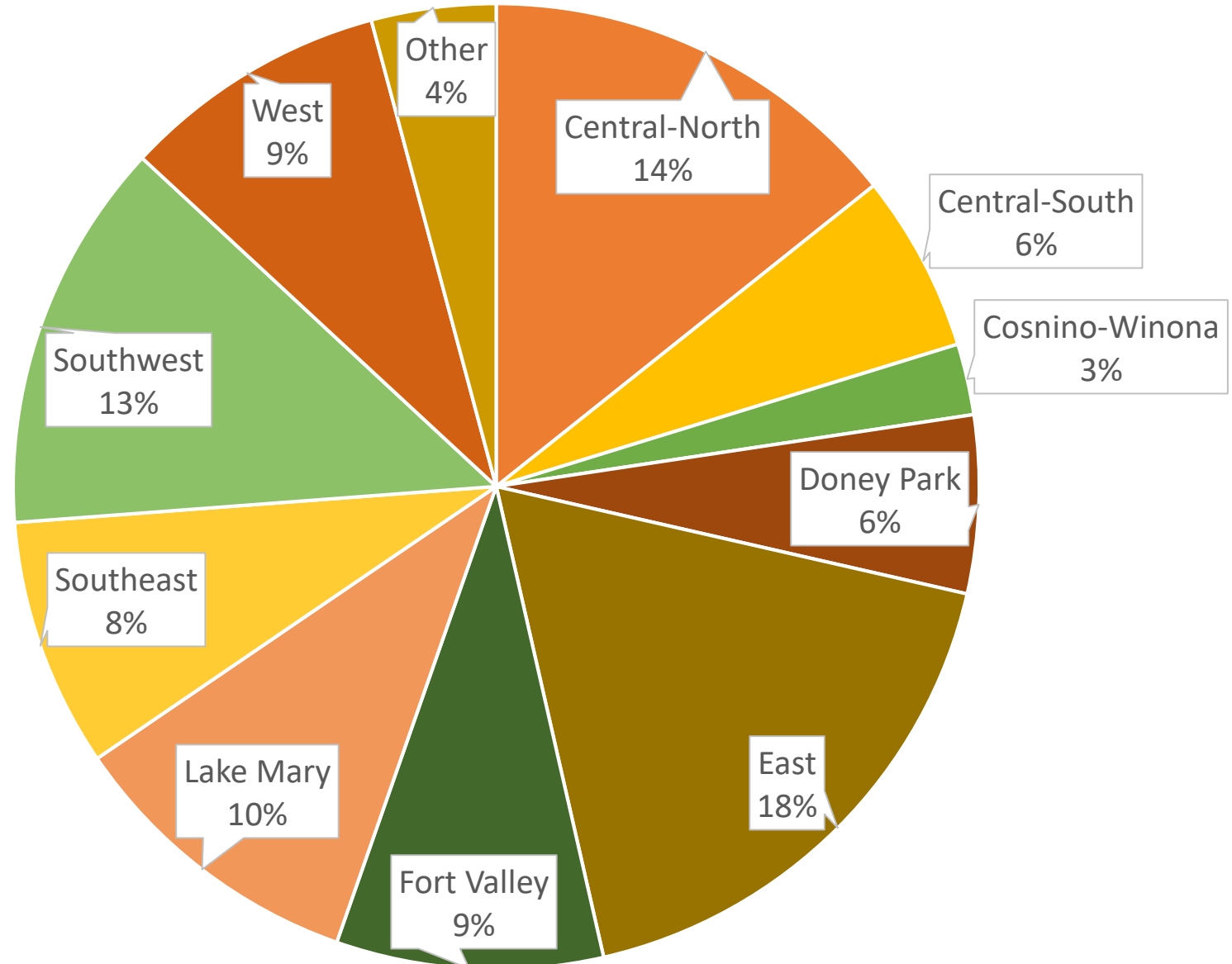
## Postcard Distribution

- Library pickup orders
- Office of Labor Standards outreach
- County Elections Office at the Flagstaff Mall
- Tabling at:
  - Buffalo Park
  - Downtown
  - Southside
  - NAU (North & South Campus)



# PBB Survey Results - Demographics

- Available on Community Forum from 9/28 to 10/19
- 168 responses total







# PBB Survey Results

## Key Themes

- Clarification of phrases
- Support for many of the existing objectives
- Broader view needed of health and safety, including mental health, physical health, & the ability to meet one's basic needs
- Increase opportunities for public involvement to reach more community members
- Demand for affordable housing and social services impacts multiple priority areas
- Demand for bike and pedestrian paths and public transit infrastructure impacts multiple priority areas



# PBB Survey Results



## High Performing Governance

1. Serve the public by providing high quality <u>internal &amp; external</u> customer service	2. Foster <b>community-wide</b> clear & consistent communication strategies & products	3. Encourage public trust through transparency, accessibility & use of the City's public participation policy
4. Enhance the organization's fiscal stability & increase efficiency & effectiveness	5. Implement innovative local government programs, new ideas & best practices; be recognized as a model for others to follow	6. <u>Become</u> an employer of choice <b>through inclusive recruitment &amp; by</b> providing employees with the necessary tools, training, <u>and</u> support <b>&amp; compensation</b>



# PBB Survey Results



## Safe & Healthy Community

1. Enhance community engagement & <del>community policing efforts</del> strengthen relationships between the community & law enforcement	2. <del>Provide support programs for victims of crimes</del> Support social services, community partners & housing opportunities	3. Provide alternative responses, resources & programs, <del>for the most vulnerable populations</del> inclusive of mental health & other services
4. Provide public safety <b>services</b> with <del>the</del> resources, staff, & training <b>responsive</b> to <del>respond</del> to the community's needs	5. <del>Foster a safe, secure, &amp; healthy community</del> Promote physical health through providing recreation opportunities, parks, open space & multiple transportation options	6. Ensure the built environment is safe through the use of consistent standards, rules & regulations, & land use practices





# PBB Survey Results



## Inclusive & Engaged Community

1. Foster community pride & civic engagement <b>by increasing opportunities for public involvement</b>	2. Advance social equity & social justice in Flagstaff <b>by supporting social services</b>	3. Facilitate & foster diversity & inclusivity, <b>including support of anti-racist policies &amp; practices</b>
4. Enhance community involvement, education & regional partnerships to strengthen the level of public trust	5. Ensure city facilities, services, & programs are accessible for all residents <b>&amp; representative of Flagstaff's diverse community</b>	6. Promote environmental justice & the fair distribution of environmental benefits



# PBB Survey Results



## Sustainable, Innovative Infrastructure

1. Deliver outstanding services to residents through a healthy, well maintained infrastructure system	2. Utilize existing long-range plan(s) that identify the community's future infrastructure needs & all associated costs	3. Provide <del>smart</del> <b>effective</b> traffic management <del>multi-modal</del> transportation, & <del>carbon neutral energy opportunities</del> & <b>expand infrastructure for pedestrians, bicyclists &amp; public transit</b>
4. <b>Facilitate &amp; develop</b> carbon-neutral energy opportunities	5. Support the community's social infrastructure needs; assist those partner organizations that provide services the City does not	



# PBB Survey Results



## Robust, Resilient Economy

1. <del>Grow</del> <b>Support</b> & strengthen a more robust, diverse, & <del>resilient</del> <b>sustainable</b> economy in ways that reflect community values & <b>provides for affordable housing opportunities</b>	2. Maintain & enhance an equitable & effective business recruitment, retention, & expansion program throughout the community	3. Enhance understanding between the development community, the City & Flagstaff residents
4. Attract employers that provide high quality jobs & have a low <del>community</del> impact <b>on infrastructure &amp; natural resources</b>	5. Enhance the community's workforce development programs & <b>improve partnerships with</b> higher education <del>opportunities</del> <b>institutions</b>	6. Embrace & invest in <b>responsible</b> tourism opportunities to promote <del>responsible</del> economic development



# PBB Survey Results



## Livable Community

1. Create a welcoming community through partnerships, resilient neighborhoods, & civic engagement	2. Provide amenities & activities that support a healthy lifestyle	3. <b>Support regional partners which</b> provide equitable & inclusive educational opportunities for Flagstaff residents of all ages
<del>4. Support the development of attainable &amp; accessible housing</del> <b>Actively support attainable &amp; affordable housing through City projects &amp; opportunities with developers</b>	5. Support diverse employment opportunities that provide residents with a living wage	6. Achieve a well-maintained community through comprehensive & equitable code compliance, <b>&amp; development that is compatible with community values</b>



# PBB Survey Results



## Environmental Stewardship

1. Promote, protect & enhance a healthy, sustainable environment & its natural resources	2. Engage community members through education & volunteer opportunities	3. Implement sustainable building practices, enhance waste diversion programs, alternative energy programs & multi-modal transportation options
4. Increase the private sector's participation in environmental stewardship efforts	5. Implement, maintain & further the Climate Action & Adaptation Plan (CAAP) with awareness of social equities	6. Strengthen Flagstaff's resilience to climate change impacts on built, natural, economic, health, & social systems



# PBB Implementation Schedule

## Next Steps

Action	Timeframe
Scoring Complete (Staff)	Early December
Peer Review Complete (Staff / Public)	Mid/ Late December
Data complete	Early January





# Thank you





# CITY OF FLAGSTAFF

## Key Community Priorities











# CITY OF FLAGSTAFF

## Priority Based Budgeting Priorities and Objectives



 <b>High Performing Governance</b>	 <b>Safe &amp; Healthy Community</b>	 <b>Inclusive &amp; Engaged Community</b>	 <b>Sustainable, Innovative Infrastructure</b>	 <b>Robust Resilient Economy</b>	 <b>Livable Community</b>	 <b>Environmental Stewardship</b>
Serve the public by providing high quality internal and external customer service	Provide alternative responses, resources & programs for the most vulnerable populations	Foster community pride and civic engagement	Deliver outstanding services to residents through a healthy, well maintained infrastructure system	Grow and strengthen a more robust, diverse, and resilient economy in ways that reflect community values	Create a welcoming community through partnerships, resilient neighborhoods, civic engagement	Promote, protect and enhance a healthy and sustainable environment
Foster clear and consistent communication strategies and products	Provide public safety with the resources, staff, and training to respond to community needs	Advance social equity and social justice in Flagstaff	Utilize existing long-range plan(s) that identify the community's future infrastructure needs and all associated costs	Maintain and enhance an equitable and effective business recruitment, retention, and expansion program throughout the community	Provide amenities and activities that support a healthy lifestyle	Engage community members through education and volunteer opportunities
Encourage public trust through transparency, accessibility and use of the City's public participation policy	Enhance community engagement and community policing efforts	Facilitate and foster diversity and inclusivity	Provide smart traffic management, multi-modal transportation & carbon-neutral energy opportunities	Enhance understanding between the development community, the City and Flagstaff residents	Provide equitable and inclusive educational opportunities for Flagstaff residents of all ages	Implement sustainable building practices, enhance waste diversion programs, alternative energy programs and multi-modal transportation options
Enhance the organization's fiscal stability and increase efficiency and effectiveness	Provide support programs for victims of crimes	Enhance community involvement, education and regional partnerships to strengthen the level of public trust	Support the community's social infrastructure needs; assist those partner organizations that provide services the City does not	Attract employers that provide high quality jobs and have a low community impact	Support the development of attainable and accessible housing	Increase the private sector's participation in environmental stewardship efforts
Implement innovative local government programs, new ideas and best practices; be recognized as a model for others to follow	Foster a safe, secure, and healthy community	Ensure city facilities, services, and programs are accessible for all residents		Enhance the community's workforce development programs and higher education opportunities	Support diverse employment opportunities that provide residents with a living wage	Implement, maintain and further the Climate Action and Adaptation Plan (CAAP)
Become an employer of choice and provide employees with the necessary tools, training, and support	Ensure the built environment is safe through the use of consistent standards, rules and regulations, and land use practices	Promote environmental justice & the fair distribution of environmental benefits		Embrace and invest in tourism opportunities to promote responsible economic development	Achieve a well-maintained community through comprehensive and equitable code compliance	Strengthen Flagstaff's resilience to climate change impacts on built, natural, economic, health, and social systems

THE OBJECTIVES LISTED IN THIS DOCUMENT WERE APPROVED BY COUNCIL ON SEPT 22, 2020. THE OBJECTIVES ARE SUBJECT TO CHANGE PENDING COUNCIL APPROVAL OF COMMUNITY INPUT.

# Overview of Results from the PBB Community Input Survey

## Key Community Priority: High Performing Governance

### Key Themes from Survey

- City should make more of an effort to cut expenses and make tax dollars go further
  - Addressed in obj. 4
- A need for continuity in government and accountability
  - Addressed in obj. 3
- More transparency within meetings/ facilities
  - Addressed in obj. 3
- City needs to pay livable wages to staff
  - Clause added to address this theme in obj. 6
- City staff need to be more diverse/ represent the population of Flagstaff
  - Clause added to address this theme in obj. 6
- More public participation in City decision-making processes
  - Clause added to address this theme in Inclusive & Engaged Community, obj. 1
- More widespread communication needed (using technology)
  - Clause added to address this theme in obj. 2

### Suggested Edits to Objectives

(Council approved text | Suggested change based on community input)

1. Serve the public by providing high quality ~~internal & external~~ customer service
2. Foster **community-wide** clear & consistent communication strategies & products
3. Encourage public trust through transparency, accessibility & use of the City's public participation policy
4. Enhance the organization's fiscal stability & increase efficiency & effectiveness
5. Implement innovative local government programs, new ideas & best practices; be recognized as a model for others to follow
6. ~~Become~~ an employer of choice **through inclusive recruitment & by providing** employees with the necessary tools, training, ~~and support~~ **& compensation**

# Key Community Priority: Safe & Healthy Community

## Key Themes from Survey

- Provide mental health resources, accelerated crisis response, social workers
  - Clause added to address this theme in obj. 3
- People being able to meet their basic needs makes the community safer
  - Clause added to address this theme in obj. 2
- Lack of clarity about what community policing means
  - Clause added to address this theme in obj. 1
- More diversity within the police department
  - Clause added to address this theme in High Performing Governance, obj. 6
- Fully fund/ increase funding for police and fire and provide adequate staffing
  - Addressed in obj. 4
- More/ improved parks and open spaces/ recreational opportunities
  - Clause added to address this theme in obj. 5
- Improve/ protect bike lanes and PED paths/ expand public transit
  - Clause added to address this theme in obj. 5
- Importance of affordable housing in achieving health and safety
  - Clause added to address this theme in obj. 2
- Stop/ limit growth and building development
  - Clause added to address this theme in Livable Community, obj. 6
- Proactively address wildfire
  - Clause added to address this theme in Environmental Stewardship, obj. 1

## Suggested Edits to Objectives

(Council approved text | Suggested change based on community input)

1. Enhance community engagement & ~~community policing efforts~~ **strengthen relationships between the community & law enforcement**
2. ~~Provide support programs for victims of crimes~~ **Support social services, community partners & housing opportunities**
3. Provide alternative responses, resources & programs, ~~for the most vulnerable populations~~ **inclusive of mental health & other services**
4. Provide public safety **services** with ~~the~~ resources, staff, & training **responsive to respond to the community's** needs
5. ~~Foster a safe, secure, & healthy community~~ **Promote physical health through providing recreation opportunities, parks, open space & multiple transportation options**
6. Ensure the built environment is safe through the use of consistent standards, rules & regulations, & land use practices

# Key Community Priority: Inclusive & Engaged Community

## Key Themes from Survey

- Foster communication and interaction among community members
  - Addressed in obj. 1
- Support social services for low income residents, including library, education support, hygiene
  - Clause added to address this theme in obj. 2
- Include indigenous perspectives & listen to underrepresented voices
  - Clauses added to address this theme in objs. 1, 3, & 4
- Need for more City communication outside of Council meetings/ more widely publicized information/ use of technology
  - Clause added to address this theme in obj. 1
  - Also addressed in High Performing Governance, obj. 2
- Recognize racism as an issue in Flagstaff/ promote anti-racist policies and programs
  - Clause added to address this theme in obj. 3
- City workforce & leadership should be more diverse
  - Clause added to address this theme in High Performing Governance, obj. 6
- Support/ develop more affordable housing
  - Clause added to address this theme in obj. 2
- Community events and education programs should be inclusive of those commonly ignored (homeless/ undocumented ppl) and be reflective of the heritage of the land
  - Clause added to address this theme in obj. 5

## Suggested Edits to Objectives

(Council approved text | Suggested change based on community input)

1. Foster community pride & civic engagement by increasing opportunities for public involvement
2. Advance social equity & social justice in Flagstaff by supporting social services
3. Facilitate & foster diversity & inclusivity, including support of anti-racist policies & practices
4. Enhance community involvement, education & regional partnerships to strengthen the level of public trust
5. Ensure city facilities, services, & programs are accessible for all residents & representative of Flagstaff's diverse community
6. Promote environmental justice & the fair distribution of environmental benefits

# Key Community Priority: Sustainable, Innovative Infrastructure

## Key Themes from Survey

- Traffic congestion is very bad/ Lack of clarify with the term “smart traffic”
  - Clause added to address this theme in obj. 3
- More and better protected bike & PED lanes needed/ expanded bus routes
  - Clause added to address this theme in obj. 3
- Limit growth/ high rise buildings
  - Clause added to address this theme in Livable Community, obj. 6
- Affordable housing is part of sustainable infrastructure
  - Addressed in obj. 5
- Maintain/ improve existing infrastructure
  - Addressed in obj. 1
- Support social infrastructure/ partner organizations/ homeless individuals/ schools
  - Addressed in obj. 5
- Utilize alternative energy solutions & support carbon neutrality
  - Clause added to address this theme in obj. 4
- Utilize long term plans to make smart-infrastructure related decisions
  - Addressed in obj. 2

## Suggested Edits to Objectives

(Council approved text | Suggested change based on community input)

1. Deliver outstanding services to residents through a healthy, well maintained infrastructure system
2. Utilize existing long-range plan(s) that identify the community’s future infrastructure needs & all associated costs
3. Provide ~~smart~~ **effective** traffic management ~~multi-modal transportation, & carbon-neutral energy opportunities~~ **& expand infrastructure for pedestrians, bicyclists & public transit**
4. **Facilitate & develop** carbon-neutral energy opportunities
5. Support the community’s social infrastructure needs; assist those partner organizations that provide services the City does not

# Key Community Priority: Robust, Resilient Economy

## Key Themes from Survey

- Tourism-related businesses don't provide high-quality jobs, have a high impact on the community, create trash, traffic
  - Clause added to address this theme in obj. 6
- Lack of clarity on objective 4 and the community impact phrase
  - Clause added to address this theme in obj. 4
- Reflect community values in growth
  - Clause added to address this theme in obj. 1
  - Also addressed in Livable Community, obj. 6
- Attract professional businesses/ manufacturers/ small businesses/ startups/ green businesses
  - Addressed in obj. 2
- Lack of affordable housing is holding back our economy and preventing businesses from coming to Flagstaff
  - Clause added to address this theme in obj. 1
- Provide a living wage
  - Addressed in obj. 4
- Support trade schools & workforce dev programs
  - Addressed in obj. 5
- Limit the growth of NAU/ build a better partnership with NAU between the City and University
  - Clause added to address this theme in obj. 5

## Suggested Edits to Objectives

(Council approved text | Suggested change based on community input)

1. ~~Grow~~ **Support** & strengthen a more robust, diverse, & ~~resilient~~ **sustainable** economy in ways that reflect community values **& provides for affordable housing opportunities**
2. Maintain & enhance an equitable & effective business recruitment, retention, & expansion program throughout the community
3. Enhance understanding between the development community, the City & Flagstaff residents
4. Attract employers that provide high quality jobs & have a low ~~community~~ impact **on infrastructure & natural resources**
5. Enhance the community's workforce development programs & **improve partnerships with** higher education ~~opportunities-institutions~~
6. Embrace & invest in **responsible** tourism opportunities to promote ~~responsible~~ economic development

# Key Community Priority: Livable Community

## Key Themes from Survey

- The City must work harder to make affordable housing happen and invest more/ utilize City owned parcels to develop affordable housing
  - Clause added to address this theme in obj. 4
- Limit/ ban STRs
  - Addressed in obj. 6
- Less student housing/ limit NAU growth
  - Clause added to address this theme in obj. 6
- Promote growth and new developments
  - Clause added to address this theme in Robust, Resilient Economy, obj. 1
- Recreation programs for children and seniors
  - Addressed in obj. 2
- More parks and open spaces/ improvement of existing parks
  - Addressed in obj. 2
- Promote alternative modes of transportation and the accompanying infrastructure
  - Addressed in obj. 2
- Provide a living wage in the community and for city employees
  - Addressed in obj. 5
- Address racism and white supremacy in Flagstaff
  - Clause added to address this theme in Inclusive, Engaged community obj. 3
- City does not provide education directly
  - Clause added to address this theme in obj. 3

## Suggested Edits to Objectives

(Council approved text | Suggested change based on community input)

1. Create a welcoming community through partnerships, resilient neighborhoods, & civic engagement
2. Provide amenities & activities that support a healthy lifestyle
3. Support regional partners which provide equitable & inclusive educational opportunities for Flagstaff residents of all ages
4. ~~Support the development of attainable & accessible housing~~ Actively support attainable & affordable housing through City projects & opportunities with developers
5. Support diverse employment opportunities that provide residents with a living wage
6. Achieve a well-maintained community through comprehensive & equitable code compliance, & development that is compatible with community values

# Key Community Priority: Environmental Stewardship

## Key Themes from Survey

- Demand for community-wide composting/ ability to recycle all plastics and glass
  - Addressed in obj. 3
- Concern over the cost of sustainability/ equity/ impact on the cost of living
  - Clause added to address this theme in obj. 5
- Financial incentives for businesses to “go green”
  - Addressed in obj. 4
- More public education/ campaigns against litter from residents and visitors alike
  - Addressed in obj. 2
- Take action to prevent wildfire
  - Clause added to address this theme in obj. 1
- Promote water efficiency
  - Clause added to address this theme in obj. 1
- Promote solar energy
  - Addressed in obj. 3
- Expand bus services/ promote other modes of transportation besides cars
  - Addressed in obj. 3
- Protect ecosystems/ plants/ wildlife
  - Addressed in obj. 1

## Suggested Edits to Objectives

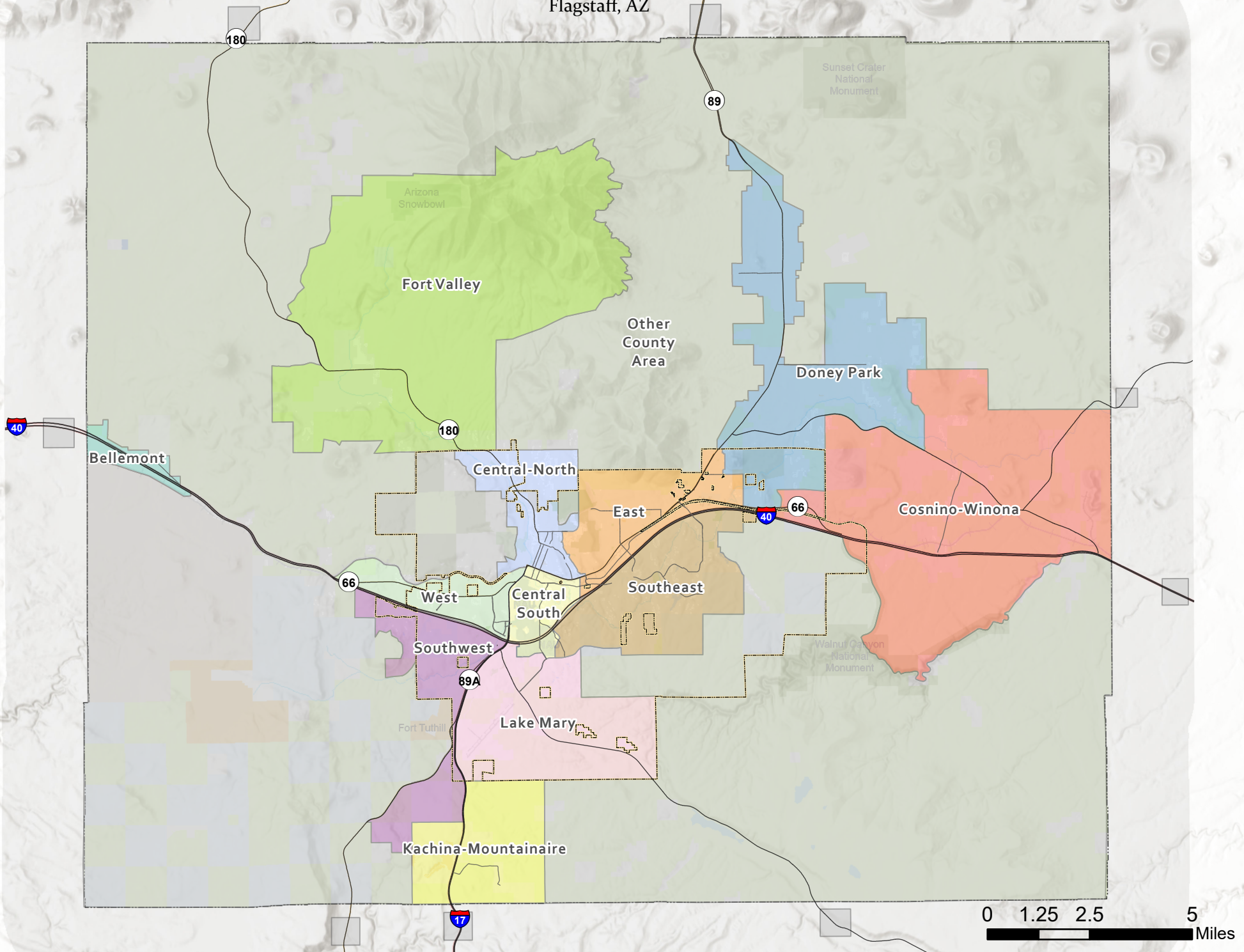
(Council approved text | Suggested change based on community input)

1. Promote, protect & enhance a healthy, sustainable environment & its natural resources
2. Engage community members through education & volunteer opportunities
3. Implement sustainable building practices, enhance waste diversion programs, alternative energy programs & multi-modal transportation options
4. Increase the private sector’s participation in environmental stewardship efforts
5. Implement, maintain & further the Climate Action & Adaptation Plan (CAAP) with awareness of social equities
6. Strengthen Flagstaff's resilience to climate change impacts on built, natural, economic, health, & social systems



# Transportation Districts

Flagstaff, AZ



## **CITY OF FLAGSTAFF**

### **STAFF SUMMARY REPORT**

**To:** The Honorable Mayor and Council  
**From:** Jennifer Caputo, Human Resources Manager  
**Date:** 11/04/2020  
**Meeting Date:** 11/10/2020



---

#### **TITLE**

**Employee Survey Results**

#### **STAFF RECOMMENDED ACTION:**

For information only

#### **EXECUTIVE SUMMARY:**

The Champions of Team Flagstaff conducted an all employee survey in 2019:

1. Survey was conducted between July 1 and October 31, 2019
2. Survey was open to regular and temporary employees
3. There were 461 respondents which was a 46% response rate
4. There were 16 questions in the survey and the opportunity for narrative with each question

#### **INFORMATION:**

See survey presentation

---

**Attachments:**    [Employee Survey Results \(Council Presentation\)](#)  
                          [2019 Employee Survey Results \(Full Presentation\)](#)

# Employee Survey 2019 Results



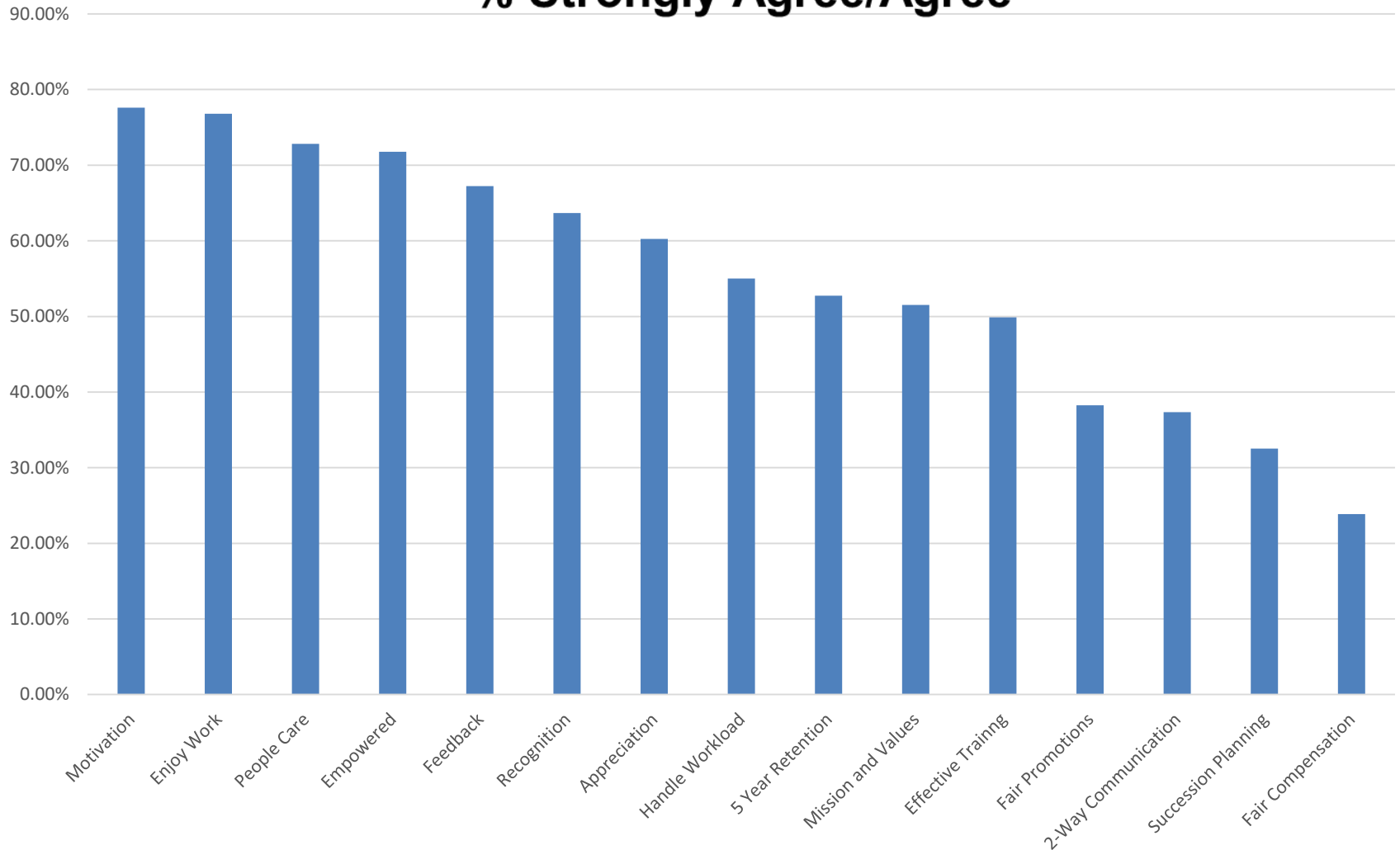
## Champions of Team Flagstaff

# 2019 Employee Survey

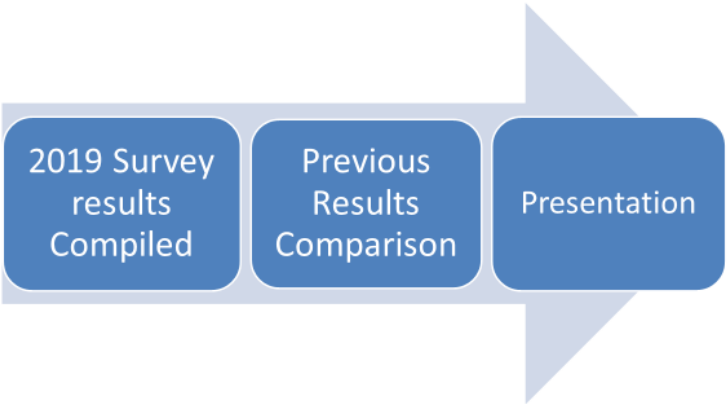
- 7/1-10/31 2019 (Pre-COVID)
- 16 questions
  - Baseline questions from previous three surveys
- Open to all City employees
- 461 Respondents (up from 434 in 2017)

# 2019 Overall Results

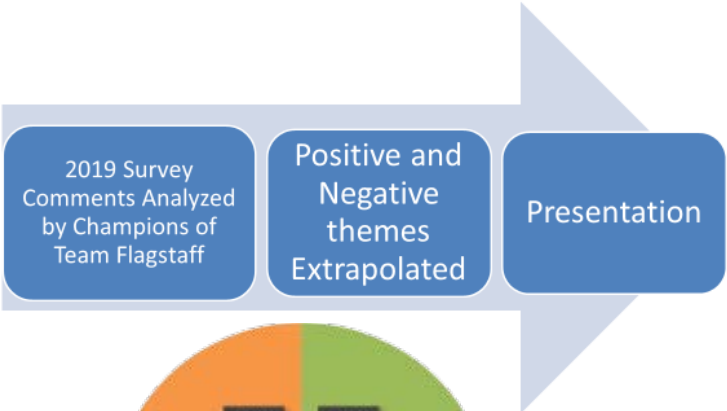
## % Strongly Agree/Agree



# Data Compilation - Quantitative

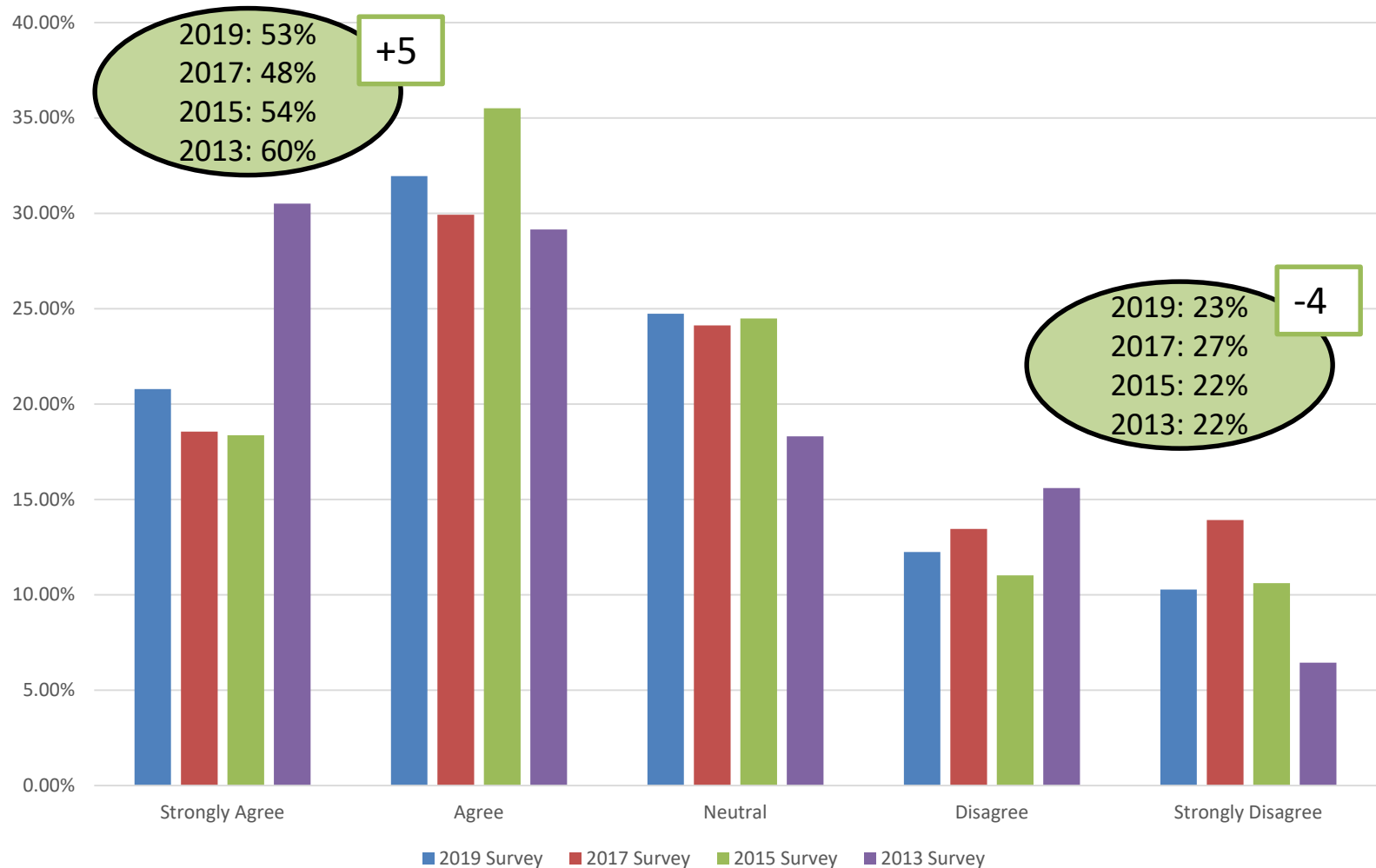


# Data Compilation – Qualitative

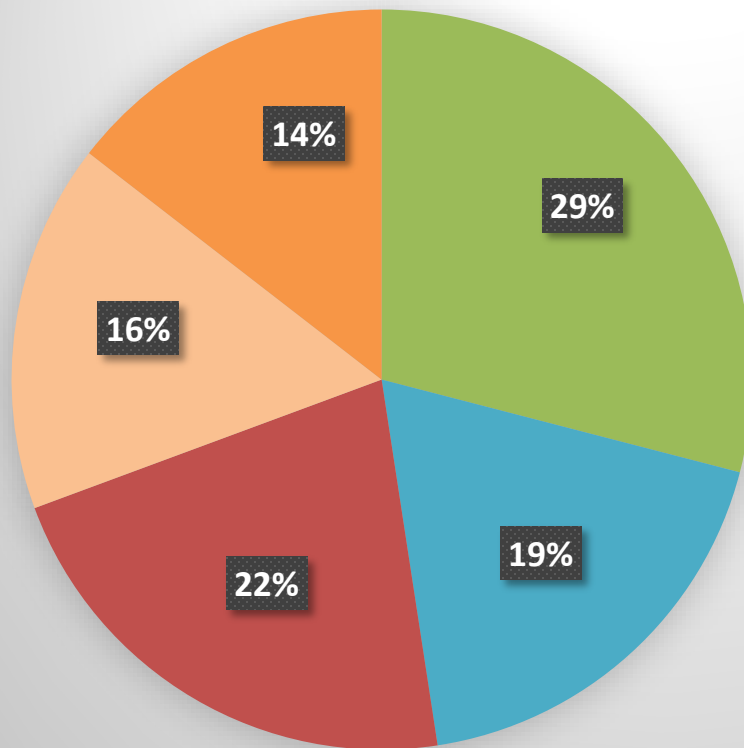


Solutions

# I expect that I will still be working for the City of Flagstaff in 5 years.



If you do not anticipate working for the City in 5 years, please state why (moving, retiring, seeking other employment, total compensation, cost of living, etc.)

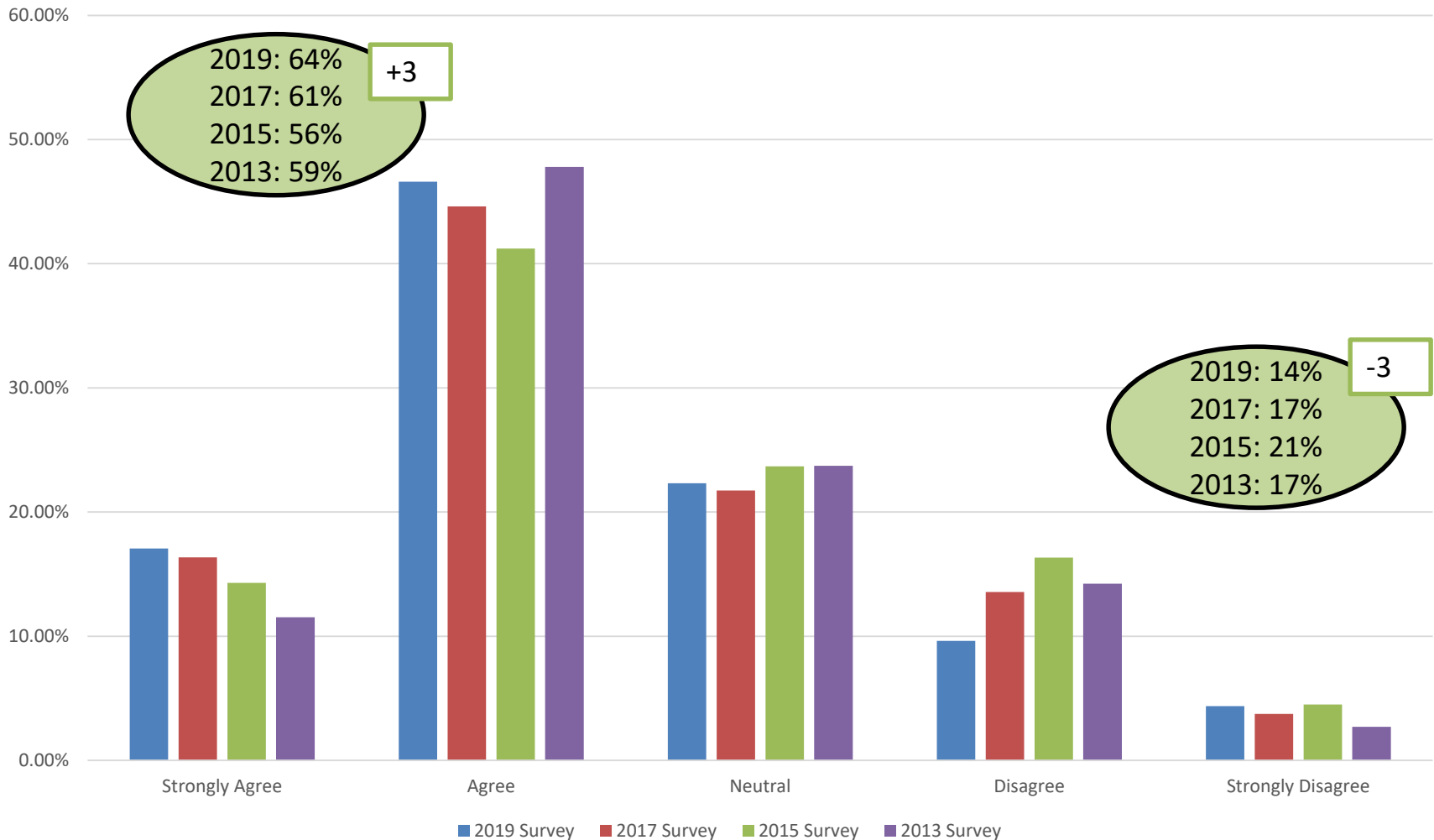


**27% Response Rate**

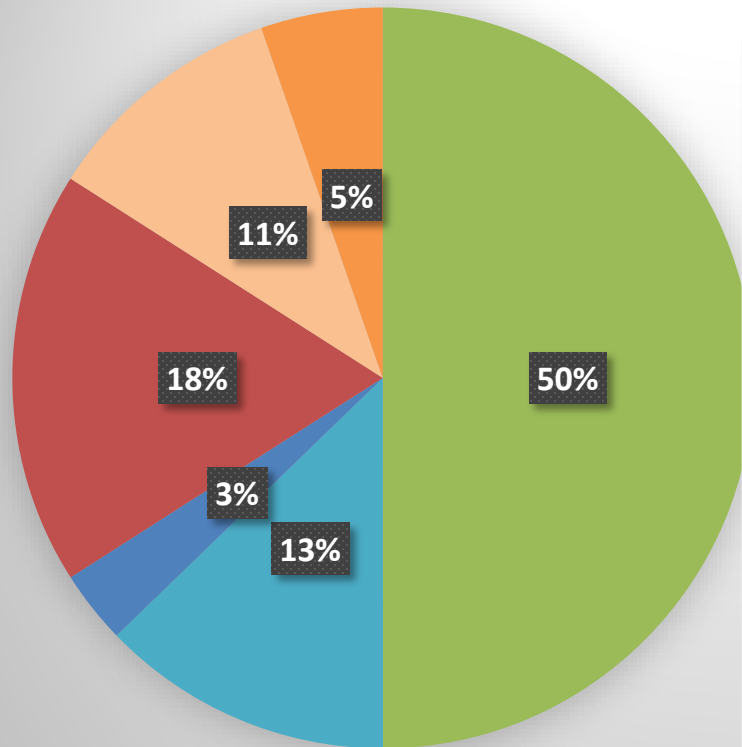
- Retirement
- I want to stay with the City
- Compensation
- Cost of Living
- Advancement Opportunity



# I am recognized when I do good work.



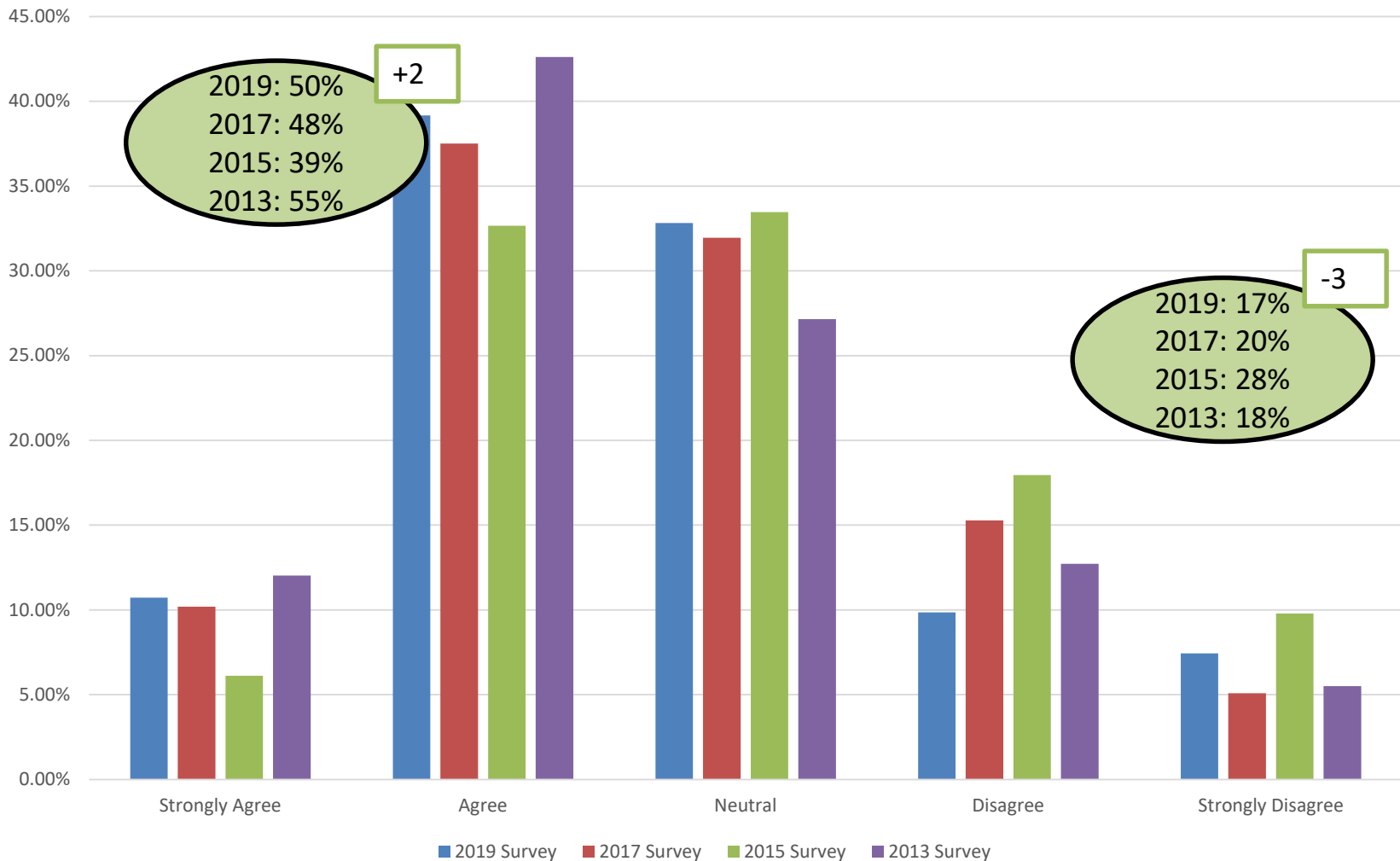
Give an example of effective recognition you have received.



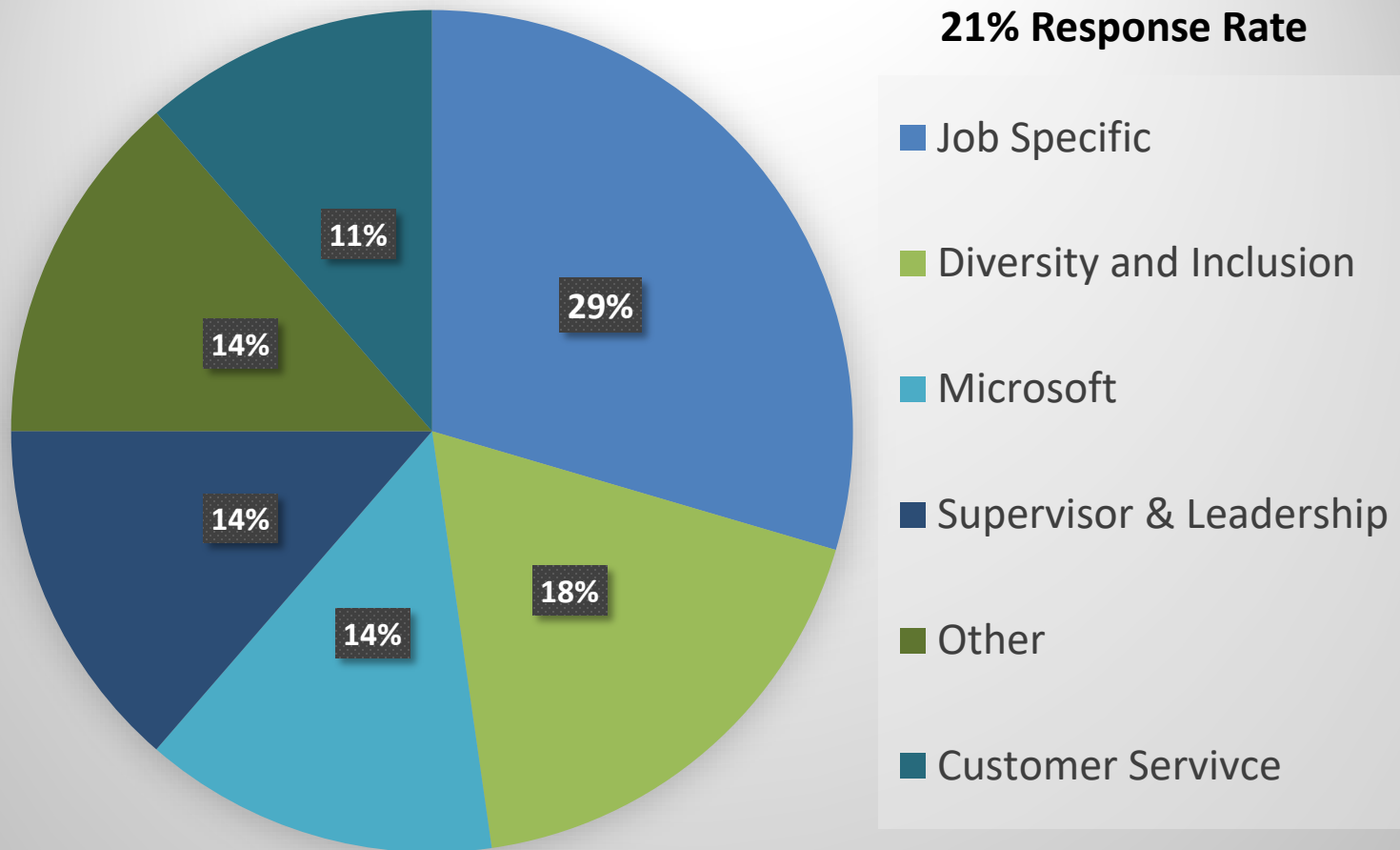
### 21% Response Rate

- Words of appreciation & acknowledgement
- Nomination for or recipient of award
- Recognition from other departments and/or the public
- Do not receive recognition
- No consistent system for recognition
- Extra effort backfires

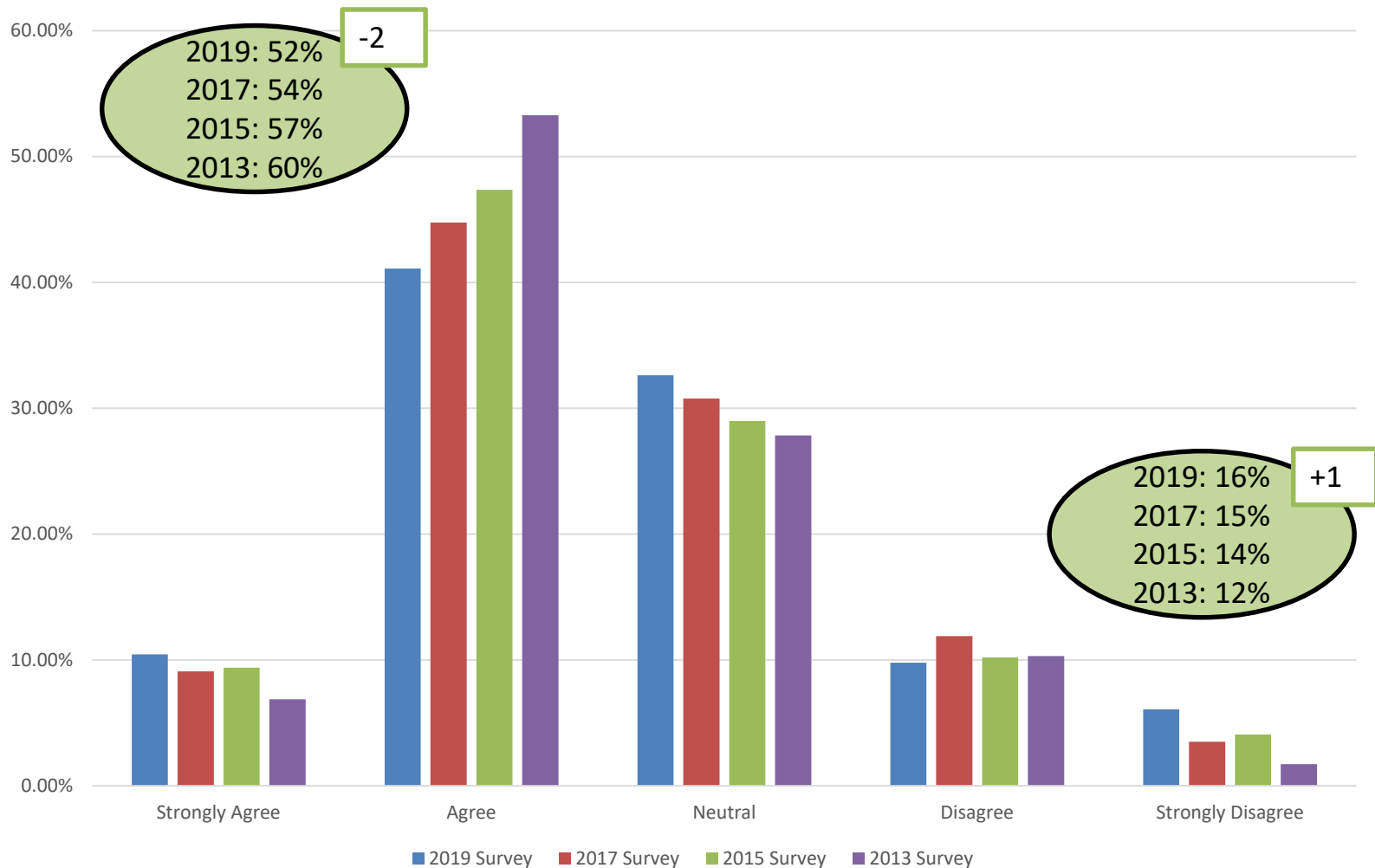
# The City of Flagstaff provides effective training in areas of need.



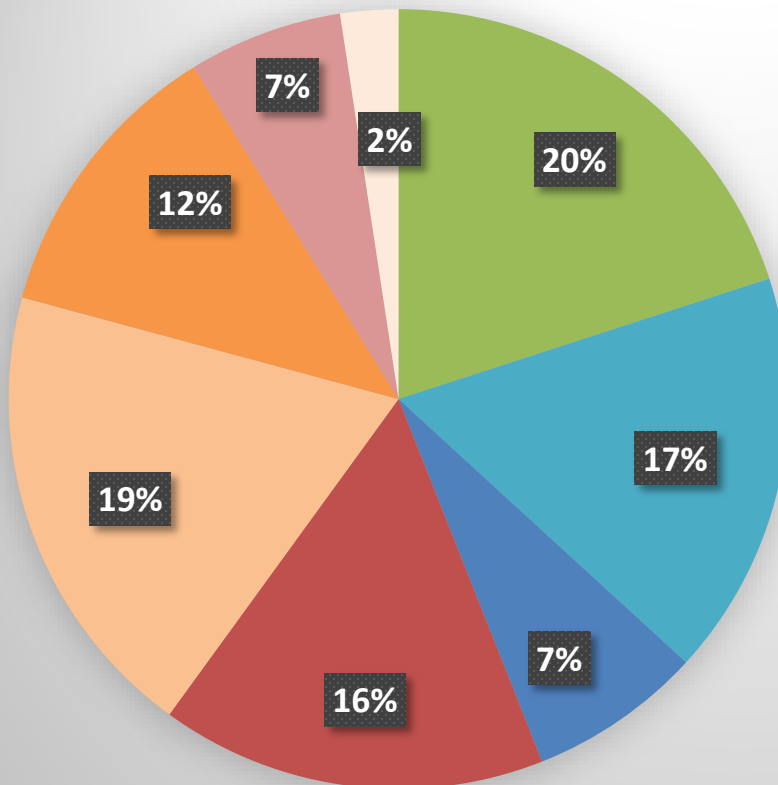
## What City-sponsored trainings would you like to see offered in the future?



# Citywide we are accomplishing our mission and upholding our values.



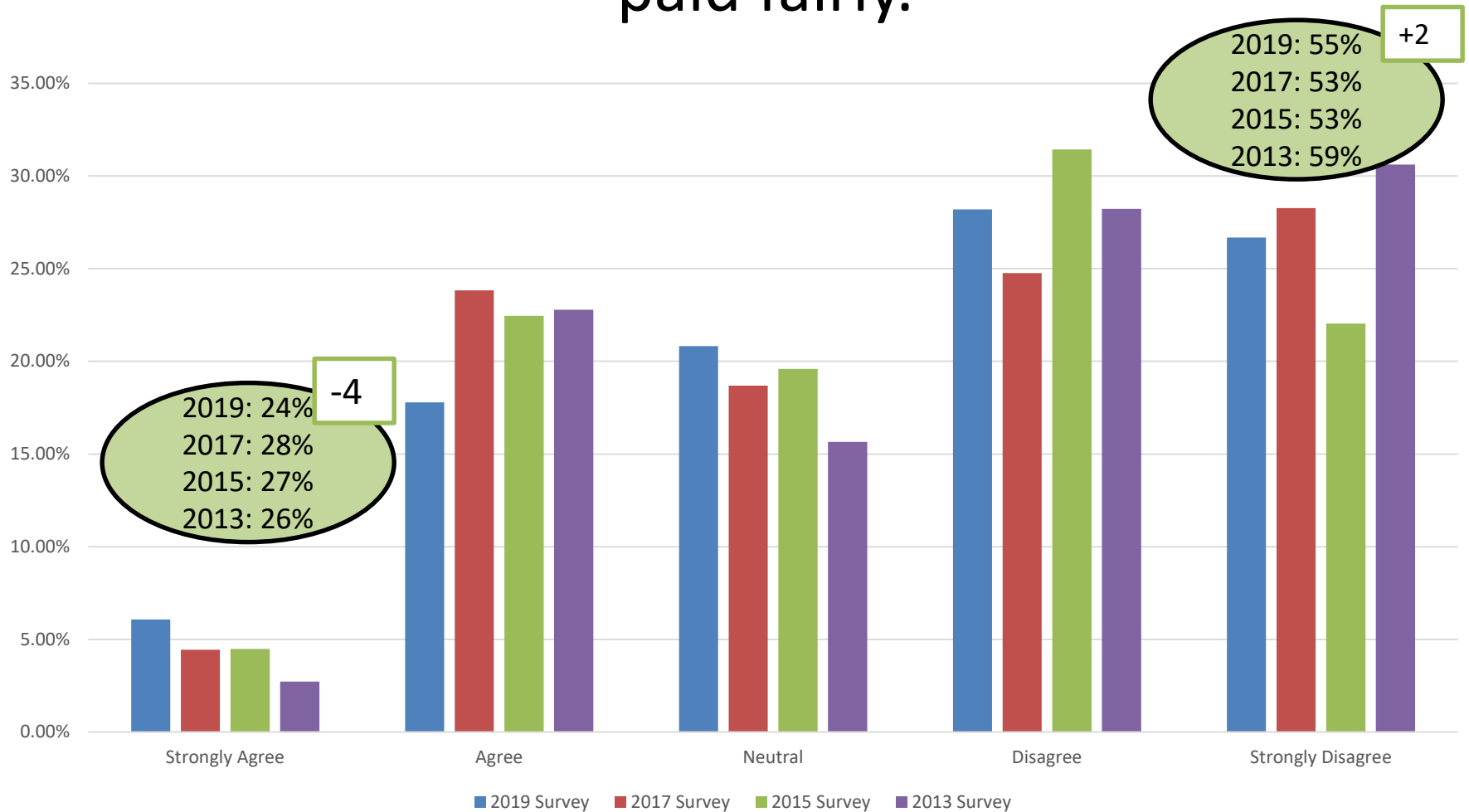
## What demonstrates that we are accomplishing our mission and values?



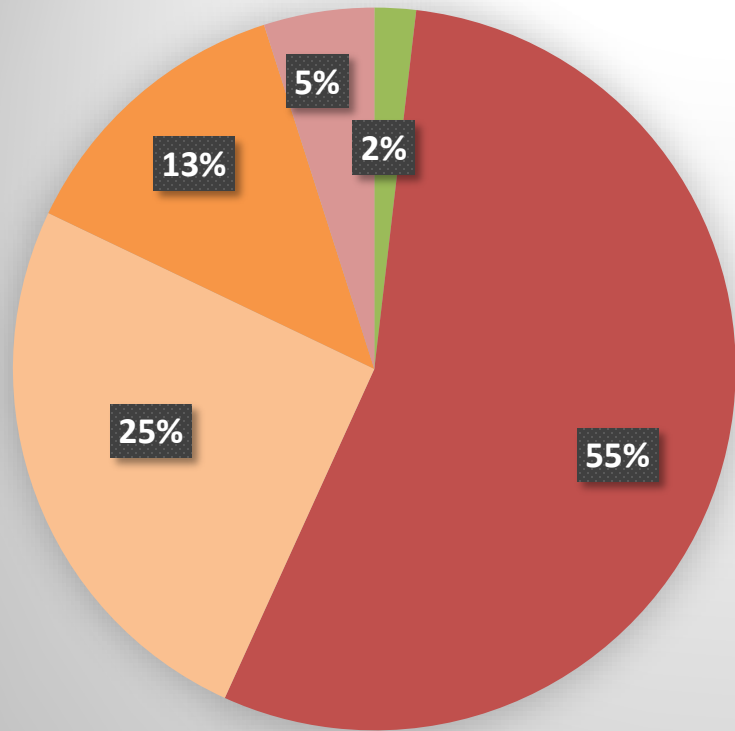
### 23% Response Rate

- Service Levels
- Employee Engagement
- Leadership/Alignment to Mission
- Leadership
- Alignment to Mission/goals
- Service Levels
- Employee Engagement
- Compensation- Pay Equity

# Compared to others in my line of work, I am paid fairly.



## Paid Fairly Comments:



### 36% Response Rate

- Paid Fairly
- Pay too low, under market
- Pay not aligned to responsibility or experience
- Pay scales not equitable; Advancement not clearly defined
- Don't know



# Next Steps:

Present results to  
EAC

Conduct analysis to  
create initiatives

Present findings and  
recommended  
initiatives to all  
employees

Create Champions  
subcommittees to  
implement  
initiatives

Evaluate  
improvements on  
next survey

# Questions?

Suggestions? Send them to [ChampionsOfTeamFlagstaff@flagstaffaz.gov](mailto:ChampionsOfTeamFlagstaff@flagstaffaz.gov)

# Employee Survey 2019 Results



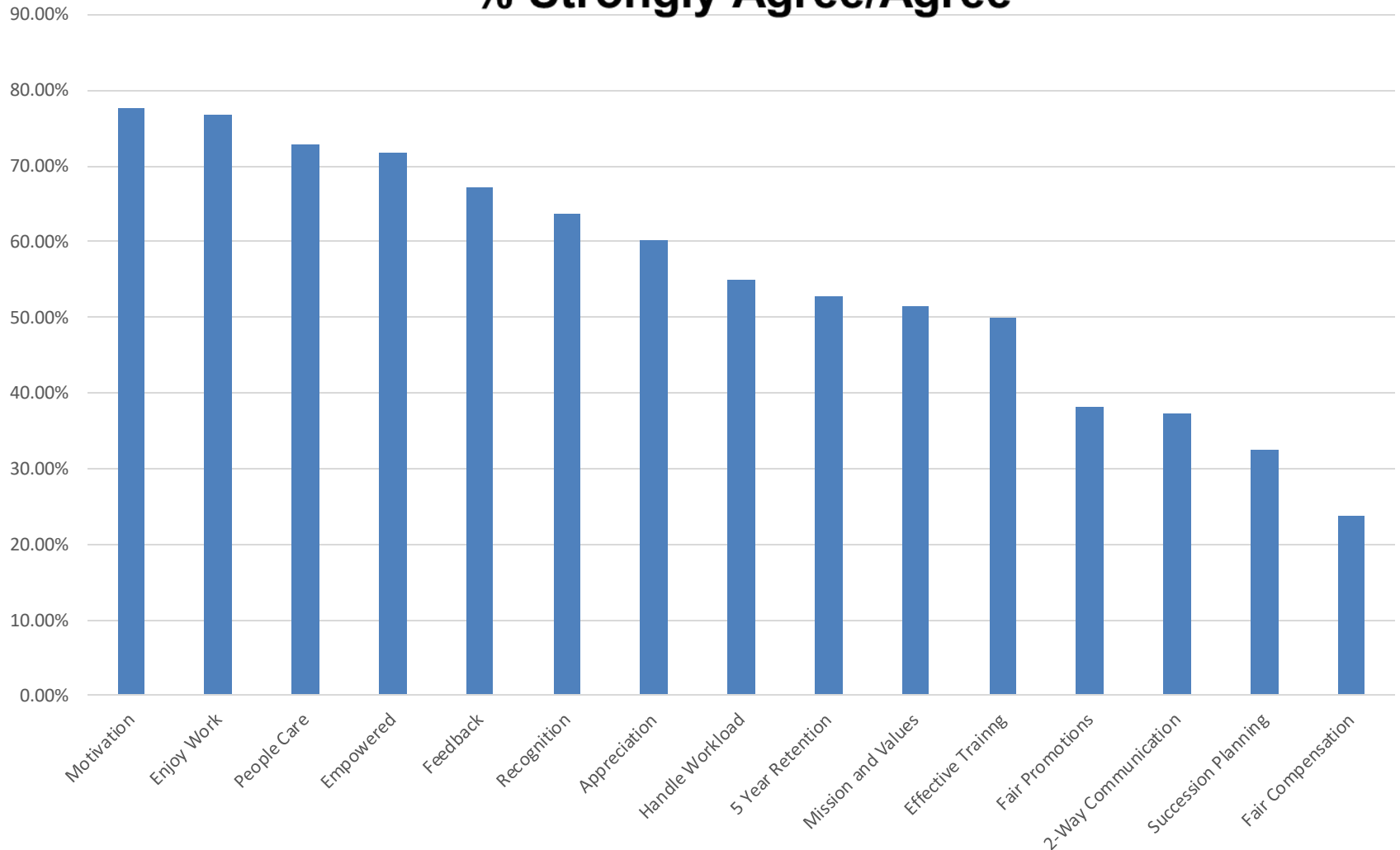
## Champions of Team Flagstaff

# 2019 Employee Survey

- 7/1-10/31 2019 (Pre-COVID)
- 16 questions
  - Baseline questions from previous three surveys
- Open to all City employees
- 461 Respondents (up from 434 in 2017)

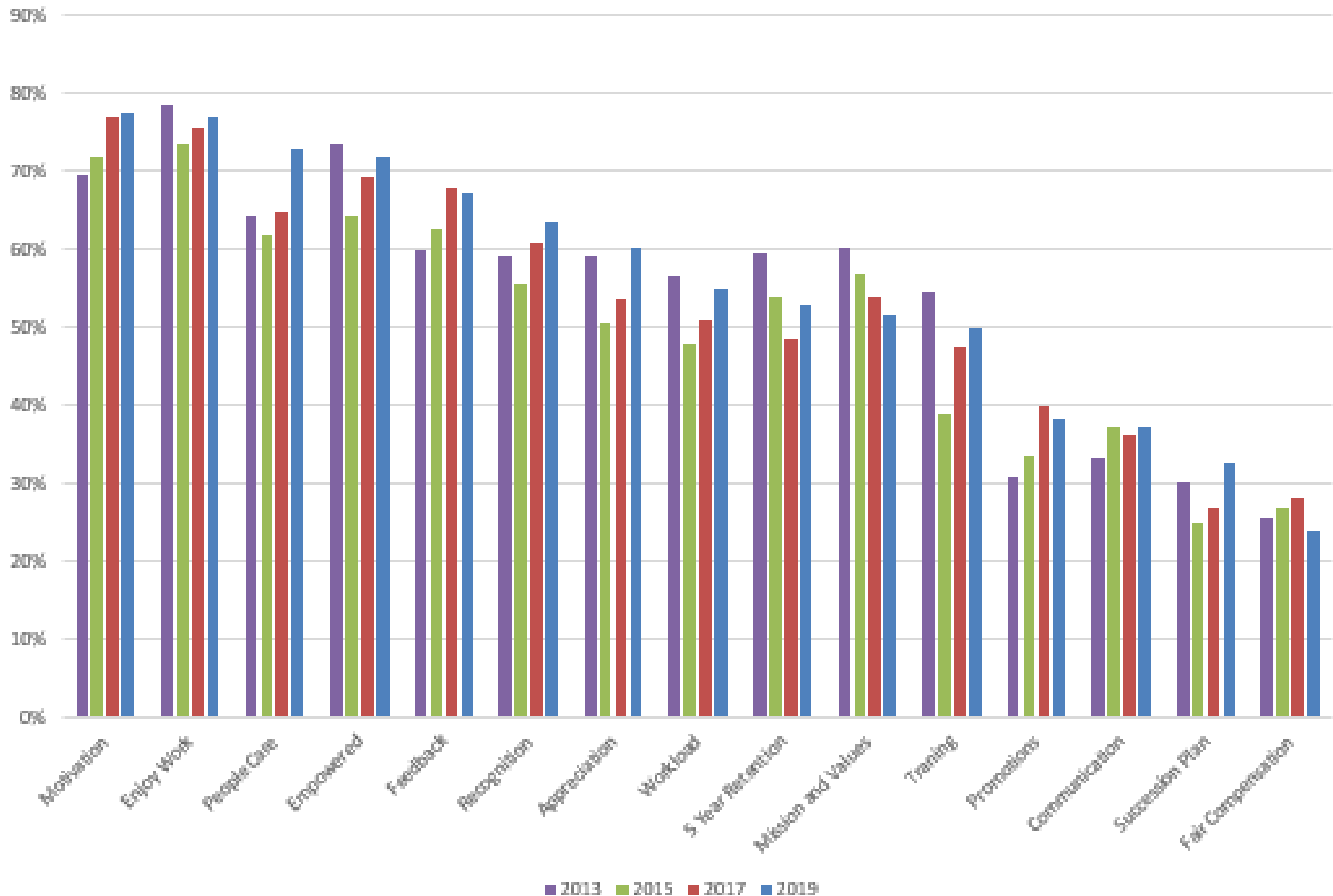
# 2019 Overall Results

## % Strongly Agree/Agree

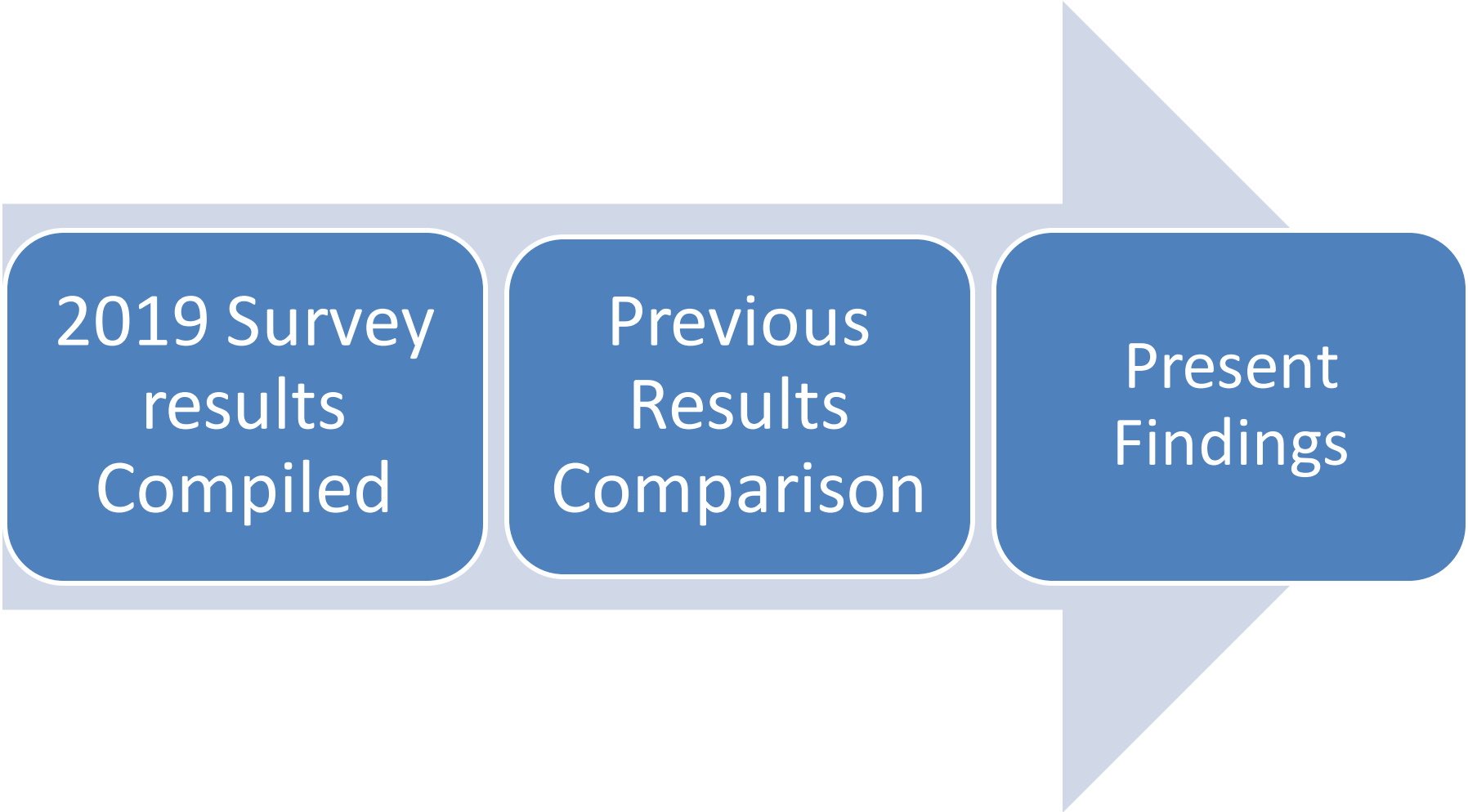




# Multi Year Results



# Data Compilation - Quantitative



2019 Survey  
results  
Compiled

Previous  
Results  
Comparison

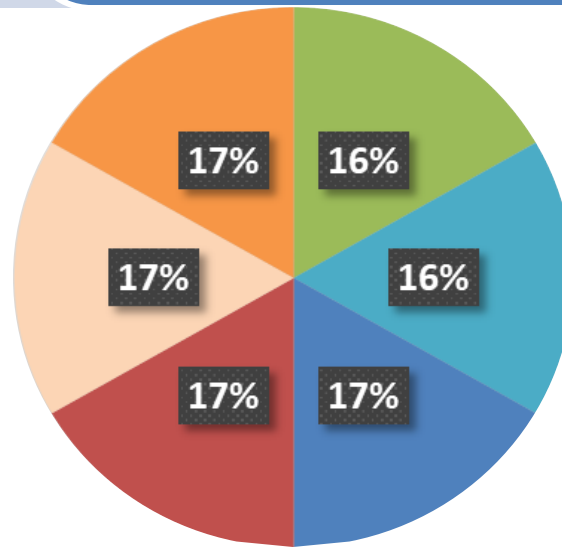
Present  
Findings

# Data Compilation – Qualitative

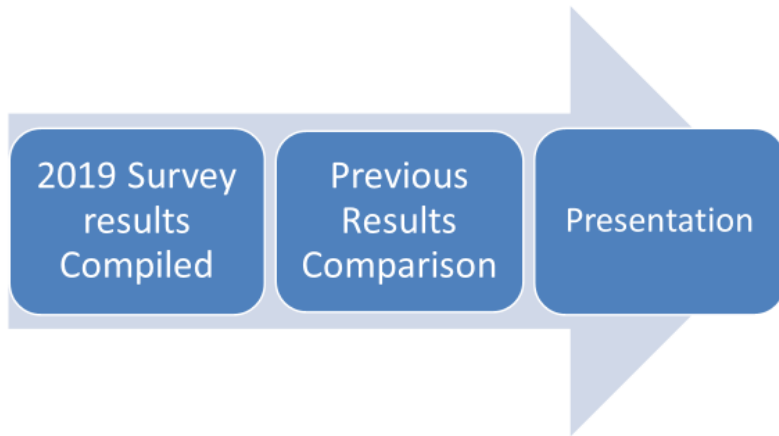
2019 Survey Comments  
Analyzed by Champions  
of Team Flagstaff

Positive and  
Negative  
themes  
Extrapolated

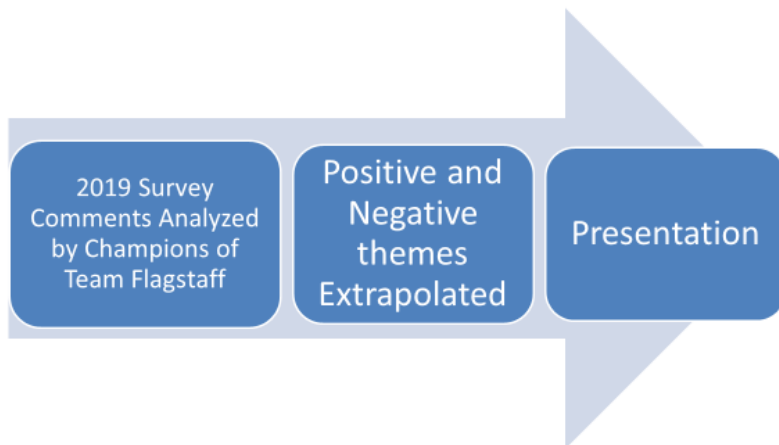
Present  
Findings



## Data Compilation - Quantitative



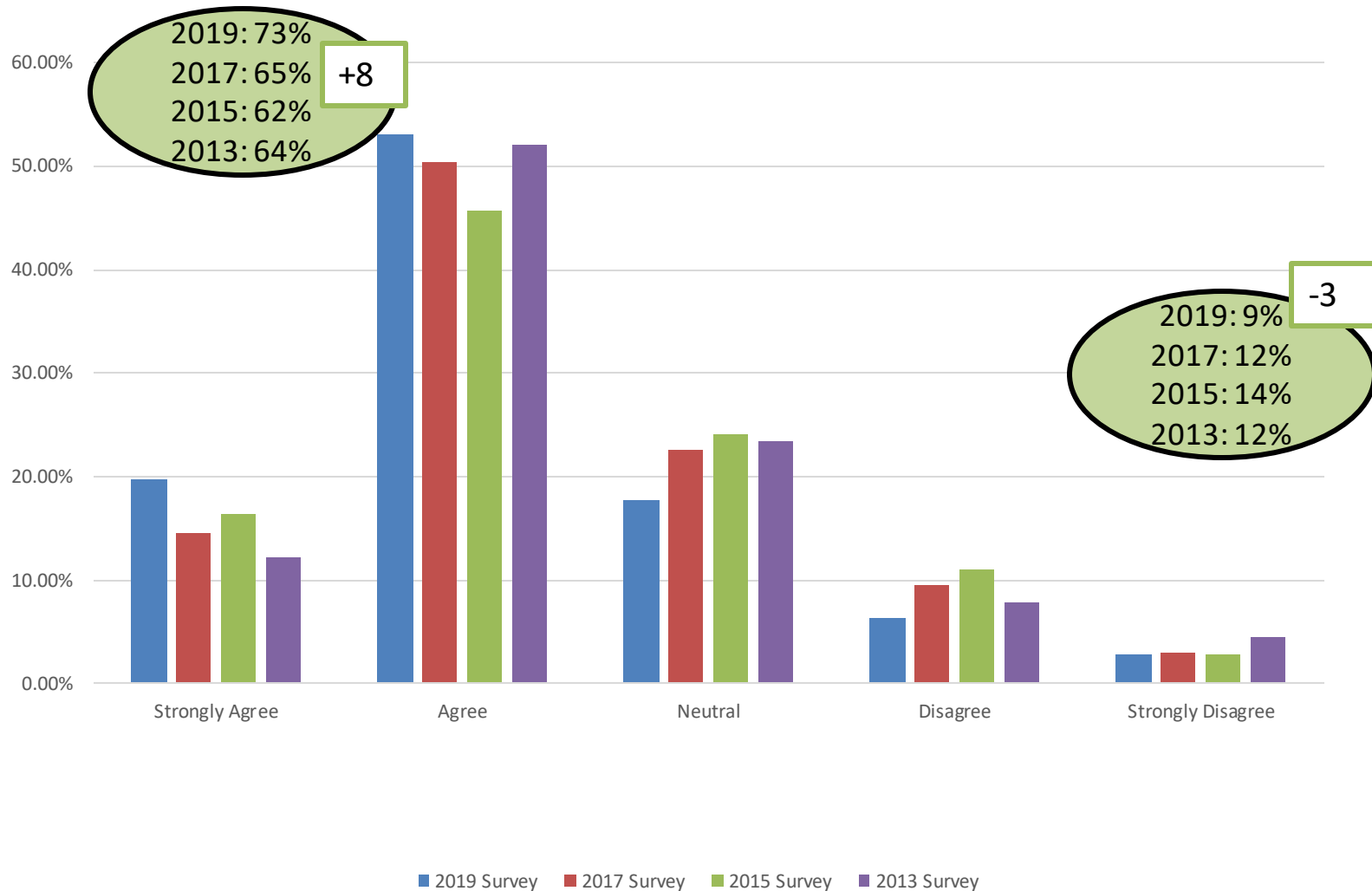
## Data Compilation – Qualitative



Solutions

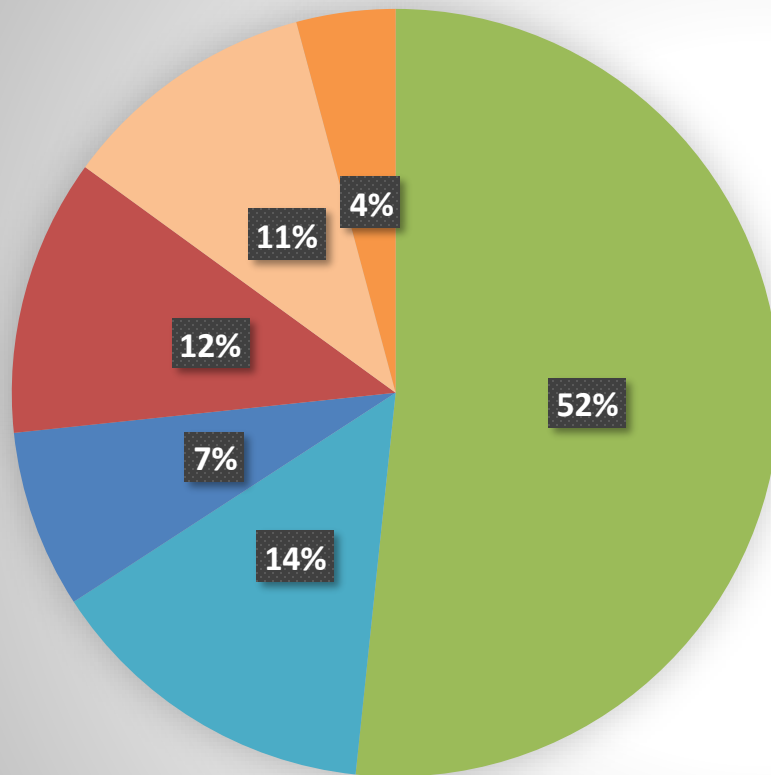
A large blue circle with the word "Solutions" written in white, sans-serif font in the center.

# People care about each other at the City of Flagstaff.





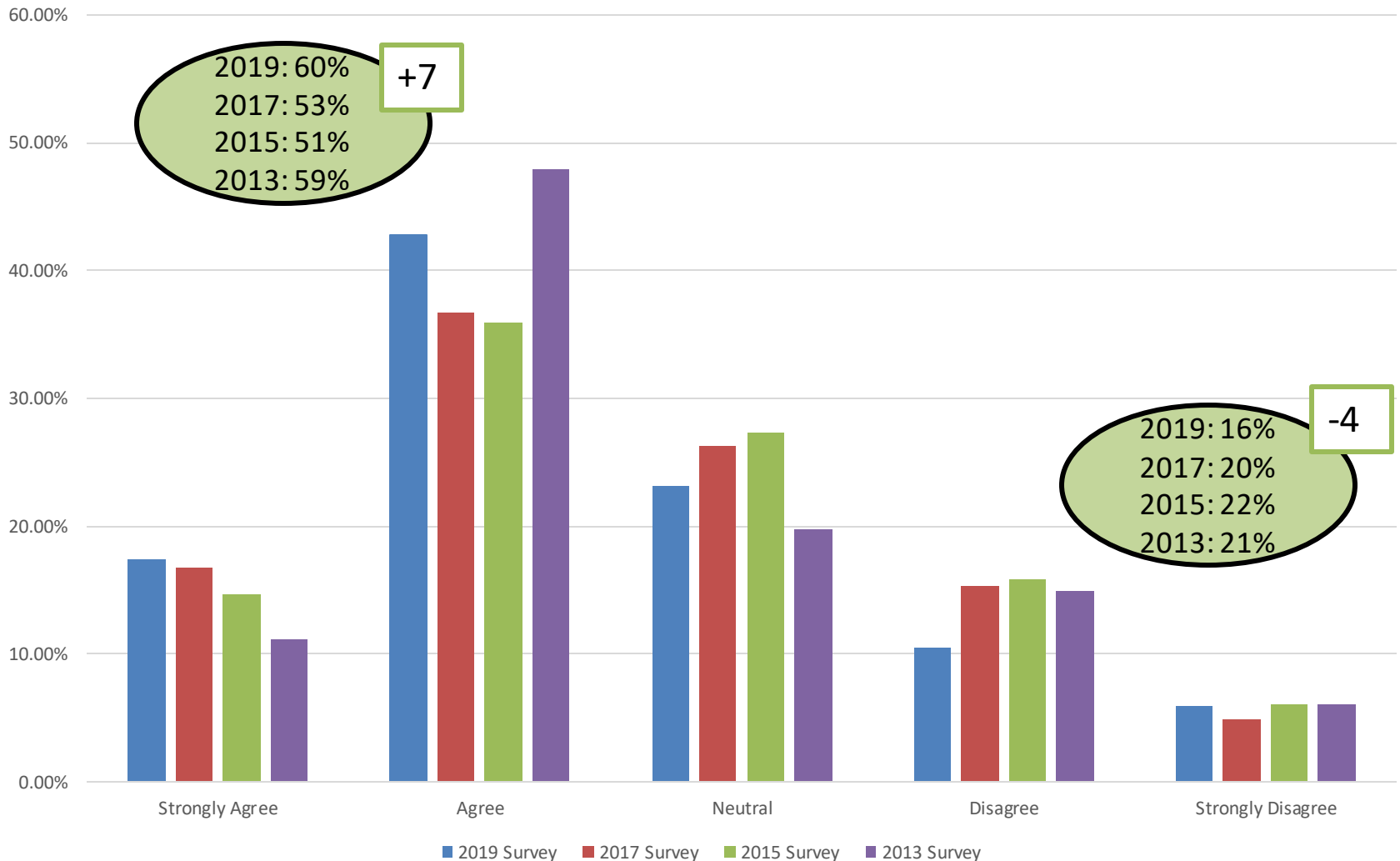
## What have you experienced that shows employees care about each other?



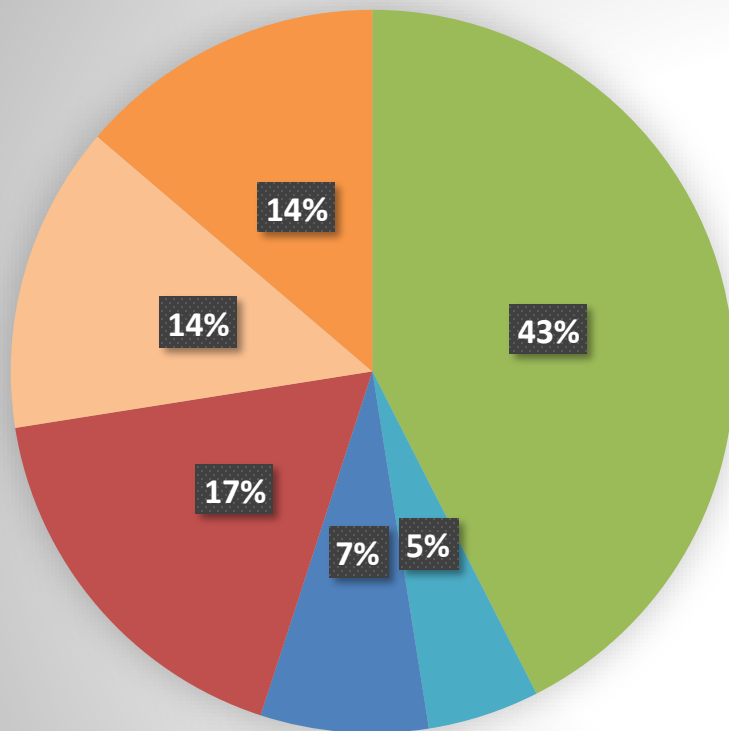
**19% Response Rate**

- The People
- The Interdepartmental Staff Support
- The Work Environment
- Feel Unsupported
- Interdepartmental Strain is present
- Car-to-work mindset

# I am appreciated when I put in extra effort.



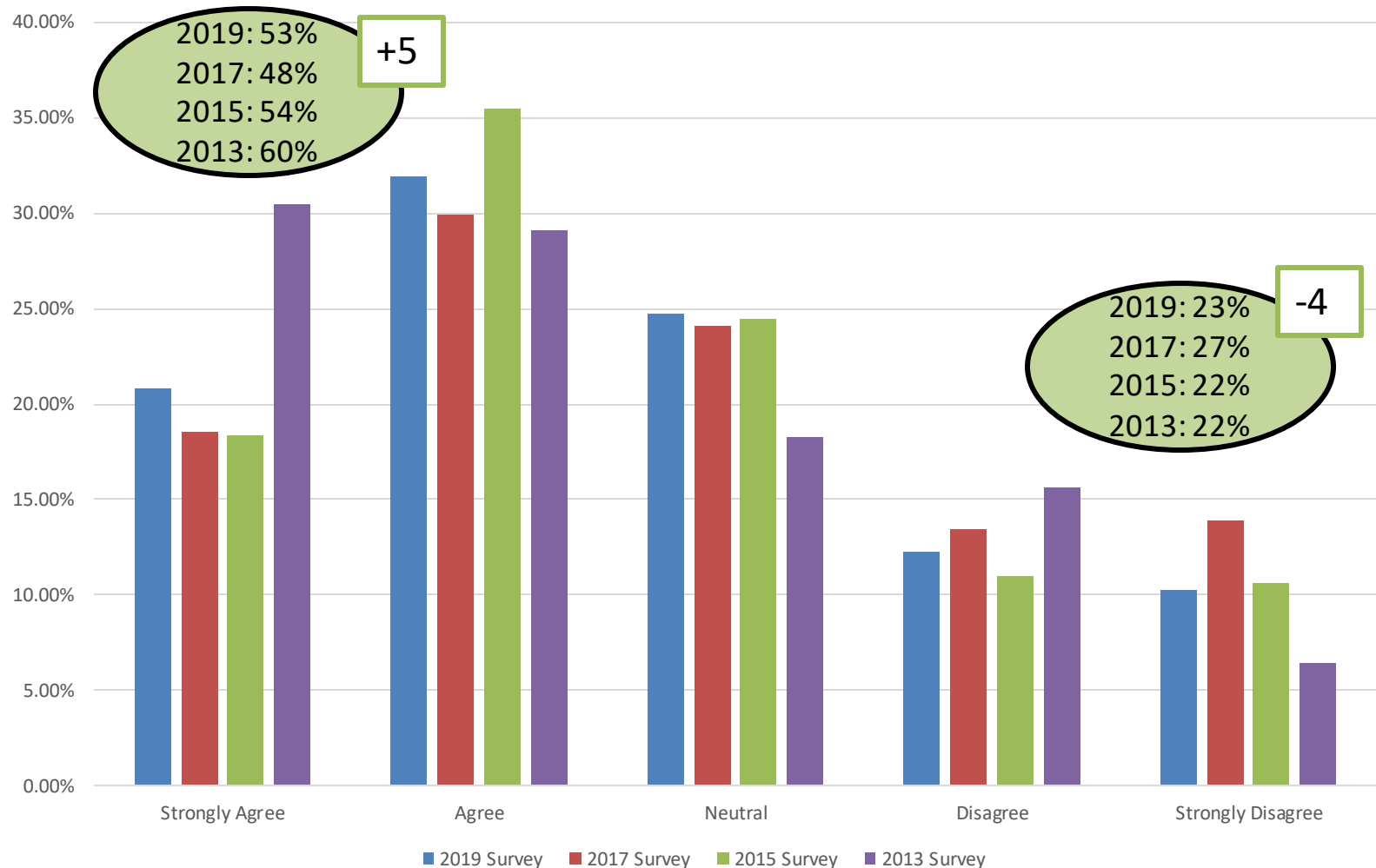
Describe a time you were appreciated by another co-worker  
and the type of recognition you received.



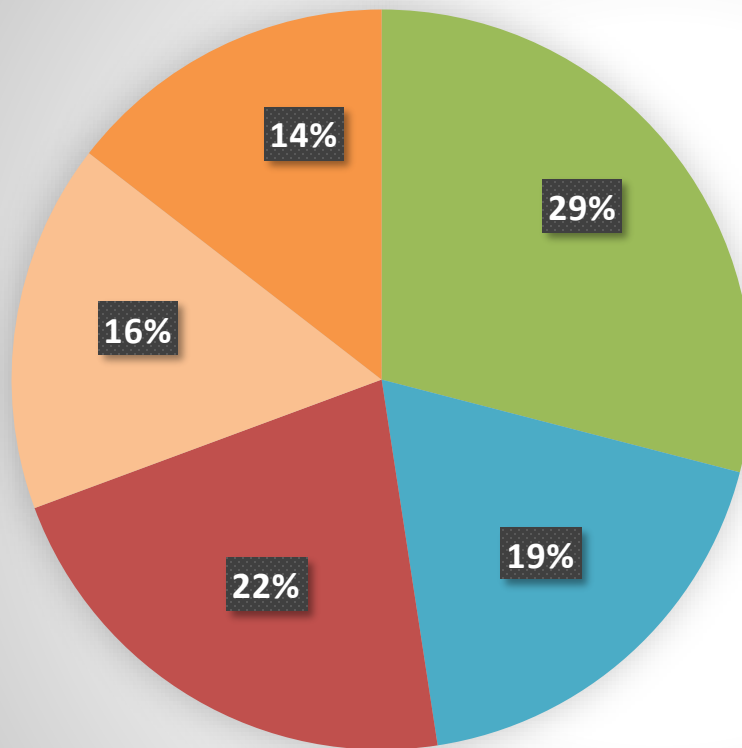
### 18% Response Rate

- Small tokens of appreciation
- City Manager Award / WOW Award
- On The Spot Recognition
- Only by a coworker
- Not acknowledged or recognized for efforts
- Hardwork backfires

# I expect that I will still be working for the City of Flagstaff in 5 years.



If you do not anticipate working for the City in 5 years, please state why (moving, retiring, seeking other employment, total compensation, cost of living, etc.)

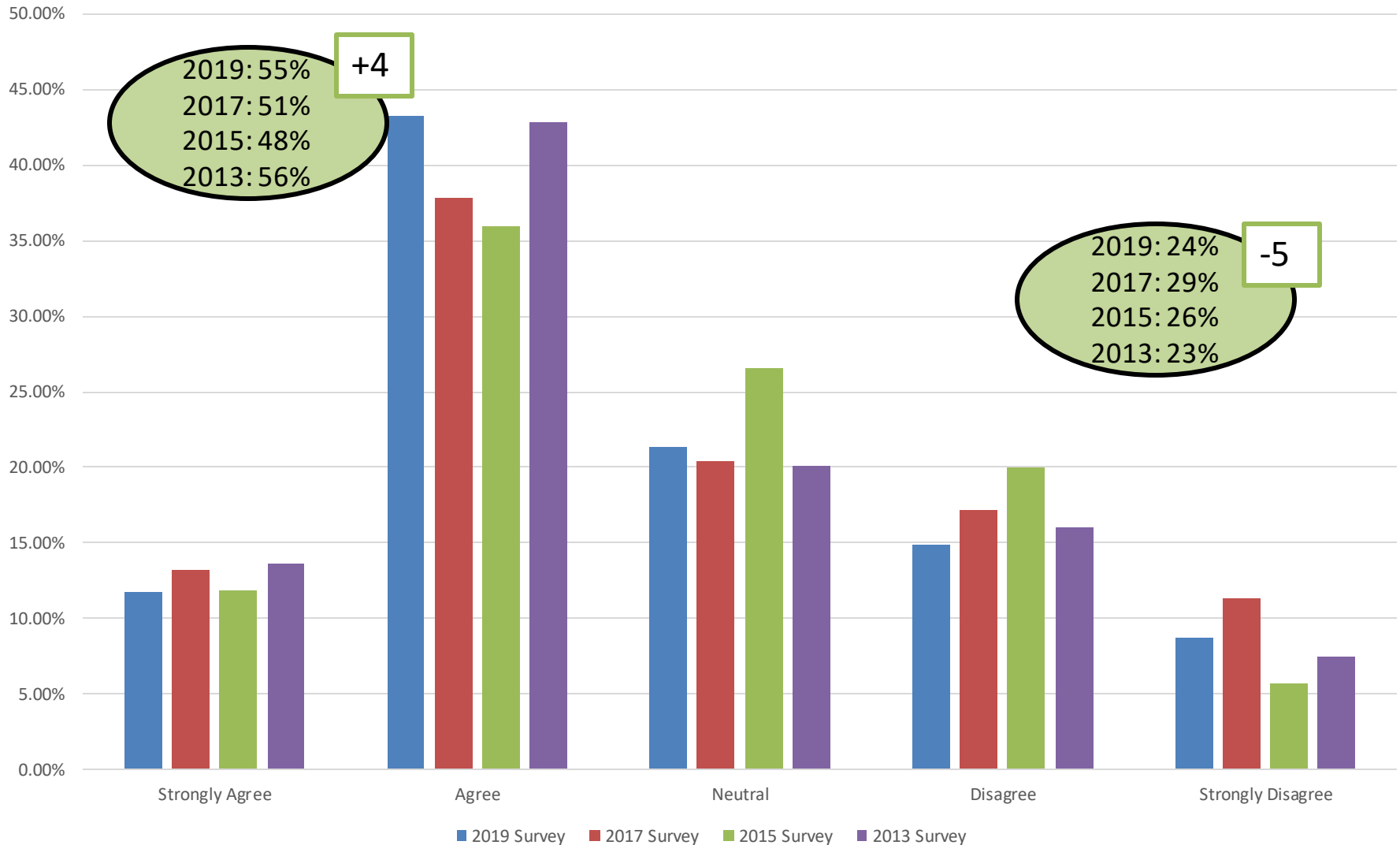


**27% Response Rate**

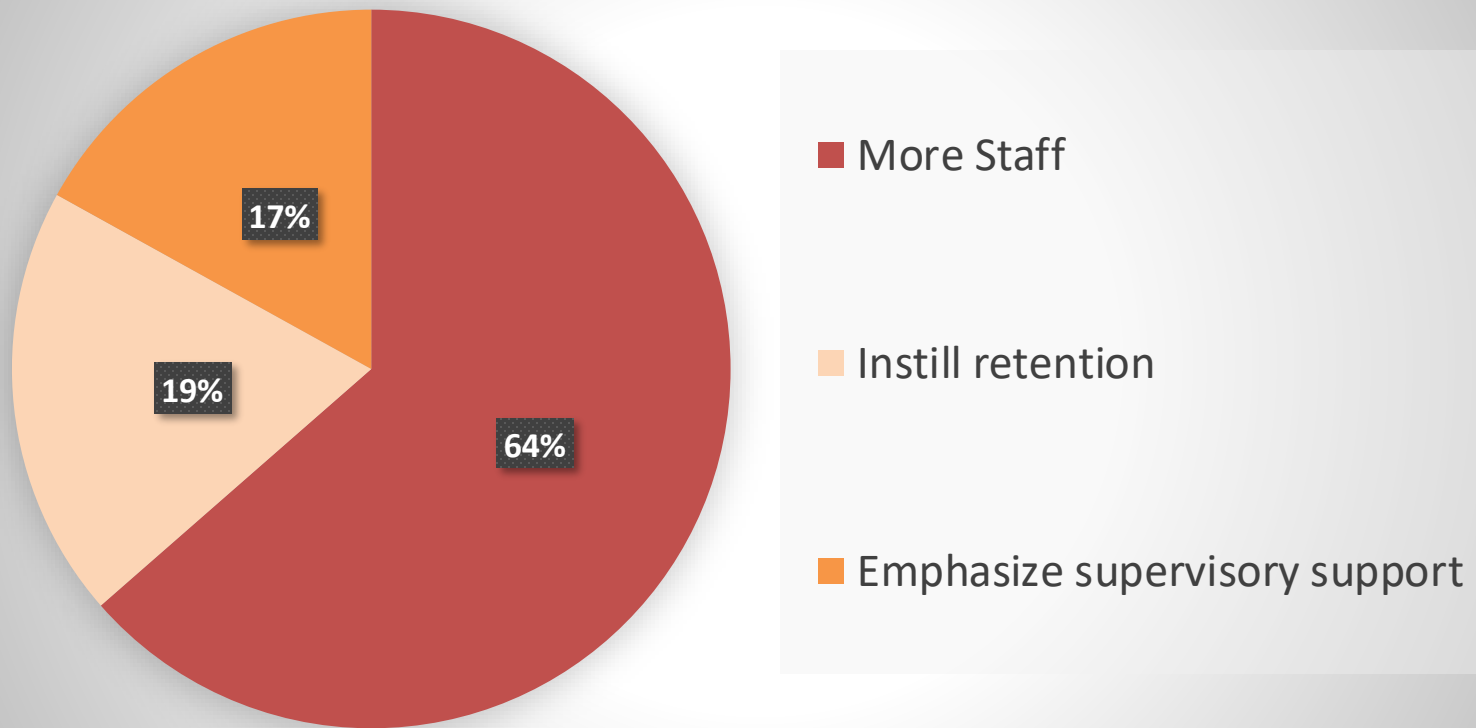
- Retirement
- I want to stay with the City
- Compensation
- Cost of Living
- Advancement Opportunity



# I am able to handle my workload without burnout.



## How can your workload be better managed to eliminate burnout?

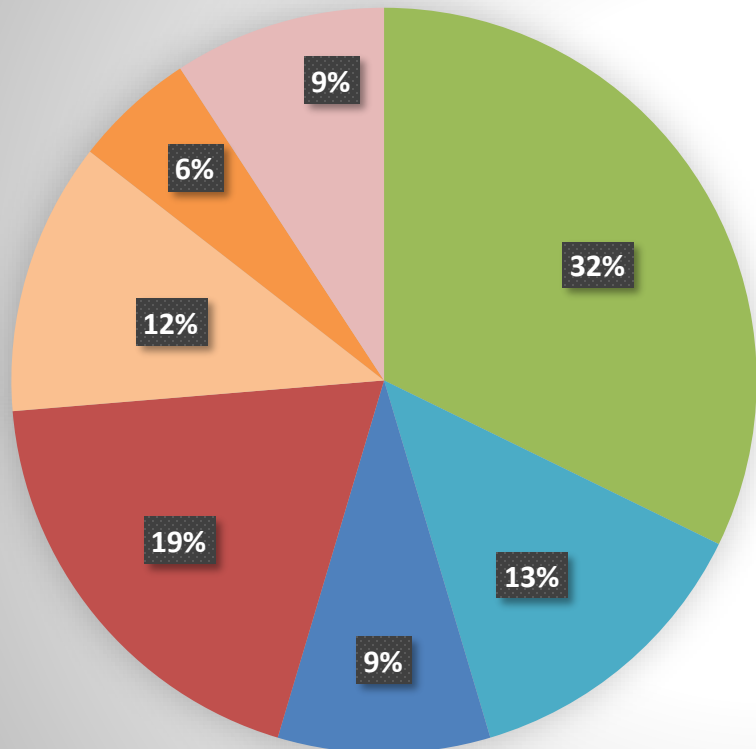


# I am empowered to engage in problem-solving without having to go through several levels of approval.



## How does (or could) your supervisor empower you?

**33% Response Rate**



■ Trust

■ Empower/Encourage

■ Communication

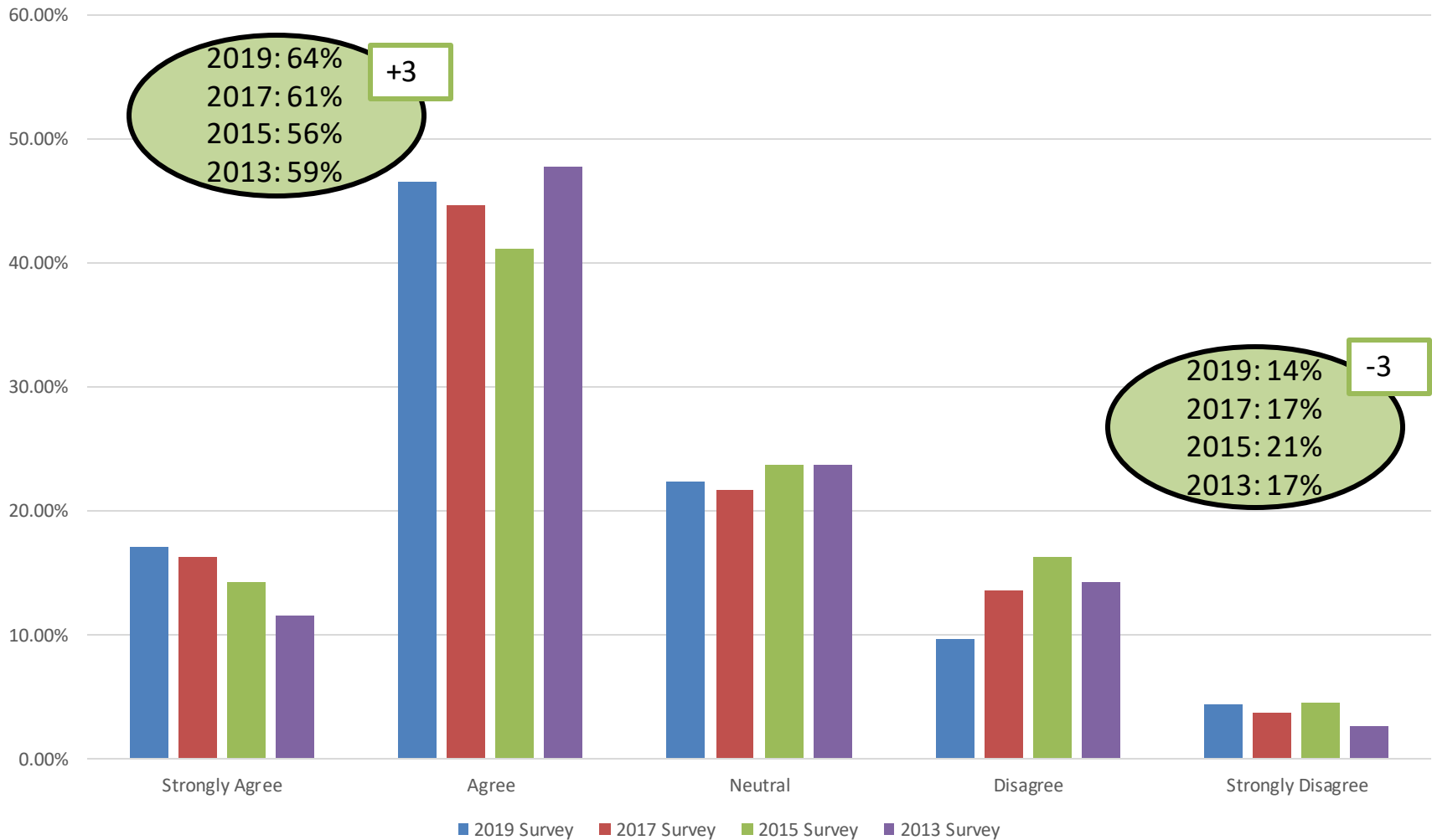
■ Beauracracy

■ Trust

■ Resistant to Change

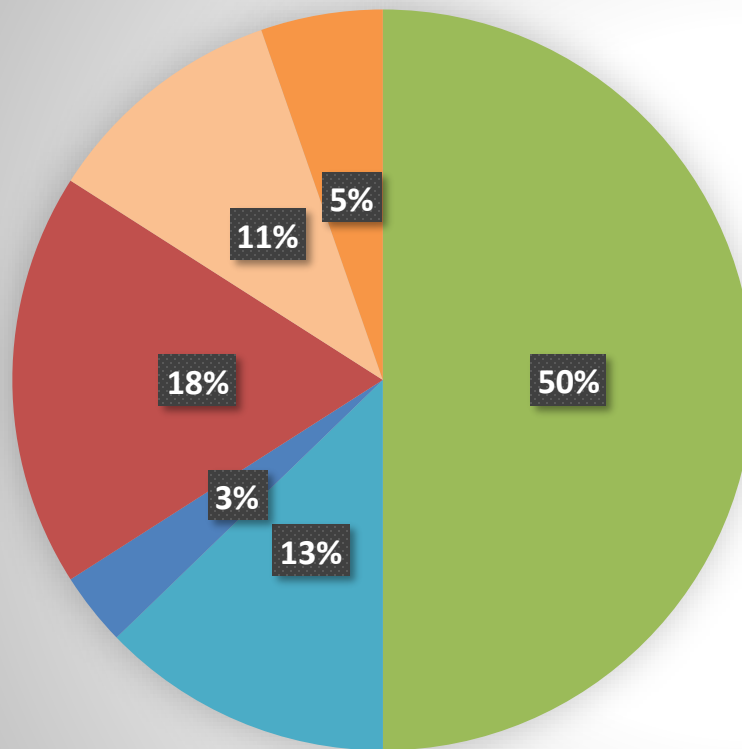
■ Beauracracy/ Communication

# I am recognized when I do good work.





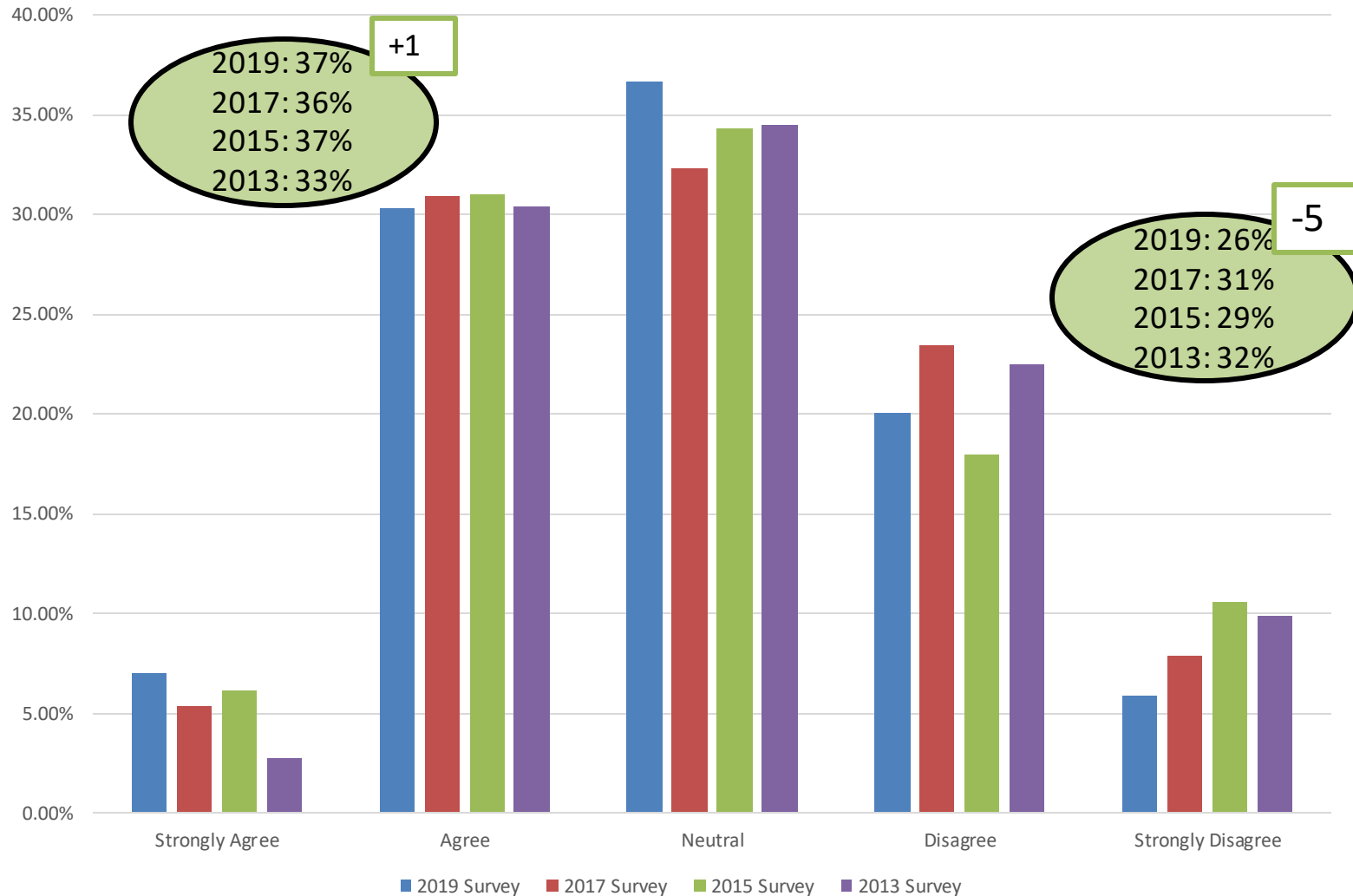
Give an example of effective recognition you have received.



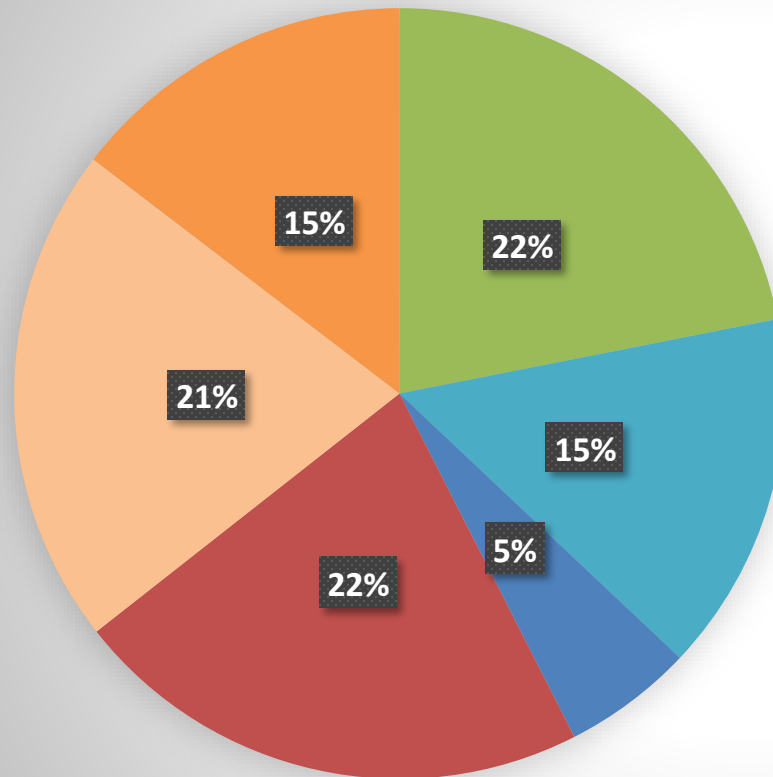
### 21% Response Rate

- Words of appreciation & acknowledgement
- Nomination for or recipient of award
- Recognition from other departments and/or the public
- Do not receive recognition
- No consistent system for recognition
- Extra effort backfires

# There is open, two-way Communication City wide.



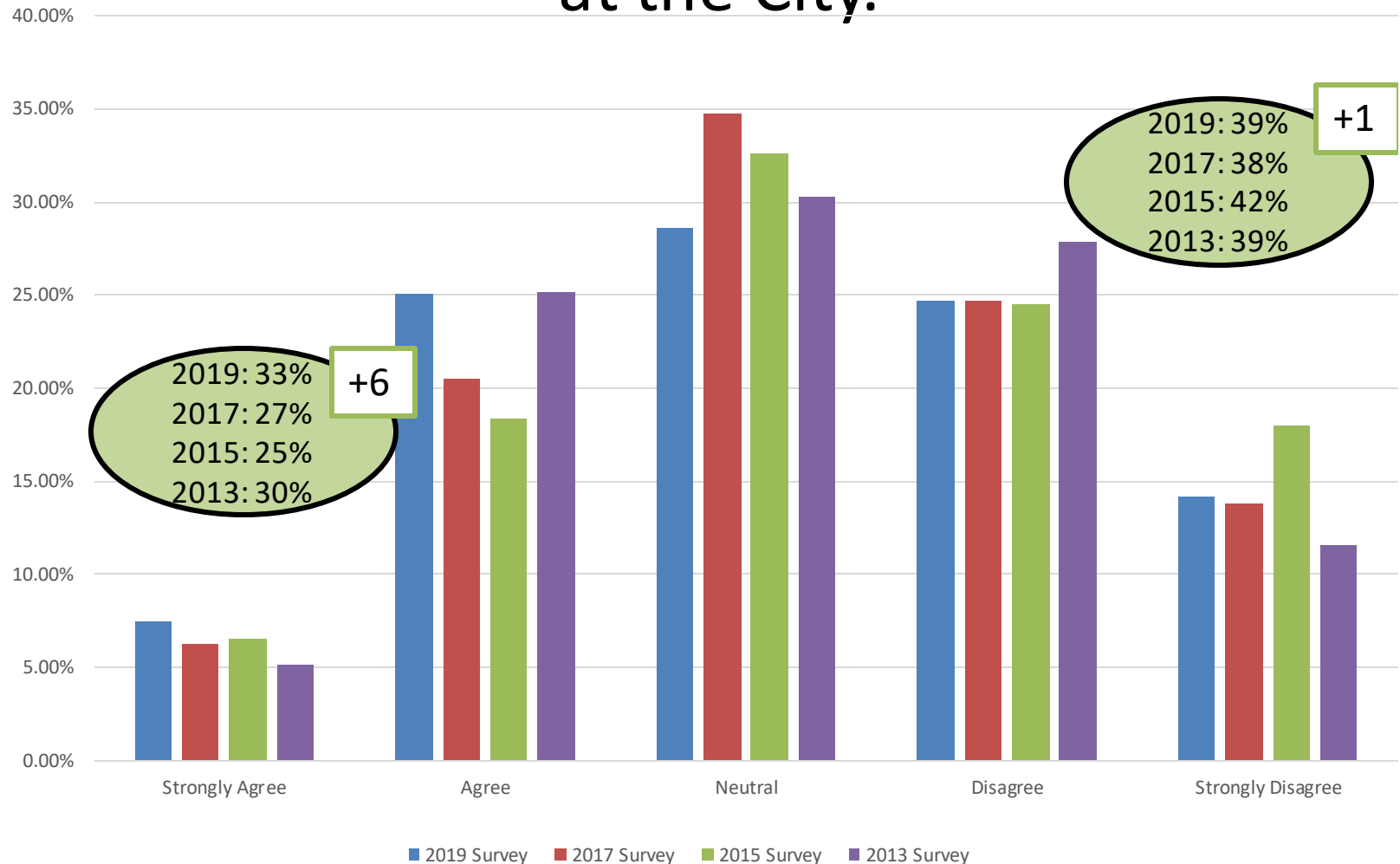
## What have you experienced that shows you there is open, two-way communication?



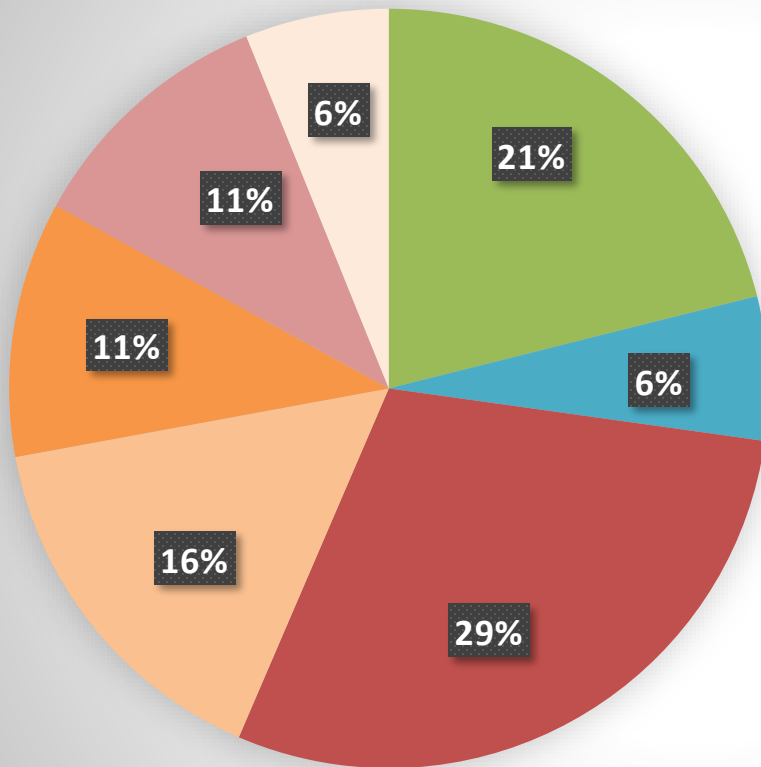
### 21% Response Rate

- Department communicates effectively
- Interdepartmental communication
- I can discuss ideas/feedback
- Interdepartmental communication is weak
- Weak top-down communication
- Feedback, if received, is not addressed

# I believe there is a succession plan in place and I will be able to advance during my employment at the City.



## What are the indicators there is a succession plan in place in your workgroup?

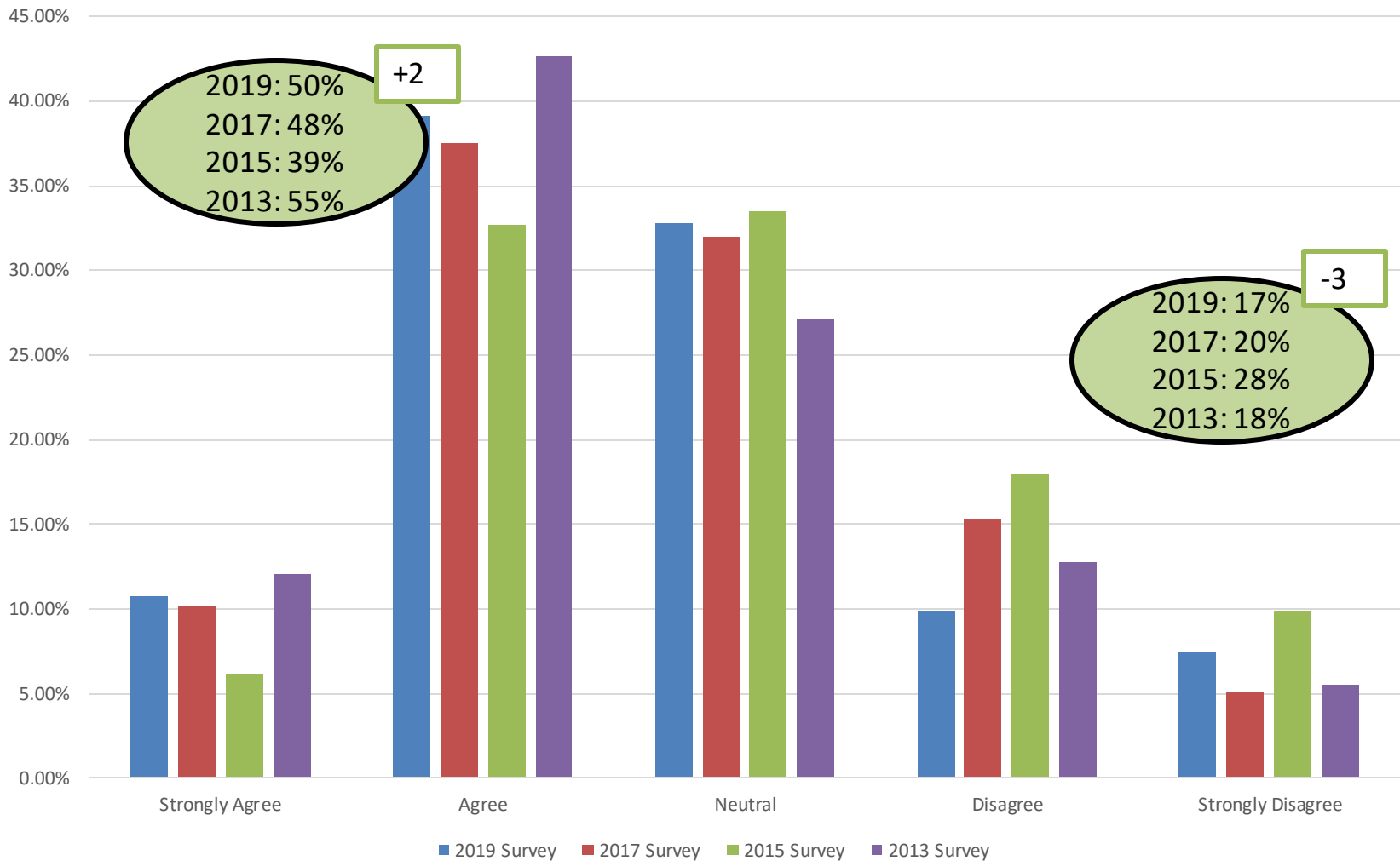


### 32% Response Rate

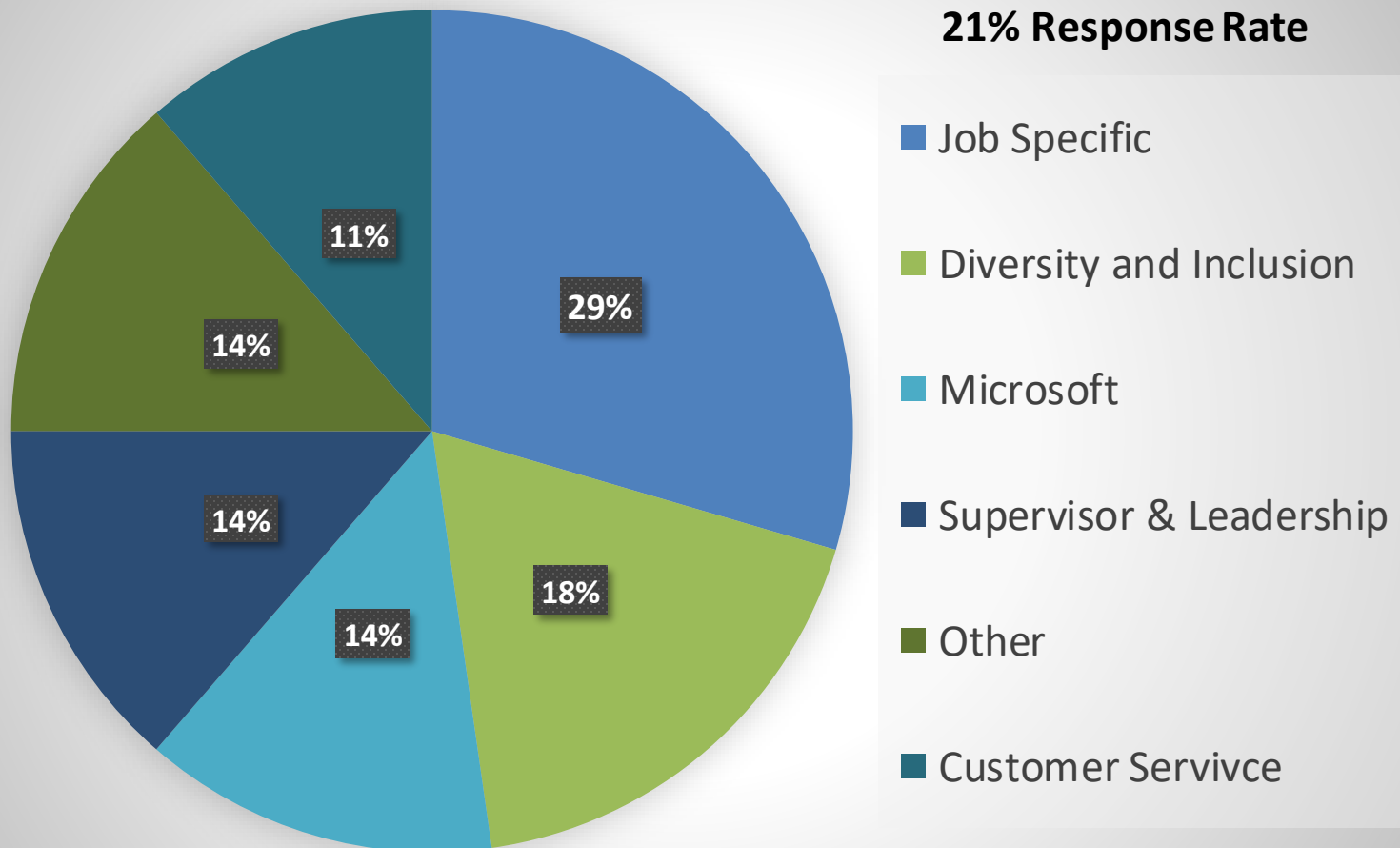
- Advancement opportunity
- Training or mentoring
- Advancement opportunity
- Knowledge of plan
- Compensation/Promotions
- Training or mentoring
- Don't know of plan, or how to advance



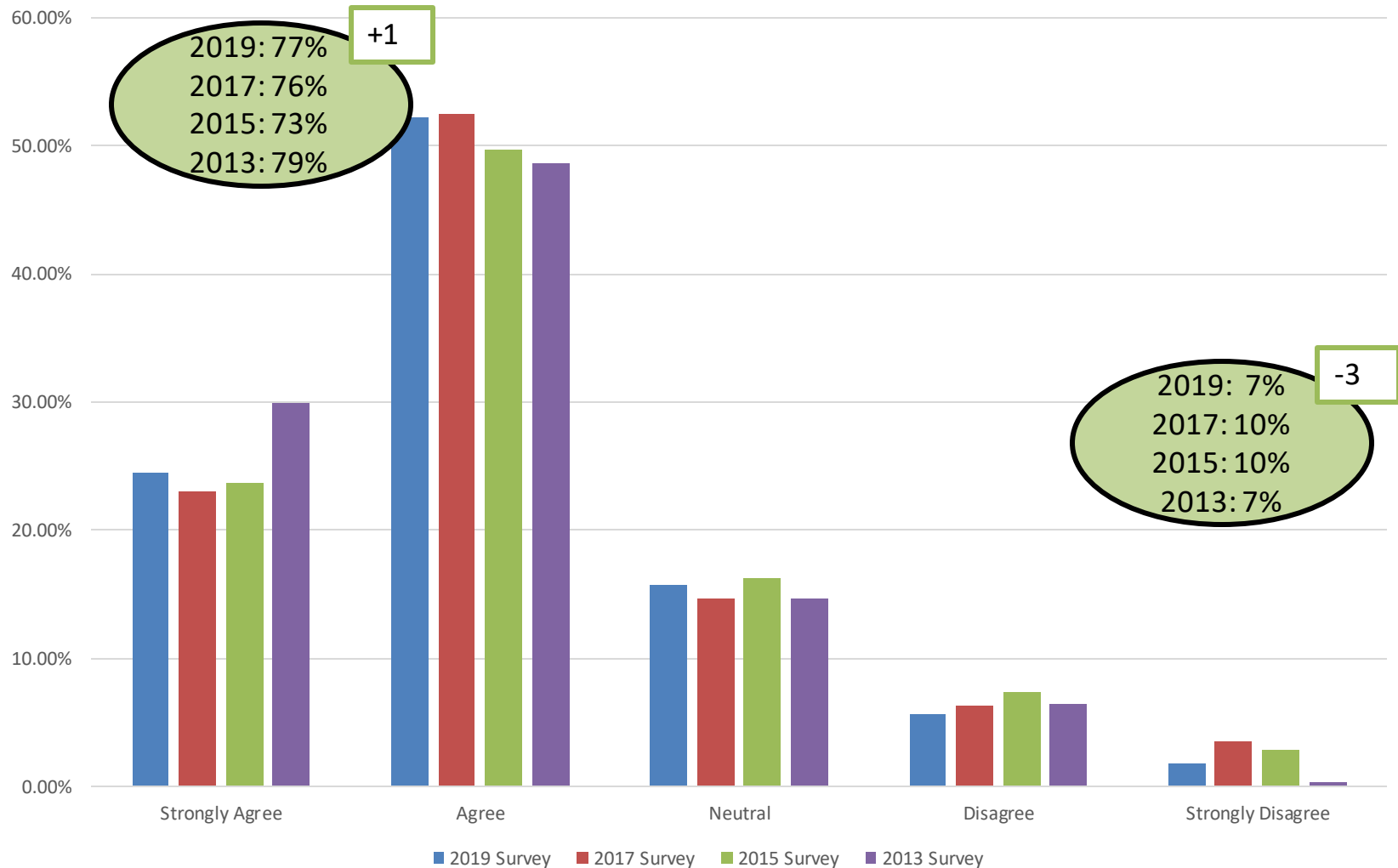
# The City of Flagstaff provides effective training in areas of need.



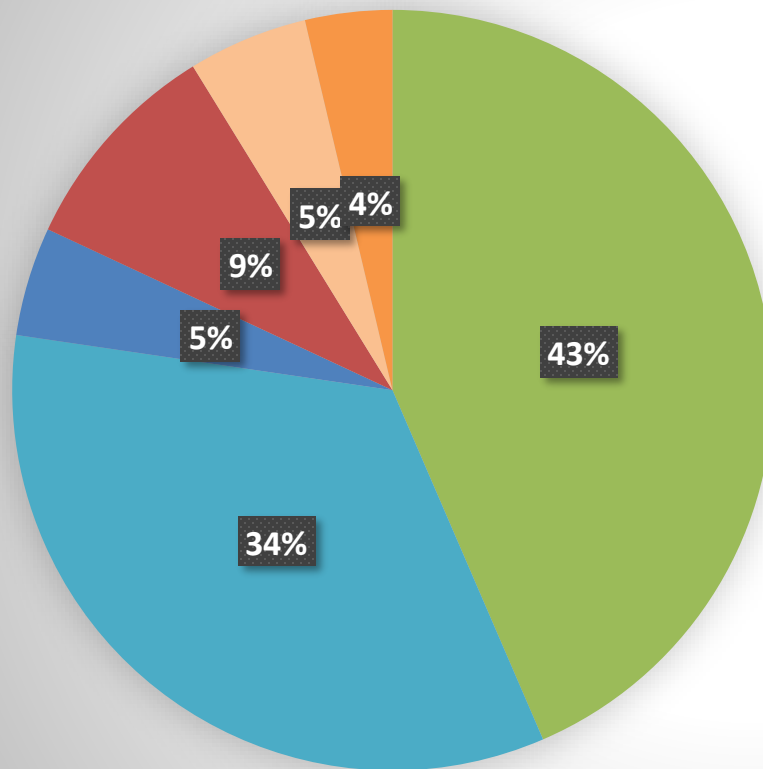
## What City-sponsored trainings would you like to see offered in the future?



# Overall, I enjoy coming to work every day.



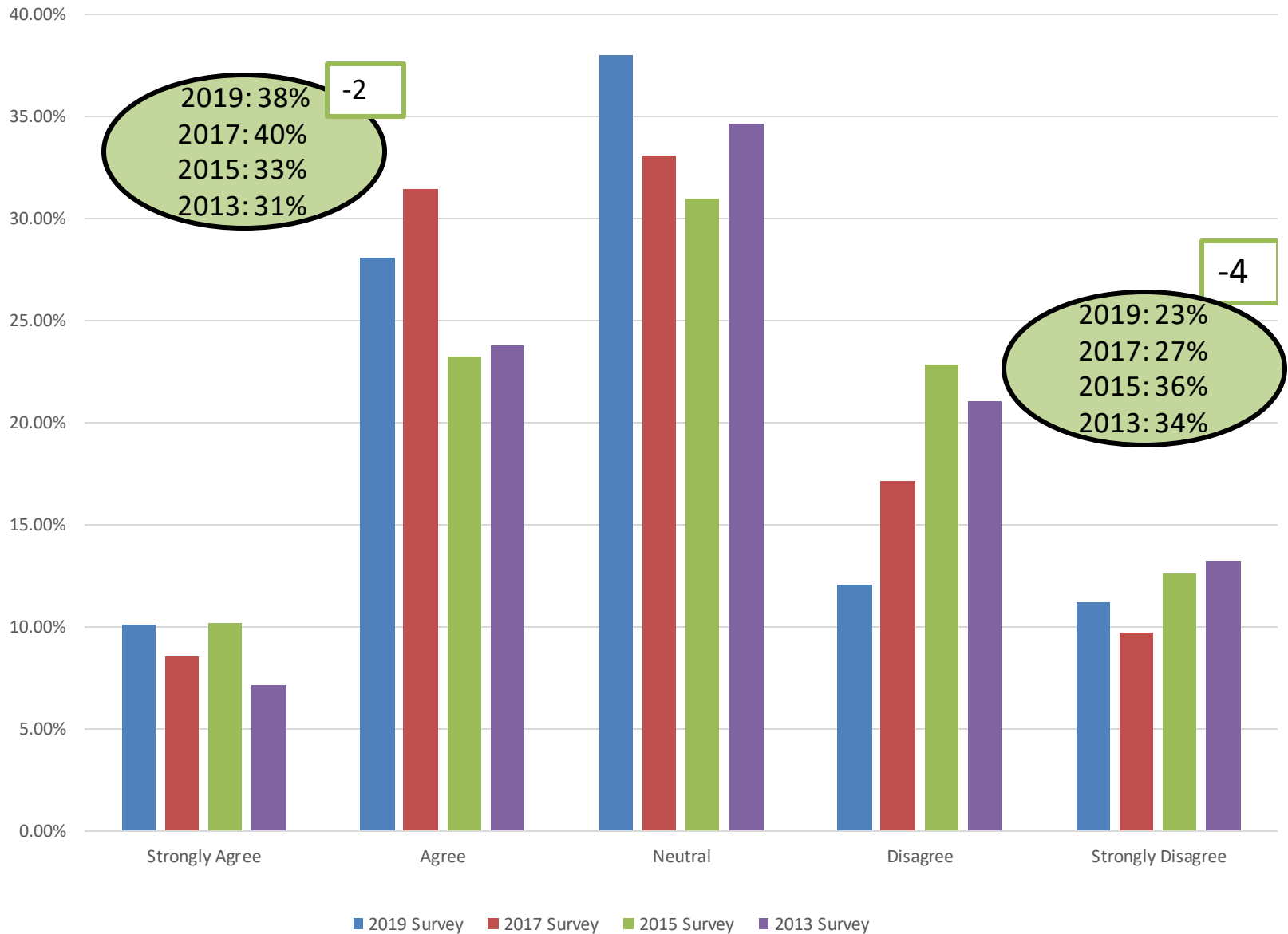
Explain what you enjoy about coming to work every day (i.e. you enjoy the work you do, your team is fun to work with, the work you do is fulfilling, etc.)



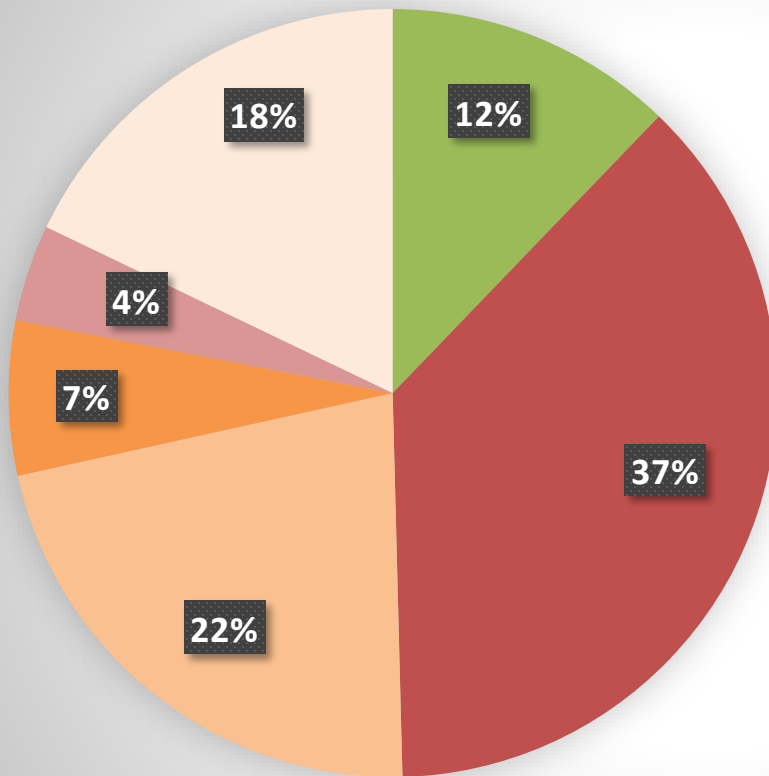
**30% Response Rate**

- Coworkers/environment
- The Work itself/job fulfillment
- The job challenge
- Lack of upper-management support and/or recognition
- Workload/understaffed/stressed
- Compensation

# Promotions are awarded fairly.



## Promotions Awarded Fairly Comments

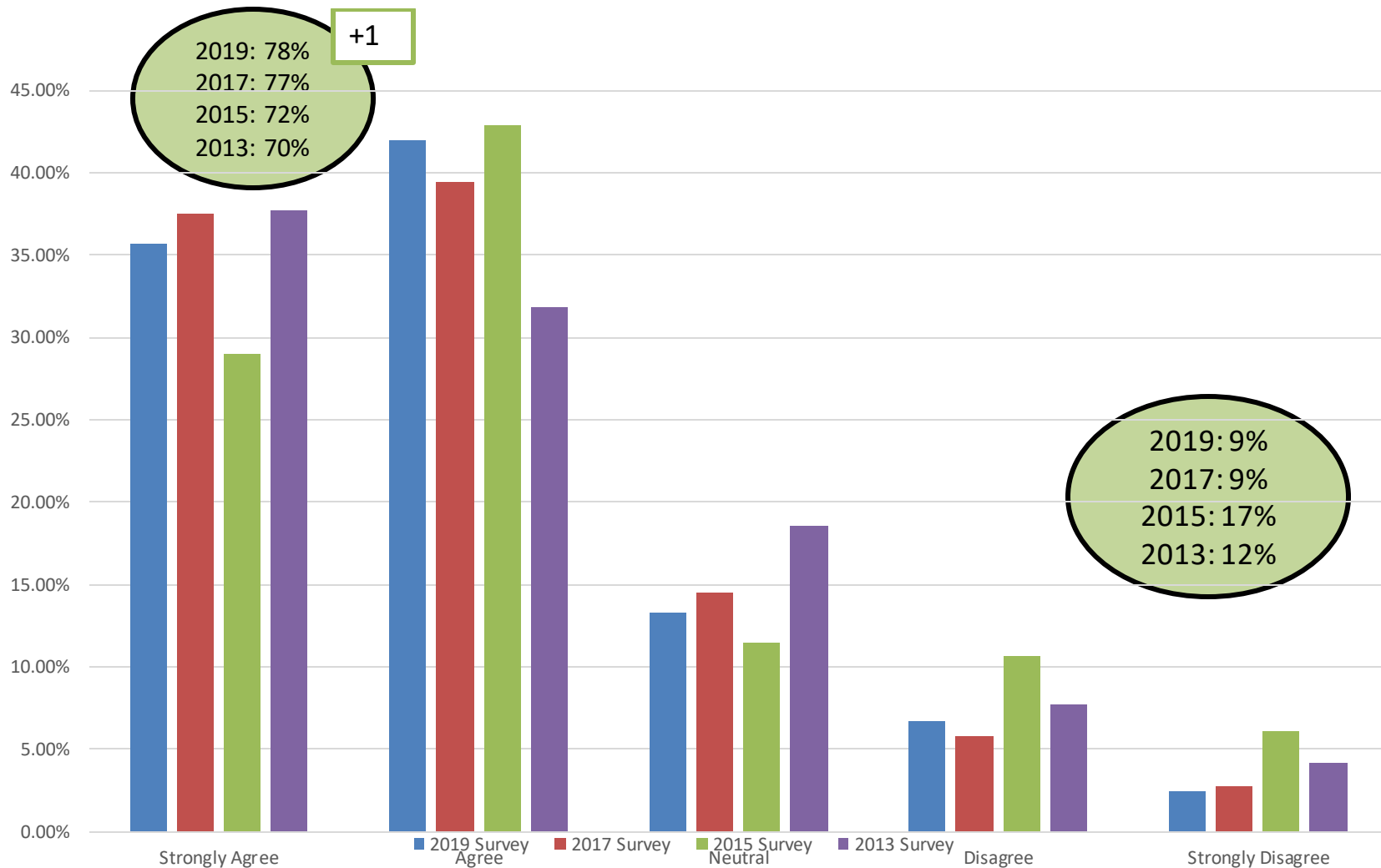


**27% Response Rate**

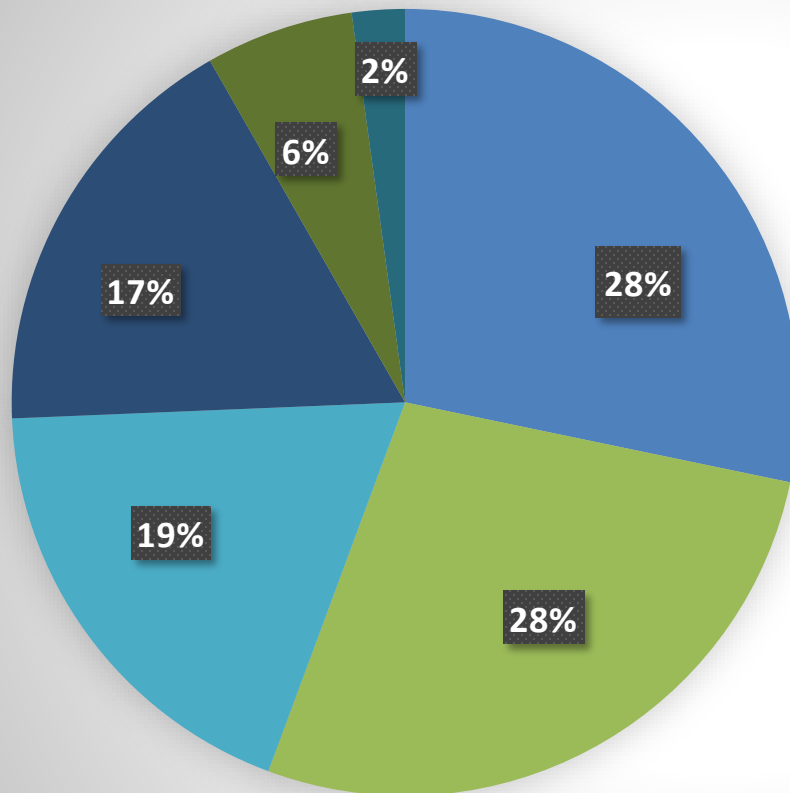
- Promotion Opportunity
- Pay & Promotions not Equitable
- Promotion Opportunity
- Process too Cumbersome
- Transfers only Advancement Opportunity
- Don't know



# My direct supervisor motivates me to perform my best.



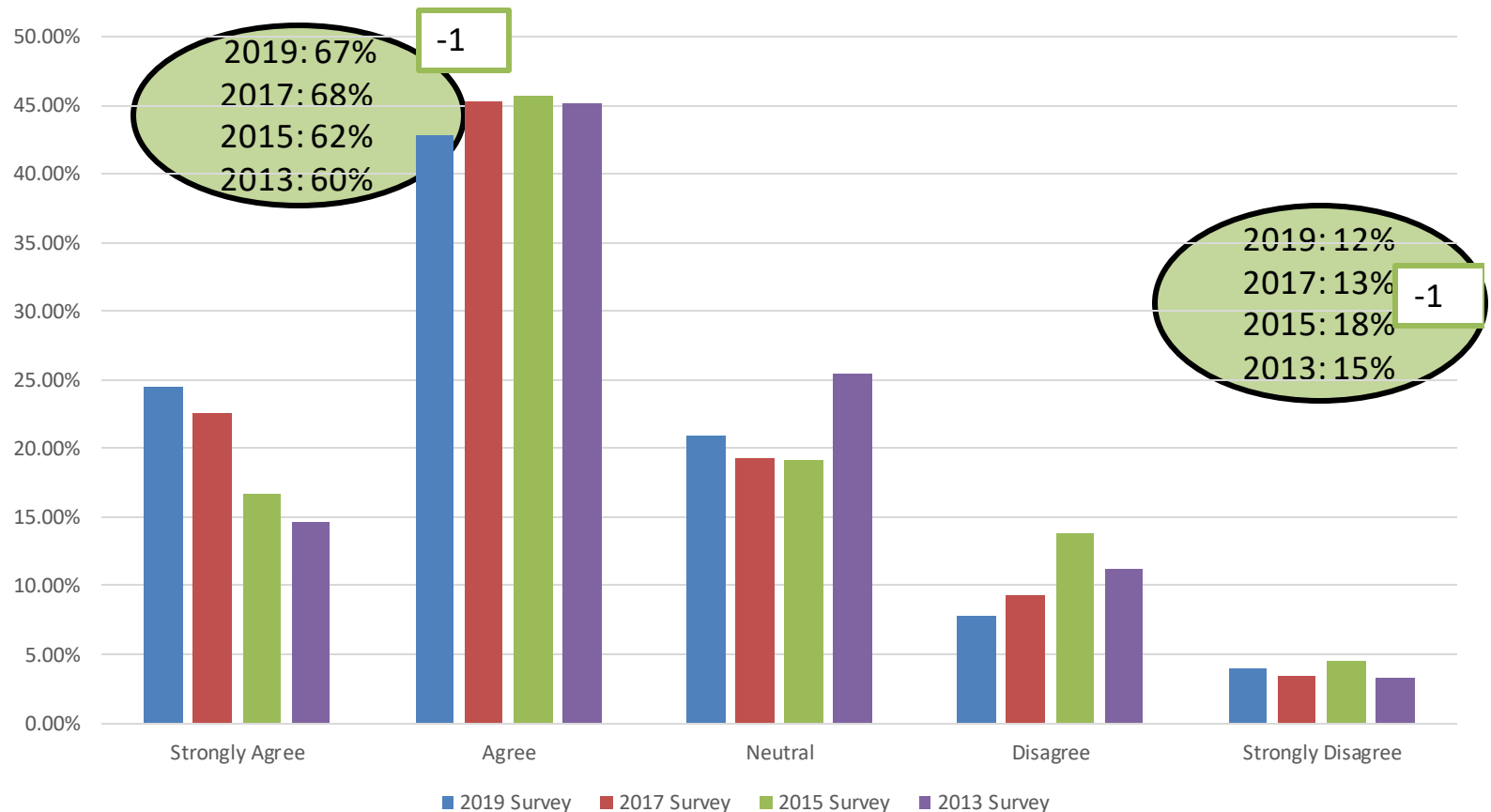
## What type of motivation inspires you to do your best work?



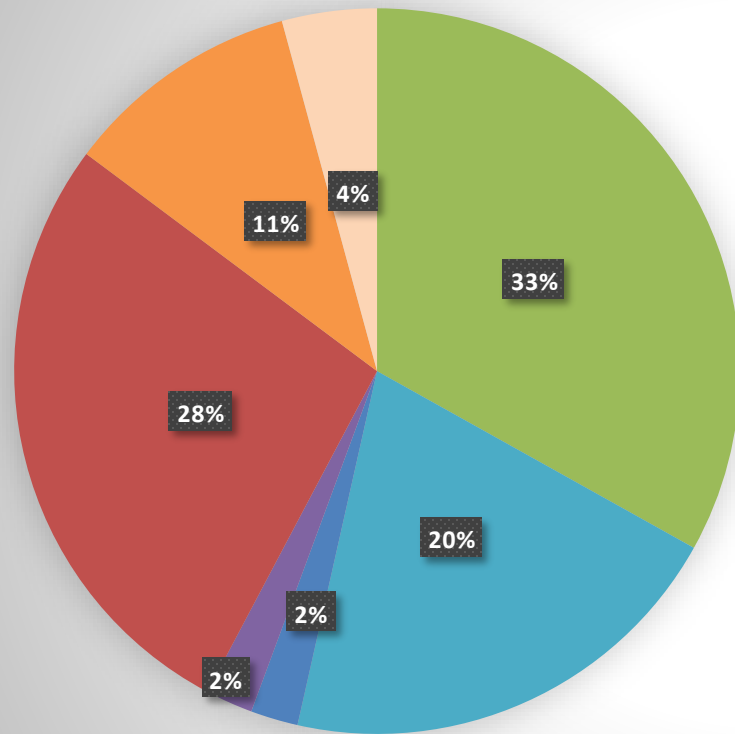
**49% Response Rate**

- Acknowledgement
- Leadership
- Transcendence - Greater good
- Empowerment
- Money
- Rewards other than Money

The feedback I receive regarding my performance helps me to improve the quality of my work.



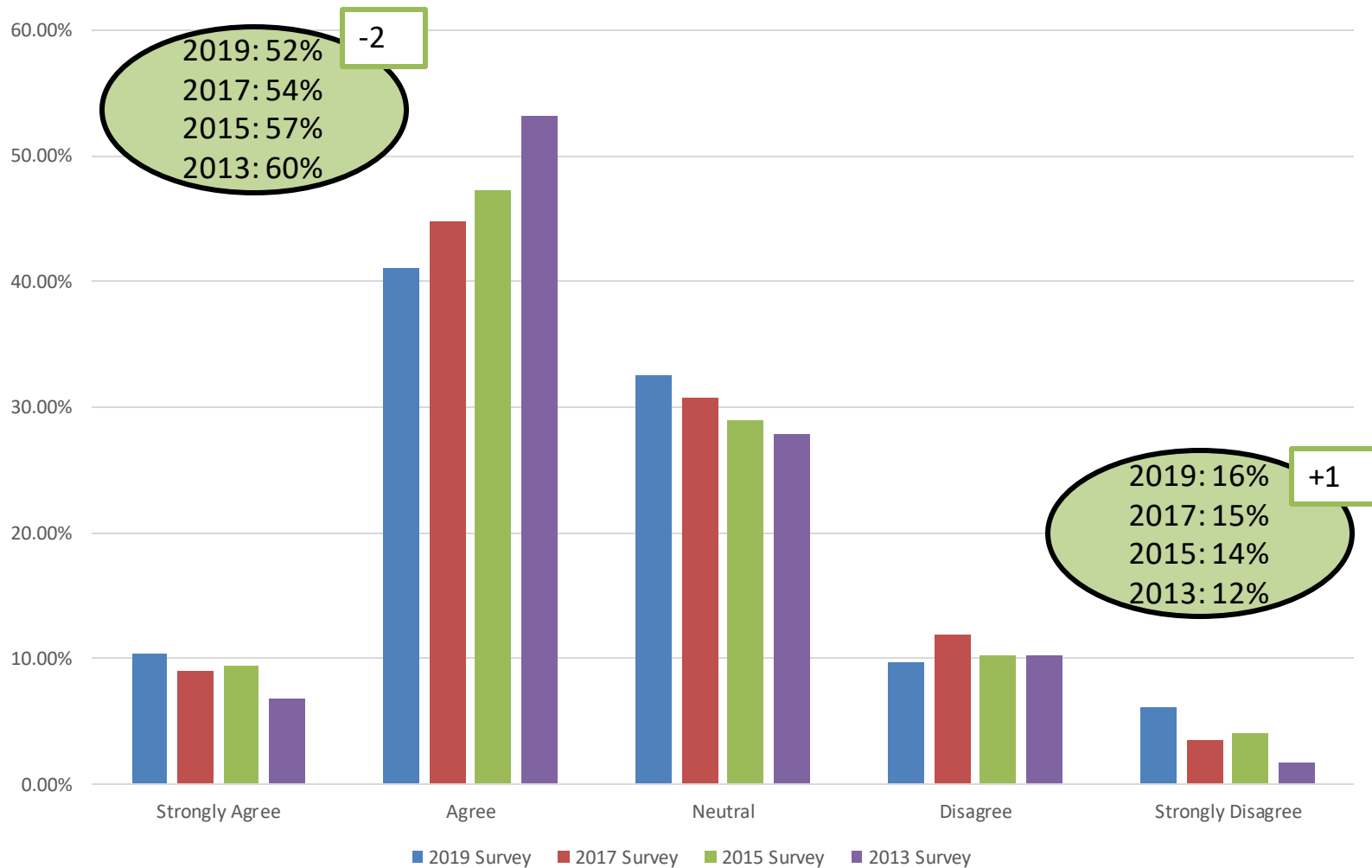
## What types of feedback have you received in order to improve the quality of your work?



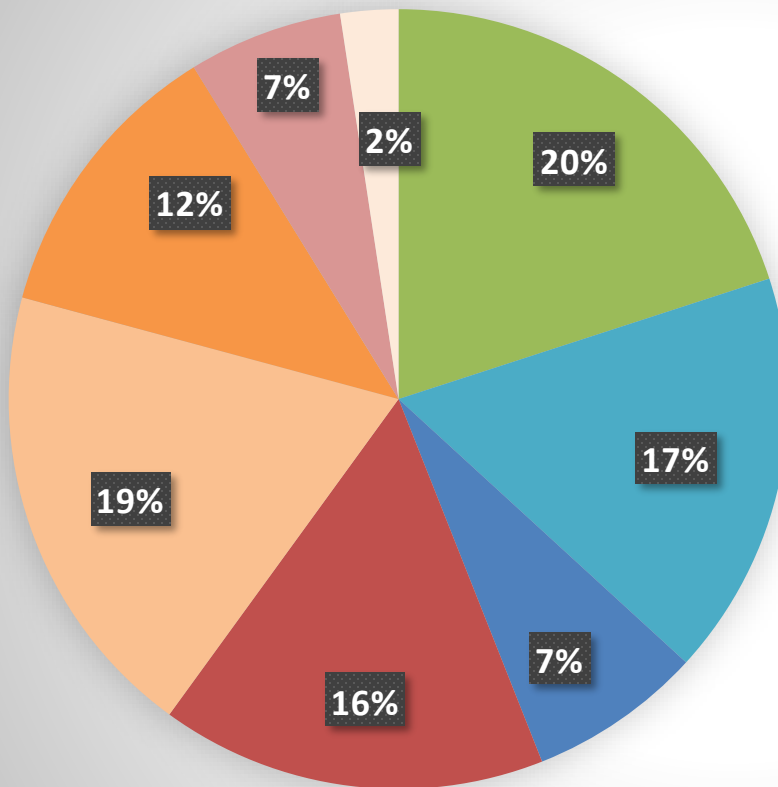
### 31% Response Rate

- Constructive criticism
- Positive feedback
- Communication
- Other-data based, outside or public input
- Little or no support
- Review System inconsistent, ineffective
- Self-feedback

# Citywide we are accomplishing our mission and upholding our values.



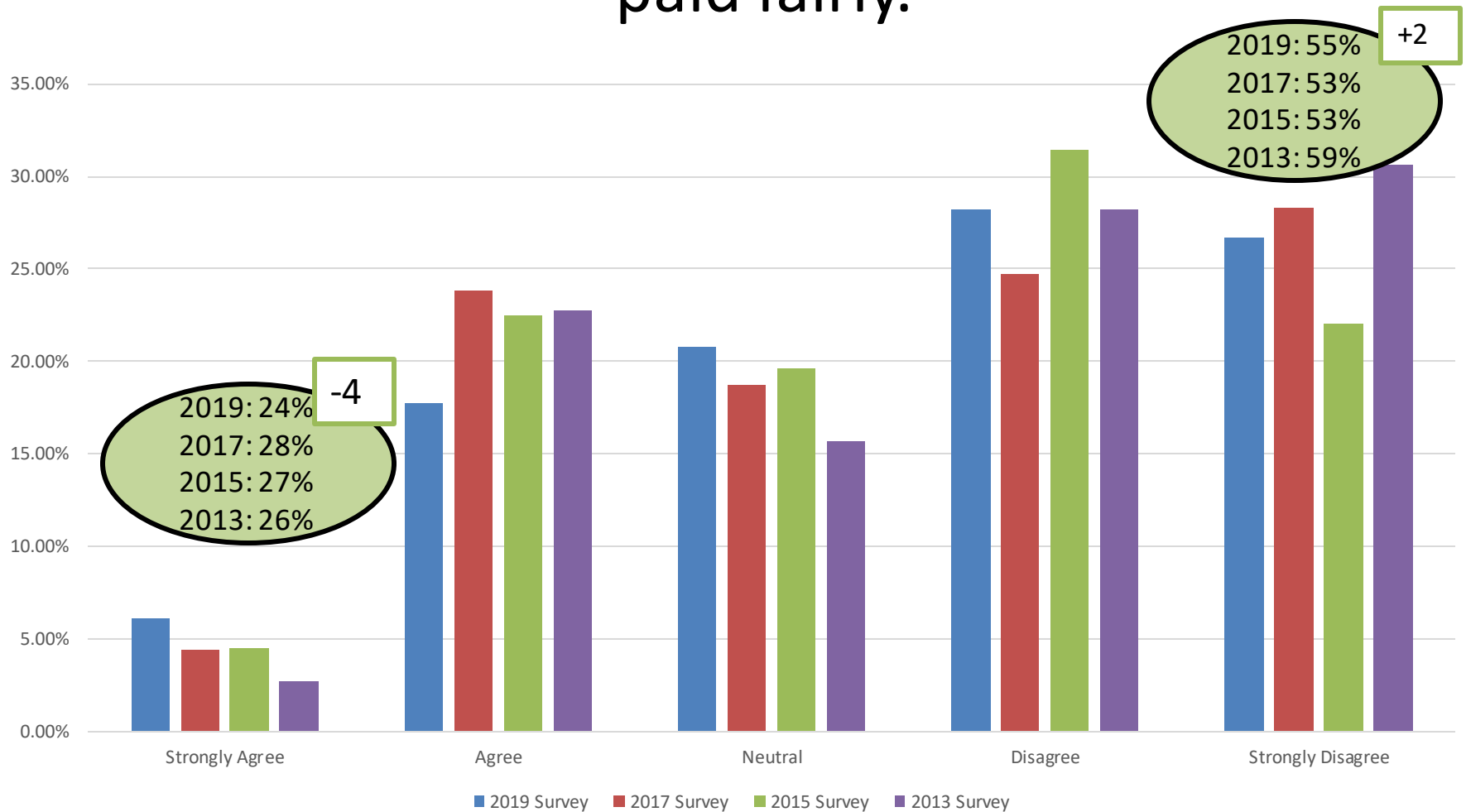
## What demonstrates that we are accomplishing our mission and values?



### 23% Response Rate

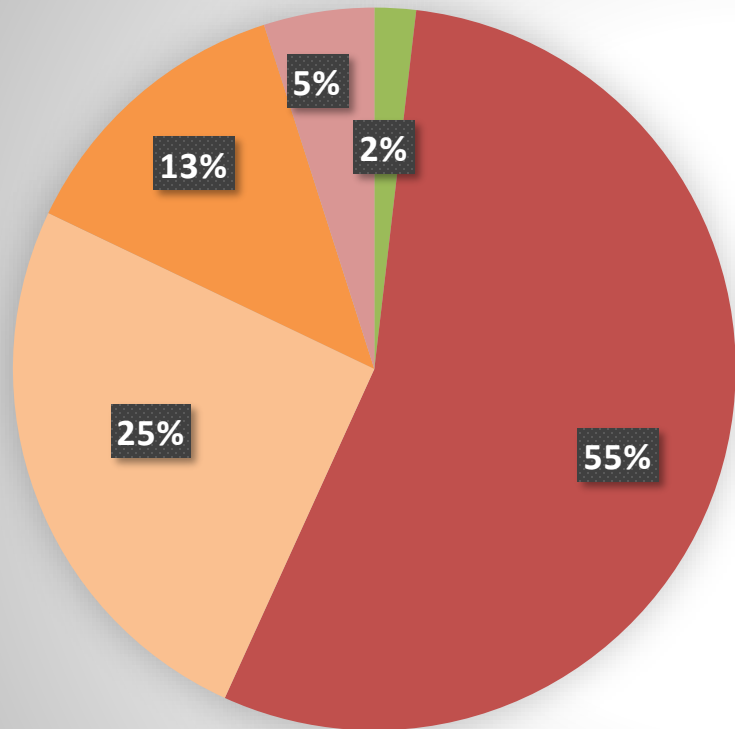
- Service Levels
- Employee Engagement
- Leadership/Alignment to Mission
- Leadership
- Alignment to Mission/goals
- Service Levels
- Employee Engagement
- Compensation- Pay Equity

# Compared to others in my line of work, I am paid fairly.





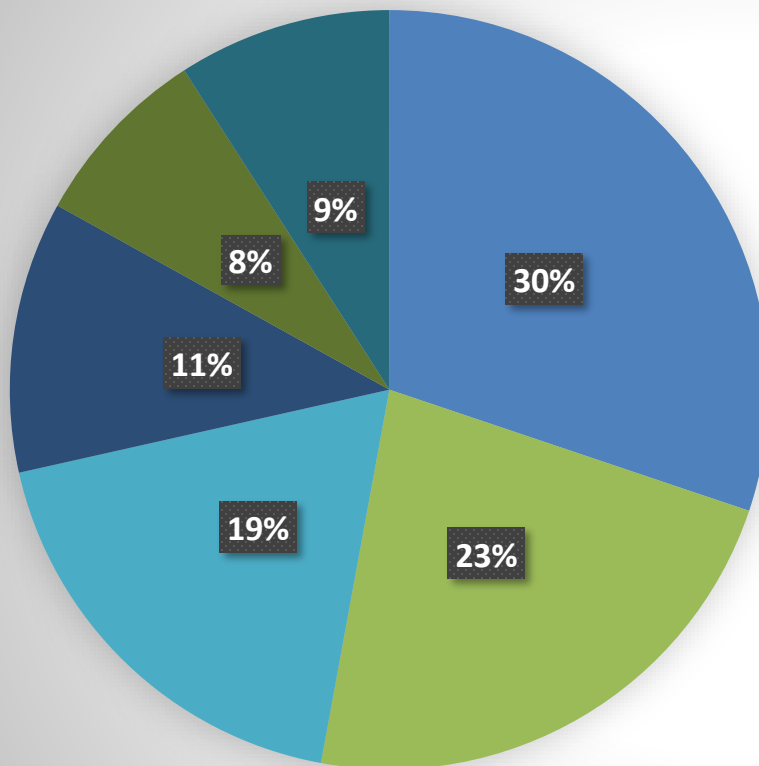
## Paid Fairly Comments:



### 36% Response Rate

- Paid Fairly
- Pay too low, under market
- Pay not aligned to responsibility or experience
- Pay scales not equitable; Advancement not clearly defined
- Don't know

## Aside from compensation, what would improve your experience as an employee of the City of Flagstaff?



**56% Response Rate**

- Communication
- Benefits (medical, amenities, vacation)
- Appropriate workload & staffing
- Clear succession plan, training/advancement opportunities
- Work Environment (cleanliness, amenities, safety)
- Recognition

# Top Strengths and Improvement Areas

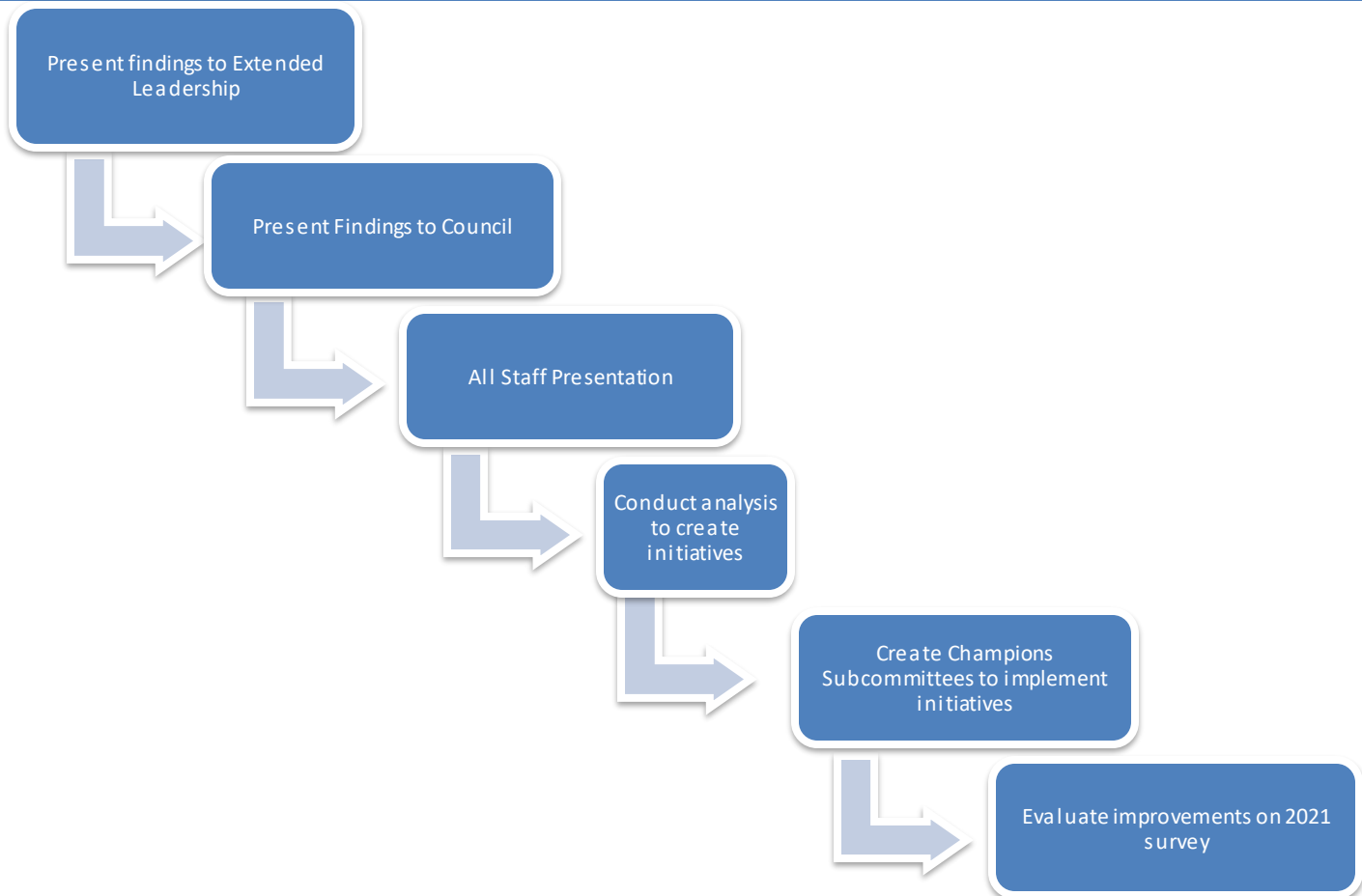
## **Strengths:**

- Team Flagstaff
- Recognition

## **Improvements:**

- Compensation
- Communication
- Recognition

# Next Steps:



# Questions?

Suggestions? Send them to [ChampionsOfTeamFlagstaff@flagstaffaz.gov](mailto:ChampionsOfTeamFlagstaff@flagstaffaz.gov)

## **CITY OF FLAGSTAFF**

### **STAFF SUMMARY REPORT**

**To:** The Honorable Mayor and Council  
**From:** Kristine Pavlik, Housing and Grants Administrator  
**Date:** 11/02/2020  
**Meeting Date:** 11/10/2020



---

#### **TITLE**

**Housing Presentation to City Council on the impacts of COVID-19 on Flagstaff's most vulnerable community members**

#### **STAFF RECOMMENDED ACTION:**

Provide the Flagstaff City Council and public with an overview of the impacts of COVID-19 on Flagstaff's most vulnerable community members from the perspective of three local social services providers. This presentation is informational only.

#### **EXECUTIVE SUMMARY:**

This purpose of this presentation is to provide City Council and the public an overview of the impacts of COVID-19 on Flagstaff's most vulnerable community members. Ross Schaefer Altenbaugh of Flagstaff Shelter Services, Sandra Flores of Catholic Charities and Michele Axlund of Coconino County Health and Human Services will briefly present on the impacts of COVID-19 to the vulnerable populations their agencies serve. The presentation will include information on how each agency has responded to the impacts of COVID-19 including their efforts to prevent and prepare for the Coronavirus.

#### **INFORMATION:**

Flagstaff Shelter Services, Catholic Charities, The Front Door, and Coconino County Health and Human Services are local social service agencies serving community members that are homeless, seriously mentally ill, exiting the justice system, or incarceration and/or positive for COVID-19, the disease caused by the Coronavirus. With the turning of seasons and upcoming CDBG-CV funding availability, it is important that Council be informed by local service providers about the impacts experienced as well as those anticipated by the agencies in regard to COVID-19 and the welfare of Flagstaff's most vulnerable community members.

---

**Attachments:** [Vulnerable Populations Presentation](#)



# Impacts of COVID-19 on Flagstaff's Vulnerable Populations

Ross Schaefer Altenbaugh  
Flagstaff Shelter Services

Sandra Flores  
Catholic Charities and Front Door

Michele Axlund  
Coconino County Health and Human Services





# Flagstaff Shelter Services

- Currently spending \$100,000 per week on alternative sheltering options for prevention of COVID-19 spread
- 50-90 Individuals Nightly are staying onsite in Congregate Shelter
- 200-270 Individuals Nightly are being sheltered in Motel Rooms
- FSS Staff has tripled in size to cover all three hotels and the congregate site
- FSS operates the COVID-19 positive/awaiting results Hotel – known as Hotel 2 (in partnership with Coconino County)





# Flagstaff Shelter Services

- Initial Testing indicated 35-40% positivity rate among staff and clients when sheltering all clients in Congregate Shelter
- Since moving majority clients to motel sheltering there have been 0 positives in 4 months
- Continue to provide consistent testing with North Country Healthcare to identify individuals who might test positive for COVID-19
- FSS provides community surveillance of the area surrounding the shelter in attempt to find people outside at night







# Flagstaff Shelter Services



- FSS sees an average 50% increase in request for services during the winter months
- This year FSS anticipates a 60% increase in requests for services due to exacerbating effects of the pandemic and related economic pressures
- Continue to provide consistent testing with North Country Healthcare to identify individuals who might test positive for COVID-19

# Catholic Charities

## Justice System Reentry Housing

- Three homes in Flagstaff
- Installed WIFI and partnered with TGC to provide virtual recovery services
- Support services funded by client rents
- 50% reduction in rents collected due to job loss or reduction of hours
- Residents struggling to find work
- Not exiting any clients for non-payment currently

## Closing the Gap

- Housing for individuals with significant barriers due to chronic substance abuse
- Fills a critical need serving extremely at-risk population
- Expansion potential critical piece to address long term stability of this population

## Rapid Rehousing

- Clients are in need of longer and more intense support services to achieve stability
- Eviction Moratorium creates less turnover of units in the community and increased rents from landlords are creating a struggle to locate units affordable to households who have experienced a reduction in income.







# Catholic Charities

## Emergency Family Shelter

- Critical as we move into winter months
- Utilizing ESG funding to shelter families in motels until a space in alt shelter is secured
- Hoping funds will last through the winter months
- Since July – assisted 90 households with motel stays – a total of \$11,915.45



## PATH Homeless Outreach

- Outreach Teams finding an increase in unsheltered individuals from CA (fire and COVID related) and Las Vegas
- Outreach now includes distribution of hand sanitizer, masks, gloves and up to date COVID information
- Ramping up nighttime outreach efforts due to upcoming winter temps
- Adding additional outreach teams through volunteers and collaborations with other agencies for more geographical coverage in critical weather times



# Front Door

- Primarily Virtual Case Management and Interviews – Appointments vs. Walk-In
- Increase in calls for assistance including eviction prevention, emergency shelter, motels and permanent housing
- Significant increase in individuals who are at risk of eviction and have exhausted assistance from friends and family
- Many individuals do not understand the rules/laws around the Eviction Moratorium
- When the Moratorium expires there will almost certainly be a greater need for family sheltering this winter – concerns about FSS capacity for overflow







# Front Door

- Need for COVID-19 negative testing results to be admitted to many shelters has created a roadblocks for many
  - Some shelters need each family member to test negative for COVID the day before being admitted to the shelter. Catholic Charities can put some families into hotels for up to two weeks utilizing ESG Emergency Shelter funds during this wait however many families have difficulty finding COVID testing sites that provide same-day results
- Front Door has served fewer people since the start of the COVID-19 lockdown, but clients seen have higher levels of vulnerability
- Increased number of services & funding available to people experiencing need during the pandemic means those who can navigate services without much guidance are served more efficiently
- **12.3% increase in Homelessness caused by Domestic Violence**
- **13.9% increase in Homelessness caused by loss of employment**
- **3.6% increase in average SPDAT score**
- **1.8% increase in clients identified as chronically homeless**



front door  
a pathway to end homelessness



# Coconino County Health & Human Services



- **Provided sheltering for over 495 housing insecure COVID-19 positive individuals (March – October 2020)**
- **Meals to our seniors – two meals a day**
  - 15,825 drive through meals at the Senior Center
  - 17,669 Home Delivered Meals
- **Rental and Utility Assistance**
  - 1,085 families assisted with rent and utility costs
  - \$782,518 spent on rental & utility assistance (April – October 2020)
  - 659 City of Flagstaff residents received assistance







# Coconino County Health & Human Services

## COVID-19 RESPONSE:

- Free COVID-19 testing
- Contact Tracing on all positive cases
- Patient Monitoring and Support Resources
- PPE Supply Distribution to the Community
- Rapid Test Kits Distribution
- Flu Clinics
- Vaccination Planning





# Coconino County Health & Human Services

## Worked in collaboration with the Social Safety Net:



- Provided rental and eviction guides to landlords as part of the **Housing Sector** – over 200 landlords received electronic and hand delivered guides.
- Worked in coordination with food distribution to get families in need connected with a warm handoff for food boxes.
- Expansion of social safety net resources to pull together community agencies to identify gaps meet community need.









## CITY OF FLAGSTAFF

### STAFF SUMMARY REPORT

**To:** The Honorable Mayor and Council  
**From:** Kristine Pavlik, Housing and Grants Administrator  
**Date:** 10/28/2020  
**Meeting Date:** 11/10/2020



---

#### TITLE:

**Presentation and Recommendations:** regarding additional CDBG-CV (Community Development Block Grant funding for prevention, preparation and response to Coronavirus) funds provided to the City of Flagstaff by the Department of Housing and Urban Development and the CARES (Coronavirus Aid, Relief, and Economic Security) Act.

#### DESIRED OUTCOME:

Housing Staff is seeking direction from Flagstaff City Council on the allocation of \$766,551 in additional CDBG-CV (Community Development Block Grant funding for prevention, preparation, and response to Coronavirus) funding provided to the City of Flagstaff by the Department of Housing and Urban Development and the CARES (Coronavirus Aid, Relief, and Economic Security) Act. Staff will come to the Council for a final funding decision for the use of these funds on November 17, 2020.

In order for the City of Flagstaff to allocate the additional CDBG-CV funds as directed by Council, Flagstaff City Council must approve the submission of a third substantial amendment to the 2019/2020 Annual Action Plan to HUD.

#### EXECUTIVE SUMMARY:

Housing Staff is seeking Council direction on funding recommendations for the use of \$766,551 in additional CDBG-CV funding. Staff requires this direction in order to bring forward a resolution on November 17, 2020, for approval of the required submission of a third substantial amendment of the 2019/2020 Annual Action Plan to the U.S. Department of Housing and Urban Development (HUD) as part of the Community Development Block Grant (CDBG) program.

#### INFORMATION:

##### Financial Impact:

Approval of Resolution 2020-61 will substantially amend the City of Flagstaff's 2019/2020 Annual Action Plan for the 3<sup>rd</sup> time in order to incorporate additional CDBG-CV funds and funding allocations. Due to the health and safety concerns caused by the pandemic the amendment of the 2019/2020 Annual Action Plan is necessary to expedite CDBG-CV funding into the Flagstaff community. The amendment will incorporate CDBG-CV funds provided by the CARES (Coronavirus Aid, Relief, and Economic Security) Act and funding allocations as directed by Council. The second City of Flagstaff CDBG-CV allocation is \$766,551.00. The cumulative amount for all allocation rounds for the City of Flagstaff is \$1,126,155. For this proposed allocation, the City has waived the indirect rate of 10% and applied a flat rate as opposed to 10% for allocation to administration in order to maximize community benefit.

##### Policy Impact:

## **The City of Flagstaff Council's CDBG Priorities:**

- Provide affordable housing (rental and ownership)
- Address homelessness
- Improve neighborhood revitalization
- Promote workforce job training
- Support education/ early childhood development

## **Connection to PBB Key Community Priorities/Objectives & Regional Plan:**

### **REGIONAL PLAN:**

Goal NH.1. Foster and maintain healthy and diverse urban, suburban, and rural neighborhoods in the Flagstaff region.

- Policy NH.1.1. Preserve and enhance existing neighborhoods.

Goal NH.4. All housing is safe and sanitary.

- Policy NH.4.1. Expand the availability of affordable housing throughout the region by preserving existing housing, including housing for very low-income persons.
- Policy NH.4.3. Address accessibility issues and other housing barriers to persons with disabilities or special needs.
- Policy NH.4.4. Encourage green practices in housing construction and rehabilitation that support durable, healthy, and energy efficient homes.
- Policy NH.4.5. Renovate the existing housing stock to conserve energy and reduce utility and maintenance costs for owners and occupants.
- Policy NH.4.7. Enforce compliance with fair housing laws.

Goal NH.5. Eliminate homelessness.

- Policy NH.5.1. Provide adequate resources for families with children experiencing homelessness.
- Policy NH.5.2. Provide adequate resources for individuals experiencing homelessness.
- Policy NH.5.3. Support and expand programs that prevent homelessness.
- Policy NH.5.4. Make transitional housing resources available to populations experiencing homelessness.

## **Has There Been Previous Council Decision on This:**

Staff received Council direction on local CDBG priorities at the January 29, 2019, Council meeting. Those priorities are identified in Policy Impact above and Background/ History below. On April 10, 2020, Council approved the first substantial amendment to the 2019/2020 Annual Action Plan. This initial amendment permitted Flagstaff Shelter Services to provide infectious disease prevention services instead of the previously intended employment services. FSS has provided expanded shelter and services in response to the Coronavirus for the past 7 months. Staff received Council direction on the 1<sup>st</sup> round of CDBG-CV funds allocated to the City of Flagstaff on May 12, 2020. Council then approved a 2<sup>nd</sup> substantial amendment to the 2019/2020 Annual Action Plan incorporating the CDBG-CV funds and Council directed allocations to Flagstaff Shelter Services, Coconino County Health and Human Services and Catholic Charities for public service programs preparing for, responding to, and preventing COVID-19.

## **Options and Alternatives:**

1. Approve the Resolution and authorize the submission of the Amended 2019 Annual Action Plan to HUD.
2. Modify the Resolution and authorize the submission Amended 2019 Annual Action Plan to HUD.
3. Not approve the Resolution

## Background/History:

In order to receive and incorporate CDBG-CV funding, the City must submit to HUD the required substantial amendment to the 2019-2020 Annual Action Plan. This amendment describes how CDBG-CV funds will be used.

To determine the most efficient and effective use of the CDBG-CV funds, Housing Staff contacted the three local, non-profit agencies who received allocations of CDBG-CV funds for projects preventing, preparing for, and responding to the Coronavirus in May 2020. These three agencies provide essential community services to vulnerable and low-moderate income community members and have successfully administered the City of Flagstaff's CDBG funded projects within the last 6 years. Staff discussed the urgent and critical funding needs for COVID-19 response with the directors of Flagstaff Shelter Services, Catholic Charities, and Coconino County Health and Human Services. The second disbursement of CDBG-CV funds provided by the CARES Act and allocated to the City of Flagstaff by HUD equals \$766,551.00.

Below is a list of the agency needs discussed with Housing Staff. All agency needs are in the public service category.

*For CDBG-CV allocations, HUD has waived the required 15% public service cap for projects aiming to prevent, prepare for and respond to the Coronavirus.*

Public Service Activity	Proposal/Project	Request
Flagstaff Shelter Services	COVID-19 Response for Individuals and Families	\$250,000
Catholic Charities	Closing the Gap and Jail Reentry Programs	\$80,000
Catholic Charities	Front Door	\$40,000
Coconino County Health and Human Services	Shelter for COVID-19 Positive Individuals	\$200,000

## Key Considerations:

All four projects administered by these agencies serve community members that are homeless, seriously mentally ill, exiting the justice system or incarceration, and/or positive for COVID-19, the disease caused by the Coronavirus. Non-Congregate sheltering of individuals positive for and/or at higher risk of contracting COVID-19 protects not only our most vulnerable community members but the Flagstaff community as a whole by preventing the substantial spread of COVID-19 and the overburdening of our healthcare systems.

## Expanded Financial Considerations:

For the third substantial amendment to the 2019/2020 Annual Action Plan, Housing Staff is recommending that the City of Flagstaff utilize a portion of the CDBG-CV funds primarily for services provided to individuals and families experiencing homelessness administered by Coconino County Health and Human Services, Flagstaff Shelter Services and Catholic Charities. The remaining funds will be brought back to City Council for allocation as part of the 2021/2022 Annual Action Plan process.

CDBG-CV Allocation	
1st Disbursement	\$359,604.00
2nd Disbursement	\$766,551.00
<b>Total CDBG-CV Funds</b>	<b>\$1,126,155.00</b>



Allocated May 2020	\$359,604.00
<b><u>Administration</u></b>	
Grant Compliance and Administration (Flat Amount vs 10%)	\$20,000.00
Estimated City Indirect Rate of 10%	Waived
<b>Total Administration</b>	<b>\$20,000.00</b>
<b><u>Total Available for Allocation</u></b>	<b><u>\$746,551.00</u></b>

<b>CDBG-CV Allocation Recommendations</b>		
<b>Public Service Activities (<del>15% Cap</del>)</b>	<b>Recommended Funding</b>	<b>Serving</b>
Flagstaff Shelter Services COVID-19 Infectious Disease Response for Individuals and Families	\$250,000.00	2000 individuals and 40 households
Catholic Charities Closing the Gap and Jail Reentry Housing Programs	\$80,000.00	500 Individuals
Catholic Charities Front Door Housing Navigation	\$40,000.00	400 Individuals
Coconino County Health and Human Services Shelter for COVID-19 Positive Individuals	\$200,000.00	240 Individuals
<b>Total Public Service Activities</b>	<b>\$570,000.00</b>	
<b>Administration (Flat Amount vs. 10%)</b>	<b>\$20,000.00</b>	
<b>CDBG-CV Held in Reserve for Allocation with City of Flagstaff 2021/2022 CDBG Grant Cycle</b>	<b>\$176,551.00</b>	
<b><u>Total Current CDBG-CV Allocation</u></b>	<b><u>\$590,000.00</u></b>	<b><u>3,040 individuals</u></b> <b><u>40 households</u></b>

### **Community Benefits and Considerations:**

Considering overall community health as well as the health of Flagstaff's most vulnerable community members, Housing Staff is recommending the funding of all four projects serving community members that are homeless, seriously mentally ill, exiting the justice system or incarceration and/or positive for COVID-19, the disease caused by the Coronavirus that are listed above.

Non-congregate sheltering of individuals positive for and/or at higher risk of contracting COVID-19 protects City-wide public health and prevents the substantial spread of COVID-19 amongst the homeless population and the entire community. The Department of Housing and Urban Development has encouraged consideration of approaches that prioritize the unique needs of low- and moderate-income persons and the development of partnerships between all levels of government and the private for-profit and nonprofit sectors.

Housing Staff is recommending that the Council hold \$176,551 of the \$766,551 disbursement in reserve for allocation alongside the City of Flagstaff CDBG 2021/2022 Annual Entitlement. Staff intends to establish priorities with newly appointed Council members in December 2020 in order to release the Notice of Available Funds to the community as soon as possible. This allows potential sub-recipients, including those that may be new to the City's CDBG grant process, sufficient time to evaluate COVID-19 related needs, and develop eligible and essential programs that aim to prevent, prepare for and respond to the Coronavirus and complete the grant application in a timely manner. The grant application will be simplified yet still allow Housing Staff and the CDBG Ranking Committee to perform a thorough Risk Assessment of all potential sub-recipients. This will permit new community partners serving low-moderate income community members impacted by COVID-19 to apply for CDBG-CV grant funding. The Public Service funding category cap requirement of 15% has been waived by HUD for CDBG-CV funds possibly making available nearly double the funds available for Public Service projects, historically the most competitive funding category for the City of Flagstaff CDBG.

Given the rapidly changing community needs from the ongoing impacts of COVID-19, Housing Staff believes that waiting to allocate the remaining funds is prudent and allows the City and its partners time to assess community needs related to COVID-19, brainstorm potential long term solutions and expand Community Involvement and Public Participation by utilizing the CDBG Ranking Committee in its recommendation process and providing a lengthier public comment period.

#### **Community Involvement:**

The CARES Act adds additional flexibility for CDBG-CV funding requirements in these unprecedented times. The required public comment period is reduced to not less than 5 days and grantees may use virtual public hearings when necessary for public health reasons.

Utilizing these waivers of regulations, there was a five-day (instead of a 30 day) Public Comment Period from Nov 4<sup>th</sup> – 9<sup>th</sup>, 2020. An advertisement for Public Notice was published in the Arizona Daily Sun on Nov 3<sup>rd</sup>, and the proposed DRAFT Resolution and the DRAFT 2019/2020 Amended Annual Action Plan were made available on the City of Flagstaff website starting Nov 3<sup>rd</sup>, 2020.

With efforts to eliminate the risk of supplanting and duplication of benefits in federal spending, all while expediting CDBG-CV dollars to the greatest need, housing staff contacted the three local, non-profit agencies who received CDBG-CV funds for projects preventing, preparing for, and responding to the Coronavirus. These three agencies provide essential community services to vulnerable and low-moderate income community members and have successfully administered the City of Flagstaff CDBG funded projects within the last 6 years. Staff discussed the urgent and critical funding needs for COVID-19 response with the directors of Flagstaff Shelter Services, Catholic Charities and Coconino County Health and Human Services.

---

**Attachments:**     [CDBG-CV Presentation](#)



# Community Development Block Grant Funds for Supporting Community Response to COVID-19

2019 Annual Action Plan  
COVID-19  
Amendment #3



Housing Section





# Today



1. Brief CDBG Overview
2. CARES Act & CDBG-CV Funds Recap
3. 2<sup>nd</sup> Round CDBG-CV Funding Recommendations
4. Next Steps





# CDBG Overview



## National and Primary Objective

- The development of viable urban communities through the provision of the following, principally for low- and moderate-income persons:
  - Decent housing
  - A suitable living environment
  - Economic opportunity



## How can the City spend the money?



As the City Council determines based on:

- Needs identified in the Consolidated Plan
- The National Objective
- One or more of the Primary Objectives



# Council Direction & Staff Responsibilities



## **Council CDBG Priorities** *(established Jan. 2019)*

- Provide Housing (rental & ownership)
- Serve those experiencing Homelessness
- Neighborhood Revitalization
- Workforce Job Training
- Education/ Early Childhood Development

## **City Staff Responsibilities**

- Conduct proposal process
- Determine activity eligibility
- Assess activity viability
- Conduct agency risk assessment
- Provide recommendations to the City Council



- Objectives & Council's Priorities
- Number Served & Area Benefit
- Community Need & Collaboration
- Budget, Leverage & Cost Effectiveness
- Organizational Experience / Federal grant experience
- Financial Capacity & Rate of Expenditure
- Budget Analysis & Sufficient Leverage
- Grant Request is Realistic
- Duplication of Benefits/Supplanting







# The CARES Act and CDBG-CV



## CARES(Coronavirus AID, Relief, & Economic Security) Act

- \$5 Billion in CDBG Coronavirus Funds (CDBG-CV)
- 1<sup>st</sup> Round - Based on FY20 CDBG Formula - 3/27/2020
- 2<sup>nd</sup> Round - \$1 Billion to States - 5/11/2020
- 3<sup>rd</sup> Round – Discretion of the Secretary – 9/11/2020
- Waivers and Alternative Requirements for CDBG-CV, CDBG FY 2019/2020 and CDBG FY 2020/2021 Entitlements
- Preparation, Prevention and Response to COVID-19

## City of Flagstaff CDBG-CV Allocations

- 1<sup>st</sup> Round - \$359,604.00
- 3<sup>rd</sup> Round - \$766,551.00
- **Total of \$1,126,155**







# Council CDBG and CDBG-CV Action for Support of Community Response to COVID-19



## Council Action in April 2020

- \$57,645 of CDBG 2019/2020 Entitlement Funds Reallocated to Flagstaff Shelter Services for Emergency COVID-19 Response (Motel Sheltering, Supplies and PPE and Increased Staff Time/Training)





# Council CDBG and CDBG-CV Action for Support of Community Response to COVID-19



<u>Agency</u>	<u>Proposal/Project</u>	<u>CDBG-CV Allocation</u>
Flagstaff Shelter Services	COVID-19 Response	\$250,000.00
Catholic Charities	Homeless Outreach	\$73643.60
<u>Agency</u>	<u>Proposal/Project</u>	<u>CDBG-20 Allocation</u>
Flagstaff Shelter Services	Housing as Healthcare	\$100,000.00
Threaded Together	STEP Program	\$32,240.00
Sharon Manor	House Rehabilitation	\$244,400.00
<u>Agency</u>	<u>Proposal/Project</u>	<u>CDBG-19 Allocation</u>
Coconino County HHS	Eviction Prevention	\$172,855.29 + \$59,000 (GF)



# Community Response to COVID-19 CDBG-CV funds

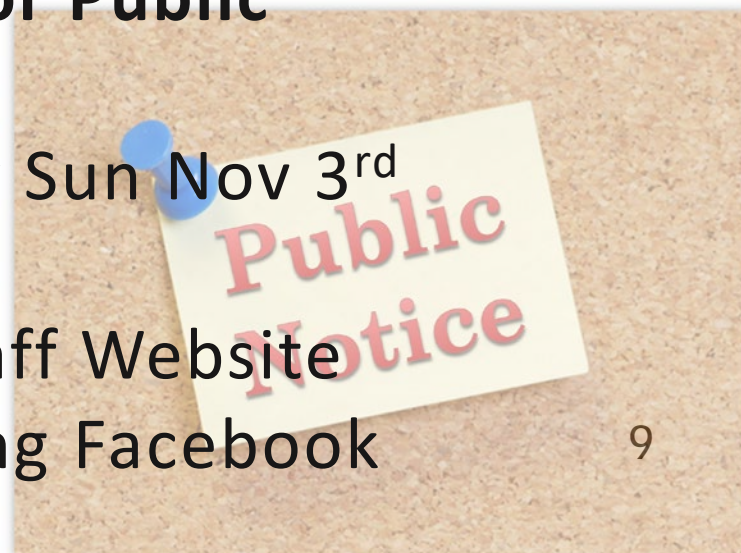


## Ongoing Need for COVID-19 Public Service Projects

- Flagstaff Shelter Services
- Catholic Charities
- Coconino County Health and Human Services

## Draft of 3<sup>rd</sup> Substantial Amendment to 2019 Annual Action Plan Available for Public Comment

- Public Notice in AZ Daily Sun Nov 3<sup>rd</sup>
- Nov 4<sup>th</sup> to the 10<sup>th</sup>
- Posted on City of Flagstaff Website
- Notice Shared on Housing Facebook





# Funds Available for Allocation



<b>Second CDBG-CV Allocation</b>	<b>\$766,551.00</b>
<i>Administration (flat amount vs 10%)</i>	<i>-\$20,000.00</i>
<i>10% City Indirect Rate</i>	<i>Waived</i>
<b>Total Available for Allocation</b>	<b>\$746,551.00</b>





# CDBG-CV Recommendations



<u>Agency</u>	<u>Proposal/Project</u>	<u>Recommendation</u>	<u>Serving</u>
Flagstaff Shelter Services	COVID-19 Alternative Shelter for Individuals and Families	\$250,000.00	2000 Ind 40 HH
Catholic Charities	Front Door Housing Navigation	\$40,000.00	400 Ind
Catholic Charities	Closing the Gap & Jail Reentry Housing Programs	\$80,000.00	500 Ind
Coconino County HHS	Operations for Hoteling	\$200,000.00	240 Ind
<b>Total Allocated</b>		<b>\$570,000.00</b>	
<b>Admin (flat amount vs. 10%)</b>		<b>\$20,000.00</b>	
<b>Total</b>		<b>\$590,000.00</b>	
<b>Total Held for 2021 AAP</b>		<b>\$176,551.00</b>	





# CDBG 2021/2022 Entitlement



## City of Flagstaff Annual CDBG Cycle

- New Council Priority Setting - December 8th
- Shortened Application – Fewer Questions
- Ranking Committee & Risk Assessment
- Lengthened Public Participation Period
- Opportunities for Agencies New to CDBG to Apply





# Next Steps



- Questions?
- Council Direction
- November 17<sup>th</sup> Meeting



## **CITY OF FLAGSTAFF**

### **STAFF SUMMARY REPORT**

**To:** The Honorable Mayor and Council  
**From:** Nicole Antonopoulos, Sustainability Director  
**Date:** 11/04/2020  
**Meeting Date:** 11/10/2020



---

#### **TITLE:**

**Discuss strategies that would recognize the true cost of carbon associated with transportation in Flagstaff and looking at options to offset that true cost in some fashion.**

#### **DESIRED OUTCOME:**

Discussion and possible direction.

#### **EXECUTIVE SUMMARY:**

In 2018, the transportation sector accounted for 28 percent of total greenhouse gas emissions in the United States, making it the largest share of the nation's emissions. Greenhouse gas emissions from transportation primarily come from the burning of fossil fuel for our cars, trucks, ships, trains, and planes. Over 90 percent of the fuel used for transportation is petroleum-based, which includes gasoline and diesel.

In Flagstaff, the transportation sector accounts for 42 percent of total greenhouse gas emissions (average of 2016 and 2018 emissions). This is the second-largest contributor to community-generated greenhouse gas emissions. The largest contributor is energy for the powering of buildings.

#### **INFORMATION:**

A carbon cost calculator was used to determine the cost of transportation-based emissions. This calculation is known as the social cost of carbon (SCC). The SCC is an estimate, in dollars, of the present value of future economic damages that would result from emitting one additional ton of greenhouse gases into the atmosphere. The SCC puts the effects of climate change into economic terms to help policymakers and other decision-makers understand the economic impacts of decisions that would increase or decrease emissions. The SCC is currently used by local, state, and federal governments to inform billions of dollars of policy and investment decisions in the United States and abroad.

The cost factors used in Flagstaff's SCC is based on best practices among peer cities. The SCC is calculated at \$55 per metric ton. The 2018 SCC of Flagstaff's greenhouse gas emissions is \$44,590,000. The transportation sector alone accounts for \$18,690,000.

---

#### **Attachments:**

## CITY OF FLAGSTAFF

### STAFF SUMMARY REPORT

**To:** The Honorable Mayor and Council  
**From:** Rick Tadder, Management Services Director  
**Co-Submitter:** Heidi Hansen, Economic Vitality Director  
**Date:** 10/19/2020  
**Meeting Date:** 11/10/2020



#### TITLE

**Discussion regarding the City's Bed, Board, and Beverage (BBB) appropriation.**

#### STAFF RECOMMENDED ACTION:

Council Direction

#### EXECUTIVE SUMMARY:

On May 19, 2020, three or more Councilmembers agreed to move forward on a Future Agenda Item Requests (F.A.I.R.) related to a discussion regarding the City's BBB appropriation. City staff will be seeking further direction.

#### INFORMATION:

The BBB tax was originally adopted by the Flagstaff voters in 1988. The BBB tax is a 2% local transaction privilege tax (TPT) levy on the gross revenue generated from hotels, motels, campgrounds, bars, and restaurants, and is in addition to all other state and local transaction privilege taxes. The BBB tax was originally approved for a 10-year period in 1988, and revenues were allocated to fund Tourism, Beautification, Economic Development, and Administration.

On December 19, 1995, Council adopted Ordinance 1902 approving a reallocation of BBB Tax revenues. The BBB Tax allocation has remained the same since then and is set forth in our City Code, Chapter 3-06, *Hospitality Industry Tax Revenues*. The table below represents the original and current allocations:

Allocations	Original	Current
Administration	3.0%	0.0%
Arts and Science	0.0%	7.5%
Beautification	32.0%	20.0%
Economic Development	16.5%	9.5%
Parks and Recreation	0.0%	33.0%
Tourism	48.5%	30.0%

**Attachments:**

- Ordinance 1909 BBB Reallocations
- March 1996 Proposition 401
- May 2010 Proposition 401
- City Code 3-06 Hospitality Tax
- CCR April 2016
- CCR May 2017
- CCR February 2018
- CCR November 2020



ORDINANCE NO. 1902

AN ORDINANCE REALLOCATING THE LODGING, RESTAURANT AND LOUNGE TAX BY REDUCING ALLOCATIONS TO TOURISM, BEAUTIFICATION, AND ECONOMIC DEVELOPMENT, ELIMINATING THE ALLOCATION TO ADMINISTRATION, AND PROVIDING FOR ALLOCATIONS TO PARKS AND RECREATION, AND TO ARTS AND SCIENCES.

WHEREAS, divergent community interests have pressed upon the City Council the need for reallocating the Lodging, Restaurant and Lounge Tax, commonly referenced as the "Bed, Board & Booze Tax," (the "BBB Tax"); and,

WHEREAS, the consensus reached among these divergent interests propose including a parks and recreation allocation of thirty-three percent (33%) and an arts and sciences allocation of seven and one-half percent (7.5%), reducing the allocations to tourism, beautification, and economic development, and eliminating any allocation to the administration of the tax; and,

WHEREAS, the City Council desires to accommodate these various interests by reallocating the BBB Tax in the manner agreed to by these divergent interests in order to avoid referenda compelling a less agreeable reallocation of the tax;

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1: That the Flagstaff City Code, Section 3-06-001-0001, be amended to read as follows:

- A. BAR/LOUNGE: Any public or private establishment where spirituous liquor, as defined by Arizona Revised Statutes, Section 4-101.26, is sold for consumption on the premises.
- B. BEAUTIFICATION: Any modification of the ~~urban~~ physical environment to increase pleasure to the senses or pleasurably exalt the mind or spirit or strengthen the urban design framework of the City.
- C. ECONOMIC DEVELOPMENT: The encouragement, promotion and assistance of the expansion of economic activity for the purposes of expanding revenue and providing jobs to the community.

Additions indicated by ~~redline~~, deletions by ~~strikeout~~.

- D. HOSPITALITY INDUSTRY: Those establishments engaged in business as bar/lounge, restaurant or hotel/motel/campground.
- E. HOTEL/MOTEL/CAMPGROUNDS: Any public or private establishment which provides transient lodging for compensation; except hospitals, rest homes, nursing homes, foster homes, sheltered care homes or residential treatment facilities operated on a not-for-profit basis.
- F. RESTAURANT: Any business activity where articles of food, drink or condiment are customarily prepared or served to patrons for consumption on or off the premises, also including bars, cocktail lounges, the dining rooms of hotels, and all caterers. For the purposes of this Chapter, a "fast food" business, which includes street vendors and mobile vendors selling in public areas or at entertainment or sports or similar events, who prepares or sells food or drink for consumption on or off the premises is considered a "restaurant", and not a "retailer".
- G. TOURISM: The guidance, management, marketing, accommodation, promotion and encouragement of tourists.
- H. TOURISTS/VISITORS: Individuals or groups which visit Flagstaff and surrounding areas for business, recreational, educational, scientific or cultural purposes.
- I. TRANSIENT: Person who obtains, at his own or another's expense, lodging for a period of thirty (30) days or less.
- J. PARKS AND RECREATION: The development and management of public parks, recreational facilities, and programs which are available to the residents and visitors including funding the Flagstaff Urban Trail System.
- K. ARTS AND SCIENCES: Support for Flagstaff arts, scientific and cultural activities, events and organizations to provide direct and indirect citizen participation and enhancement of the overall quality of life and community image including support of public art.

SECTION 2: That the Flagstaff City Code, Section 3-06-001-0003, be amended as follows:

There shall be a separate accounting for all funds collected under this Chapter. Said funds shall be distributed and expended in a manner consistent with the City Charter and State law. The funds collected under this Chapter shall be ~~designated~~ allocated as follows:

- A. An initial allocation of \$40,000 in 1997, \$30,000 in 1998, \$20,000 in 1999 and, \$10,000 in 2000, shall be made for economic development purposes.

Additions indicated by redline, deletions by ~~strikeout~~.

B. After the initial allocation above, the balance of the tax collected shall be distributed as follows:

~~A. Three percent (3%) shall be deposited in the City General Fund to cover the costs of administration and collection.~~

~~B1. Forty eight and one-half percent (48.5%)~~ Thirty percent (30%) for tourism in conformance with subsection 3-06-001-0004 A.

~~C2. Thirty two percent (32%)~~ Twenty percent (20%) for beautification in conformance with subsection 3-06-001-0004 B.

~~D3. Sixteen and one-half percent (16.5%)~~ Nine and one-half percent (9.5%) for economic development in conformance with subsection 3-06-001-0004 C.

4. Thirty-three percent (33%) for Parks and Recreation, in conformance with Section 3-06-001-0004 D.

5. Seven and one-half percent (7.5%) for Arts and Science in conformance with Section 3-06-001-0004 E.

SECTION 3: That the Flagstaff City Code, Section 3-06-001-0004, be amended to read as follows:

A. Tourism: Those funds designated for tourism shall be administered as follows:

The City Council shall:

1. Appoint a Tourism Commission composed of seven (7) members, four (4) of whom shall be from the hospitality industry. Recommendations for members will be made by the Flagstaff tourism industry; or

2. Designate an appropriate public or private agency to form a Tourism Committee. Said Committee shall be composed of one City Council person and additional members as required, the majority of whom will be from the hospitality industry.

3. This public or private agency, or Commission shall review the expenditure of the portion of this tax to be applied to tourist related activities and projects and;

a. Develop and transmit to the Council an annual master plan outlining the Commission's or public or private agency's program recommendations for the upcoming year. ~~Said plan shall be presented to the Council prior to April 1 of each year.~~

Additions indicated by redline, deletions by ~~strikeout~~.

b. Make recommendations to the Council concerning the annual budgetary allocation of the tourism portion of this tax to include, but not be limited to:

(1) Providing funding to the qualified, established public or private agency to administer, on a contract basis, tourism programs as required.

~~(2) Developing recreational facilities as needed to benefit the community and its visitors.~~

(32) Developing and implementing a marketing plan. Major elements of the marketing plan will include, but not be limited to, developing a specific image for Flagstaff, identifying target market segments, implementing a promotional plan directed to target market segments.

(43) Establishing visitor information center(s) to include, but not be limited to, a high profile location, easy visitor access, adequate staffing, a toll-free telephone number for visitor information, and develop other facilities as needed to benefit visitors and the community.

(54) Establishing an educational program to include, but not be limited to, scholarships for hospitality education at NAU.

(65) Promoting activities that enhance the community's image and the overall quality of life.

(76) Retaining of appropriate staff to implement approved programs.

c. Perform those additional duties determined by the Council as set forth by ordinance.

B. Beautification: Those funds designated for beautification shall be administered as follows: The City Council shall appoint a separate Commission to review the expenditure of the portion of this tax to be applied to beautification activities and projects. The Commission size shall be seven (7). ~~At least one member shall be a representative of the hospitality industry.~~ Said Commission or Committee shall:

1. Make recommendations concerning the allocation of this tax and ~~shall prepare and transmit to the Council an annual master plan outlining the Commission's program recommendations for the~~

Additions indicated by redline, deletions by ~~strikeout~~.

~~upcoming year. Said plan shall be presented to the Council prior to April 1 of each year.~~

2. Make recommendations to the Council concerning the annual budgetary allocation of the beautification portion of this tax, to include but not be limited to:
  - a. Purchase, installation or modification of landscaping and irrigation systems.
  - b. Purchase, removal or modification of billboards and nonconforming signs.
  - c. Beautification of buildings and facilities, streetscapes and gateways.
  - d. Purchase or lease of easements or property necessary for beautification projects.
  - e. ~~Support of cultural (performing and visual arts) activities and organizations in Flagstaff that provide greater economic development activity opportunities through the enhancement of the overall quality of life and community image.~~
3. Perform those additional duties determined by the Council as set forth by ordinance.

- C. Economic Development: Those funds designated for economic development shall be administered as follows:

The City Council shall:

1. Appoint or act as an Economic Development Commission; ~~or~~
2. Designate an appropriate public or private economic development agency ~~to form an Economic Development Committee.~~ Said ~~Committee~~ agency shall be composed of ~~one~~ at least two City Council persons and additional members as required;
3. This public or private agency, ~~or Commission~~ shall: ~~review the expenditure of the portion of this tax to be applied to economic development related activities and projects and;~~
  - a. Develop and transmit to the Council an annual master plan outlining the Commission's or public or private agency's program recommendations for the upcoming year. Said plan shall be presented to the Council prior to April 1 of each year.

Additions indicated by ~~redline~~, deletions by ~~strikeout~~.



- b. Make recommendations to the Council concerning the annual budgetary allocation of the economic development portion of this tax, to include but not be limited to:
  - (1) Developing, acquiring and distributing advertising material to promote economic development.
  - (2) Providing financial assistance programs to stimulate relocation and retention of industrial prospects to Flagstaff.
  - ~~(3) Support of cultural (performing and visual arts) activities and organizations in Flagstaff to provide greater economic development opportunities through the enhancement of the overall quality of life and community image.~~
  - (4) Retaining of appropriate staff to implement approved programs.
  - (4) Perform those additional duties determined by the Council as set forth by ordinance.

D. PARKS AND RECREATION: Those funds designated for Parks and Recreation shall be administered as follows:

The City Council shall:

- 1. Appoint a Parks and Recreation Commission which shall:
  - a. Review the expenditure of the portion of this tax to be applied to Parks and Recreation related activities and projects,
  - b. Develop and transmit to the Council an annual operating plan outlining the Commission's program recommendations for the upcoming year.
  - c. Make recommendations to the Council concerning the annual budgetary allocation of the Parks and Recreation portion of this tax, to include but not be limited to:
    - (1) Developing Parks and Recreation facilities, and programs as needed to benefit the community and its visitors.
    - (2) Funding for the Flagstaff Urban Trail System development and maintenance.

Additions indicated by redline, deletions by ~~strikeout~~.

(3) Developing, acquiring and distributing material to promote Parks and Recreation.

(4) Retaining of appropriate staff to implement approved programs.

d. Perform those additional duties determined by the Council as set forth by Ordinance.

E. ARTS AND SCIENCE: Those funds designated for Arts and Science shall be administered as follows:

The City Council shall:

1. Appoint an Arts and Science Commission which shall:

a. Review the expenditure of the portion of this tax to be applied to arts and science related activities and projects and:

b. Develop and transmit to the Council an Annual Master Plan outlining the Commission's program recommendations for the upcoming year in conjunction with the City's annual budgetary process.

c. Make recommendations to the Council concerning the annual budgetary allocation of the Arts and Science portion of this tax, to include but not be limited to:

(1) Developing and supporting the Flagstaff arts, scientific and cultural activities, events and organizations to provide direct and indirect citizen participation, and opportunities for enhancement of the overall quality of life and community image.

(2) Support and development of the City's public art program.

(3) Developing, acquiring and distributing material to promote arts and science.

(4) Developing financial assistance programs to stimulate artistic and scientific activities in Flagstaff.

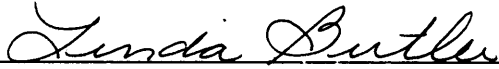
(5) Retaining of appropriate staff to implement approved programs.

- d. Perform those additional duties determined by the Council as set forth by Ordinance.


PASSED AND ADOPTED by the Council and approved by the Mayor of the City of Flagstaff, this 19th day of December, 1995.

  
\_\_\_\_\_  
MAYOR

ATTEST:

  
\_\_\_\_\_  
CITY CLERK

APPROVED AS TO FORM:

  
\_\_\_\_\_  
CITY ATTORNEY

**PROPOSITION 401****FACT SHEET**

The Mayor and Council have placed on the March 5, 1996 ballot for voter consideration, an extension of the levy of the City's current 2% Lodging, Restaurant and Lounge (BBB) Tax for an additional 15 years. The Council has approved an ordinance that reallocates the distribution of these monies. Ordinance No. 1902 reallocates the Lodging, Restaurant and Lounge Tax by reducing allocations to Tourism, Beautification, and Economic Development, eliminating the allocation to administration and providing allocations to Parks and Recreation and to Arts and Science. The existing tax is due to expire in 1998. Any votes to extend the tax can take place only at a City general election, which occurs on the first Tuesday of March of even numbered years.

The allocation of BBB funds and this ballot question to extend the tax for fifteen (15) years are in response to expressed community interests that recreation should receive a greater share of BBB funds. The City Council enacted an ordinance reallocating BBB funds and placed extension of the BBB tax on the ballot for voter approval in response to a consensus reached by various interested groups and citizens. The change in the allocation is as follows:

	Previous	Current	Net Change
Tourism	48.5%	30.0%	(18.5)
Beautification	32%	20.0%	(12)
Economic Development	16.5%	9.5%	(7.0)
Administration	3%	-0-	(3.0)
Arts and Science	-0-	7.5%	7.5
Parks and Recreation	-0-	33.0%	33.0

The issue before the voters is whether or not to extend the 2% BBB tax for fifteen (15) years. Extension of the tax will provide a dependable source of revenue for parks and recreation activities, beautification, economic development, tourism development and arts and sciences.

**SAMPLE BALLOT****GENERAL ELECTION**

City of Flagstaff, Arizona



March 5, 1996

**PROPOSITION 401****EXTENSION OF THE LODGING, RESTAURANT, AND LOUNGE "BBB" TAX**

Shall the City Council have the authority to levy a Transaction Privilege Tax of two percent (2%) on the gross sales of that portion of all revenue defined as hotel/motel/campgrounds, bar or restaurant business, for a period of fifteen (15) years beyond the current expiration date of March 31, 1998; said tax to be in addition to all other taxes now or hereafter authorized?

A "YES" vote will have the effect of allowing the City Council to extend the Lodging, Restaurant, and Lounge "BBB" tax an additional 15 years from its 1998 expiration date.

A "NO" vote will have the effect of keeping the existing expiration date of 1998 for the "BBB" tax.

<b>PROPOSITION 401</b>		
<b>YES</b>	<b>48</b>	
<b>NO</b>	<b>49</b>	

## PROPOSITION 401

This ballot question does not ask for an increase in the Lodging, Restaurant, and Lounge ("BBB") tax. It asks voters to consider a fifteen-year extension of the existing 2% BBB tax rate. This tax expires at the end of every voter-authorized period and must be renewed by the voters. It was first adopted in 1988 with a ten (10) year sunset clause and then renewed by the voters in 1996 for fifteen (15) years. The current expiration date for the BBB tax is March 31, 2013. If the BBB tax is renewed for another fifteen (15) years, it will provide a dependable source of revenue for parks and recreation, beautification, economic development, tourism, and arts and sciences until March 2028, when it will again expire.

**TEXT OF BALLOT QUESTION:** "Shall the City Council have the authority to continue the City Lodging, Restaurant and Lounge (BBB) Tax at the present rate of two percent (2%) for an additional fifteen (15) year period beyond March 31, 2013?"

### What is the City BBB tax?

The BBB tax is a 2% tax collected on services provided by lodging, restaurants, and bars that is dedicated to parks and recreation, arts and science, tourism, economic development, and beautification.

### How much revenue does this tax raise for the City?

In Fiscal Year 2008/2009, the BBB tax generated \$5,051,705 in revenues that funded the following programs as set forth in Flagstaff City Code, Title 3, Chapter 6, "Lodging, Restaurant and Lounge Tax", Section 3-06-001-0003 "Distribution":

Program	Percentage	Dollar Amount
Parks and Recreation	33.0%	\$1,667,062
Beautification	20.0%	\$1,010,341
Economic Development	9.5%	\$ 479,912
Tourism	30.0%	\$1,515,512
Arts and Science	7.5%	\$ 378,878

### How is this tax revenue spent?

Although not exhaustive, BBB tax revenues support the following programs/projects:

#### **Parks and Recreation**

- Construction, maintenance, and upkeep of the Flagstaff Urban Trail System (FUTS), as well as acquisition of rights-of-way
- Turf maintenance, field upkeep, landscape and hardscape maintenance, and capital improvements for five Flagstaff Unified School District ("FUSD") school fields and seven City-owned fields for youth and adult sports
- Park amenities for family recreation

#### **Beautification**

- City gateway signs
- The Cedar Avenue FUTS bridge memorial signage
- Construction, landscaping, and ongoing maintenance and upkeep of street medians
- Fourth Street corridor beautification and redevelopment plan
- Southside streetscape improvements such as trees, benches, artistic bike racks, and street lights
- Removal of billboards and landscaping along Route 66

## **Economic Development**

- The science and technology incubator (Northern Arizona Center for Emerging Technologies) whose purpose is to provide entrepreneurial support and new business development
- Community business resources:
  - >> The University to Business Connection which facilitates relationships between Northern Arizona University and local businesses
  - >> [CityofInnovation.com](http://CityofInnovation.com) and [flagstaffprospector.com](http://flagstaffprospector.com), resources that provide information about Flagstaff demographics and site selection.
- Business retention and expansion which assists local businesses
- Attraction programs for businesses interested in relocating to Flagstaff

## **Arts and Sciences**

- Community-based organizations including, but not limited to: The Arboretum of Flagstaff, Children's Chorale of Flagstaff, Pioneer Museum, Ballet Folklorico de Colores, Theatrikos Theatre Company, KNAU Public Radio, Willow Bend Environmental Education Center, and Museum of Northern Arizona
- Community events, festivals, and exhibitions, including, but not limited to: the First Friday Art Walk, Festival of Science, Pickin' in the Pines, Flagstaff Symphony Orchestra, Flagstaff Sustainable Living Fair, Heritage Square performances and the Northern Arizona Book Festival

## **Tourism**

- Visitors Center
- Marketing of local businesses, amenities, and attractions
- Public relations outreach promoting Flagstaff as a tourist destination

### How does our BBB tax rate compare to other cities?

The BBB tax rate for Flagstaff is currently at 2%. In its most recent report in 2005, the Arizona Office of Tourism indicated that approximately 77% (or a total of 62) of Arizona cities and towns have a "transient lodging tax". Of those cities and towns, 39% have a BBB tax equal to Flagstaff's, 53% have a BBB tax higher than Flagstaff, and 8% have a BBB tax lower than Flagstaff. See following table of comparisons to other northern Arizona cities:

#### **BBB TAX REVENUE AND RATES FOR VARIOUS CITIES**

CITY	SCOPE OF TAX	TAX RATE
Flagstaff	Hotel, Restaurant and Bar	2.00%
Cottonwood	Hotel	3.00%
Pinetop-Lakeside	Hotel Restaurant and Bar	3.00% 2.00%
Prescott Valley	Motels and RV Parks	2.33%



Sedona	Hotel	3.00%
Prescott	Hotel	3.00%
Page	Hotel Restaurant	3.00% 4.00%
Holbrook	Hotel	2.00%
Williams	Hotel Restaurant and Bars	1.50% 1.50%

**Do I pay local taxes that are similar to the BBB tax?**

Yes. The City currently has a base sales tax rate of 1%, which, in general, applies to the sales of goods. The sales tax is also applied to advertising, rental of commercial property, and the sale of new construction. Additionally, the voter-approved Transportation Tax of 0.721% is collected by local businesses and neither the transportation tax nor the sales tax will be affected by this proposition.

**Do others besides Flagstaff citizens pay this tax?**

Yes. Visitors from areas outside the Flagstaff community pay these taxes, too. Studies have shown that they pay 73% of the total BBB tax collected. Local restaurateurs, hoteliers, and bar owners collect the BBB tax when patrons frequent their establishments.

**BALLOT FORMAT (TEXT OF BALLOT)**

**PROPOSITION 401**

**REFERRED TO THE PEOPLE BY THE CITY COUNCIL**

**OFFICIAL TITLE:** A Measure Referred to the People by the City Council of the City of Flagstaff, Arizona: "Shall the City Council have the authority to continue the City Lodging, Restaurant and Lounge ("BBB") Tax at the present rate of two percent (2%) for an additional fifteen (15) year period beyond March 31, 2013?"

**DESCRIPTIVE TITLE:** Consideration of a fifteen-year extension of the Lodging, Restaurant, and Lounge ("BBB") Tax at the existing rate of 2% (\$0.02) for a period commencing April 1, 2013 through March 31, 2028.

A **"yes"** vote shall have the effect of extending the existing Lodging, Restaurant and Lounge ("BBB") Tax to March 31, 2028 at the existing 2% rate.

A **"no"** vote shall have the effect of not approving extension of the Lodging, Restaurant and Lounge ("BBB") Tax and allowing the existing BBB Tax to expire on March 31, 2013.

☐ **YES**  
☐ **NO**

**NO ARGUMENTS WERE RECEIVED.**

## Chapter 3-06 HOSPITALITY INDUSTRY TAX REVENUES

### SECTIONS:

- [3-06-001-0001](#) DEFINITIONS
- [3-06-001-0002](#) DISTRIBUTION OF HOSPITALITY INDUSTRY TAX REVENUES
- [3-06-001-0003](#) FINANCIAL CONTROL
- [3-06-001-0004](#) EXEMPTION

### **3-06-001-0001 DEFINITIONS**

---

"Arts and sciences" means support for Flagstaff arts, scientific and cultural activities, events and organizations to provide direct and indirect citizen participation and enhancement of the overall quality of life and community image including support of public art.

"Beautification" means any modification of the urban physical environment to increase pleasure to the senses or pleasurably exalt the mind or spirit or strengthen the urban design framework of the City.

"Economic development" means the encouragement, promotion and assistance of the expansion of economic activity for the purposes of expanding revenue and providing jobs to the community.

"Hospitality industry" means those establishments engaged in business as bar/lounge, restaurant or hotel/motel/campground.

"Hospitality industry tax revenues" means the revenues collected from the two percent (2%) local transaction privilege tax imposed on the lodging, restaurant and lounge businesses by Ordinance No. 1532, as extended through March 31, 2028, by approval of a majority of the qualified electors voting in the City general election held on May 18, 2010. This tax is referred to as the "Bed, Board, and Booze Tax" or "BBB Tax" and is part of the total tax rate imposed pursuant to the City tax code, Sections 3-05-004-0444, Hotels, and 3-05-004-0455, Restaurants and Bars.

"Parks and recreation" means the development and management of public parks, recreational facilities, and programs which are available to the residents and visitors including funding the Flagstaff urban trail system.

"Tourism" means the guidance, management, marketing, accommodation, promotion and encouragement of tourists.

"Tourists/visitors" means individuals or groups which visit Flagstaff and surrounding areas for business, recreational, educational, scientific or cultural purposes. (Ord. No. 1902, Amended, 12/19/95; Ord. 2014-15, Amended, 07/15/2014; Ord. 2015-22, Amended, 01/05/2016)

### **3-06-001-0002 DISTRIBUTION OF HOSPITALITY INDUSTRY TAX REVENUES**

---

There shall be a separate accounting for all hospitality industry tax revenues collected. Said funds shall be distributed and expended consistent with City ordinances, the City Charter and State law. The funds collected shall be allocated as follows:

- A. Thirty percent (30%) for tourism in conformance with Chapter 2-13, Tourism Commission.
- B. Twenty percent (20%) for beautification in conformance with Chapter 2-14, Beautification and Public Art Commission.
- C. Nine and one-half percent (9.5%) for economic development in conformance with Section [3-06-001-0003\(C\)](#).
- D. Thirty-three percent (33%) for parks and recreation, in conformance with Chapter 2-03, Parks and Recreation Commission.
- E. Seven and one-half percent (7.5%) for arts and science in conformance with Chapter 2-14, Beautification and Public Art Commission. (Ord. No. 1902, Amended, 12/19/95; Ord. 2014-15, Ren&Amd, 07/15/2014. Formerly 3-06-001-0003; Ord. 2015-22, Amended, 01/05/2016)

### **3-06-001-0003 FINANCIAL CONTROL**

---

- A. Tourism. Those funds designated for tourism shall be administered pursuant to Chapter 2-13, Tourism Commission.
- B. Beautification. Those funds designated for beautification and public art shall be administered pursuant to Chapter 2-14, Beautification and Public Art Commission.
- C. Economic Development. Those funds designated for economic development shall be administered as follows:

The City Council shall:

- 1. Appoint or act as an Economic Development Commission;
- 2. Designate an appropriate public or private economic development agency. Said agency shall be composed of at least two (2) City Council persons and additional members as required;
- 3. This public or private agency shall:
  - a. Develop and transmit to the Council an annual master plan outlining the Commission's or public or private agency's program recommendations for the upcoming year. Said plan shall be presented to the Council prior to April 1st of each year.
  - b. Make recommendations to the Council concerning the annual budgetary allocation of the economic development portion of this tax, to include but not be limited to:

- (1) Developing, acquiring and distributing advertising material to promote economic development.
- (2) Providing financial assistance programs to stimulate relocation and retention of industrial prospects to Flagstaff.
- (3) Retaining of appropriate staff to implement approved programs.
- (4) Perform those additional duties determined by the Council as set forth by ordinance.

D. Parks and Recreation. Those funds designated for parks and recreation shall be administered pursuant to Chapter 2-03, Parks and Recreation Commission.

E. Arts and Science. Those funds designated for arts and science, including an annual amount allocated by the City Council for the support and development of the City's public art program, shall be administered pursuant to Chapter 2-14, Beautification and Public Art Commission. (Ord. No. 1902, Amended, 12/19/95; Ord. 2002-04, Amended, 03/05/2002; Ord. No. 2006-14, Amended, 05/16/2006; Ord. 2014-15, Ren&Amd, 07/15/2014; Ord. 2015-22, Amended, 01/05/2016. Formerly 3-06-001-0004)

#### **3-06-001-0004 EXEMPTION**

---

The hospitality industry tax revenues shall be exempt from the limits imposed on spending by Article IX, Section 20, of the Arizona State Constitution. (Ord. 1532, 11-17-87; Ord. 2014-15, Ren&Amd, 07/15/2014. Formerly 3-06-001-0006)

CITY COUNCIL REPORT  
PUBLIC

DATE: April 14, 2016

TO: Mayor and Council Members

FROM: Rick Tadder, Management Services Director

CC: Josh Copley, Barbara Goodrich, Shane Dille, Leadership Team

SUBJECT: BBB TAX – REVENUE AND EXPENDITURES

This CCR is in response to a council member's question regarding BBB Tax revenue and expenditure history.

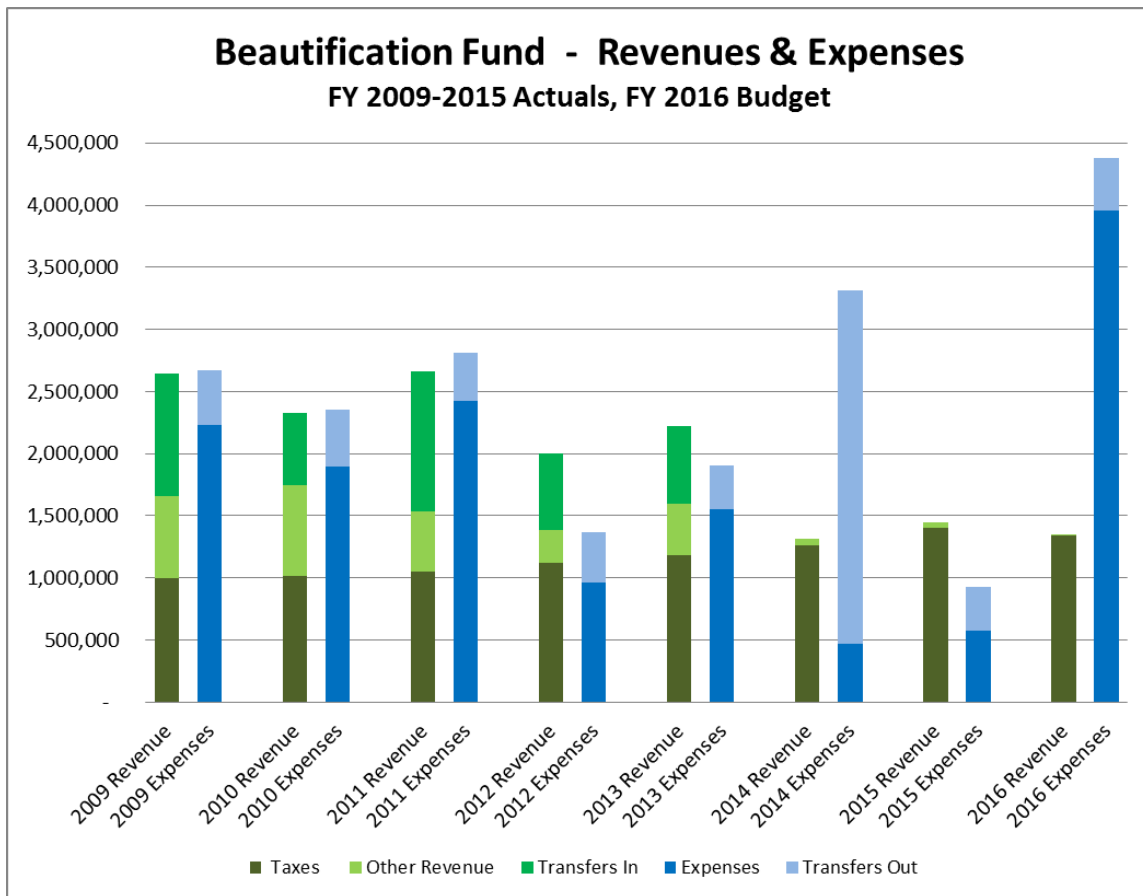
**DISCUSSION**

The following information is presented for each fund that collects BBB Tax revenues. Under the revenue columns we include BBB Tax Revenue, Other Revenues, and Transfers In. Other revenues may be items such as grants, lease proceeds, interest revenue, and other financing sources. The expenditure column includes Expenses and Transfers Out.

Report shows actual revenues and expenses for FY 2009 through FY 2015 and budget for FY 2016.

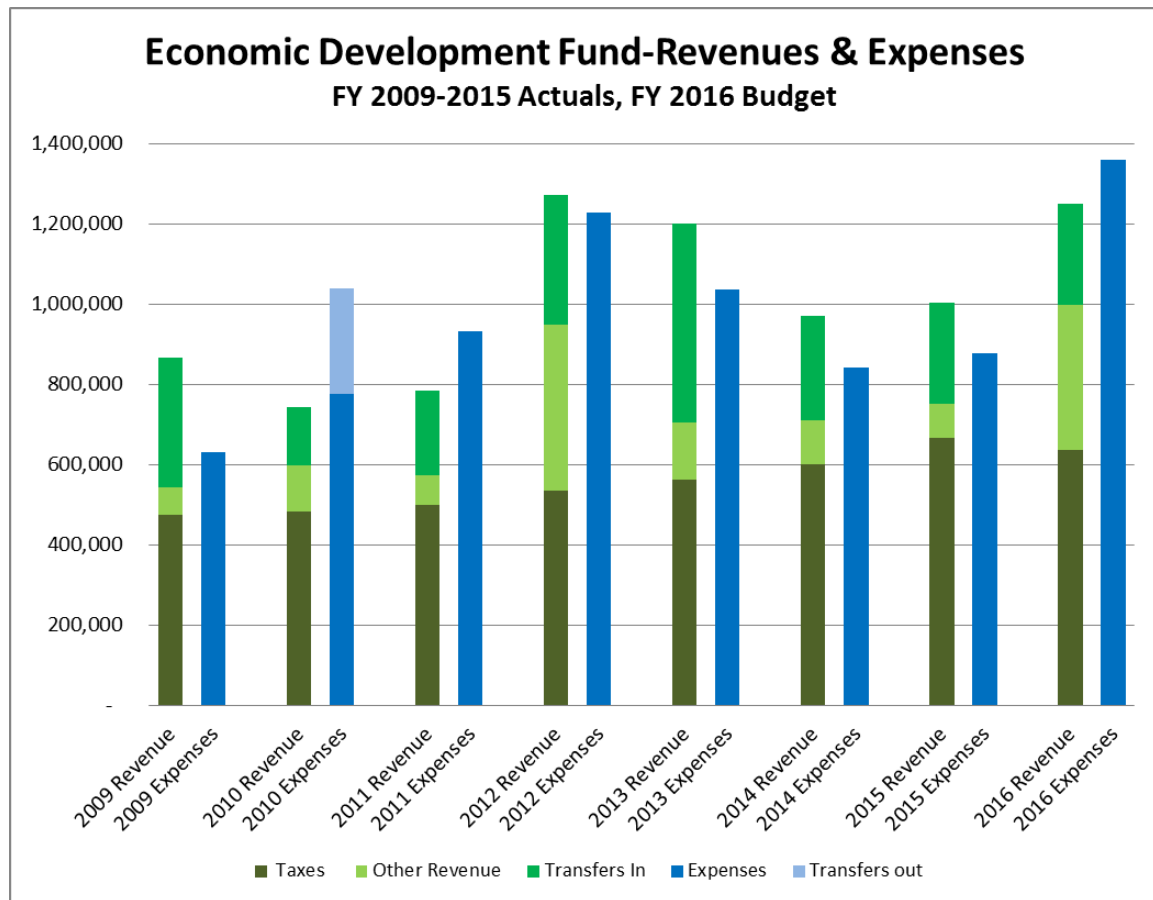


## BEAUTIFICATION:



The Beautification Fund is primarily used for capital projects. Therefore you will see the expenditures vary from year to year. This fund also transfers resources to the General Fund to pay for maintenance of streetscape projects and Cityscape. In FY 2015 we created a separate FUTS Fund and transferred out the resources accumulated for these projects.

## ECONOMIC DEVELOPMENT FUND:

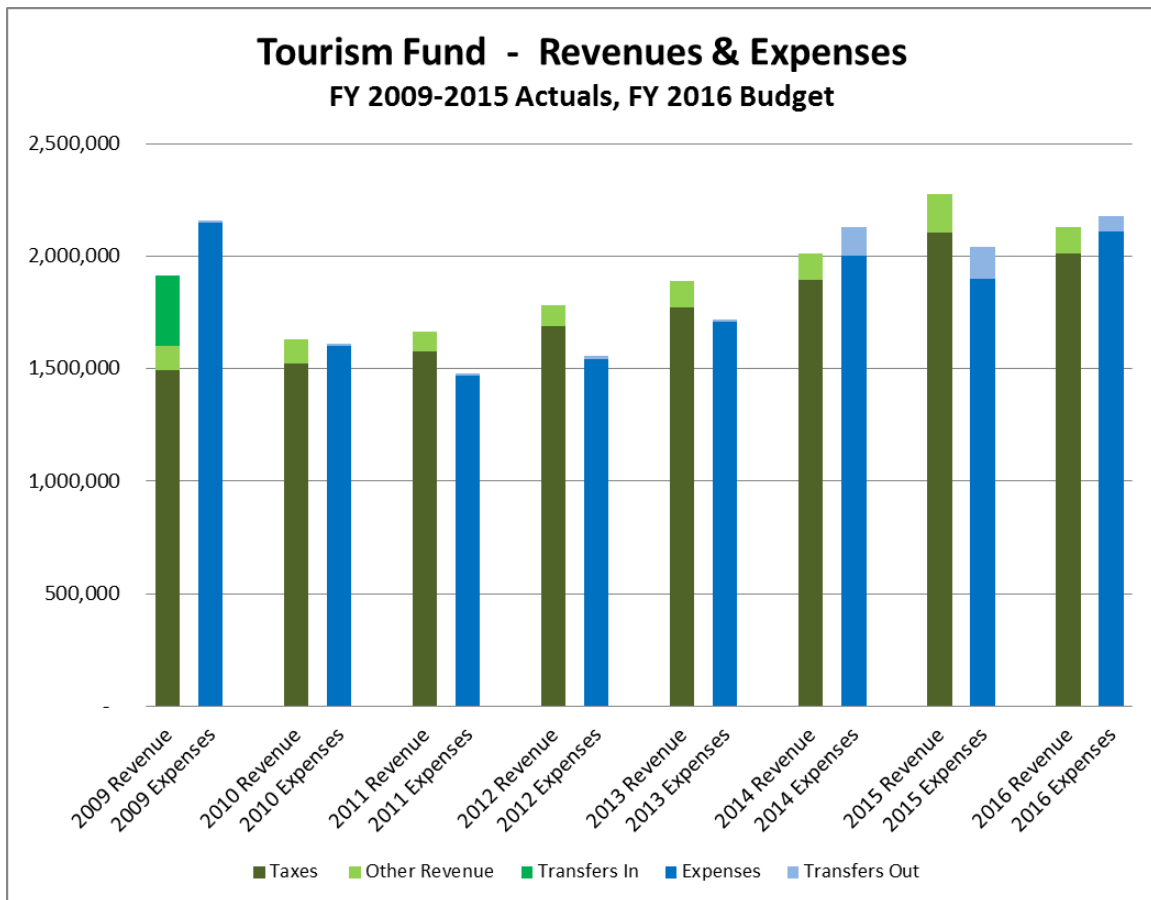


The Economic Development Fund other revenues include operating lease proceeds and grant funding. The General Fund also transfers resources to this fund to support the Incubator debt service. The primary expenses are related to the Business Retention and Expansion, Business Attraction, and operating expenses for the Incubator and Accelerator. This fund paid for several service partner contracts and membership to ECoNA. The history is provided below.

Economic Development								
Membership / Service Partners	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Economic Collaborative Of No AZ (1)	-	-	-	40,000	40,000	40,000	40,000	40,000
Rural Policy-University to Business	140,000	55,000	40,000	30,000	-	-	-	-
Rural Policy-Alliance Work	-	-	-	25,000	25,000	-	-	-
Science Foundation	50,000	50,000	50,000	50,000	50,000	-	-	-
SEDI (1)	25,000	20,000	20,000	20,000	20,000	20,000	-	-

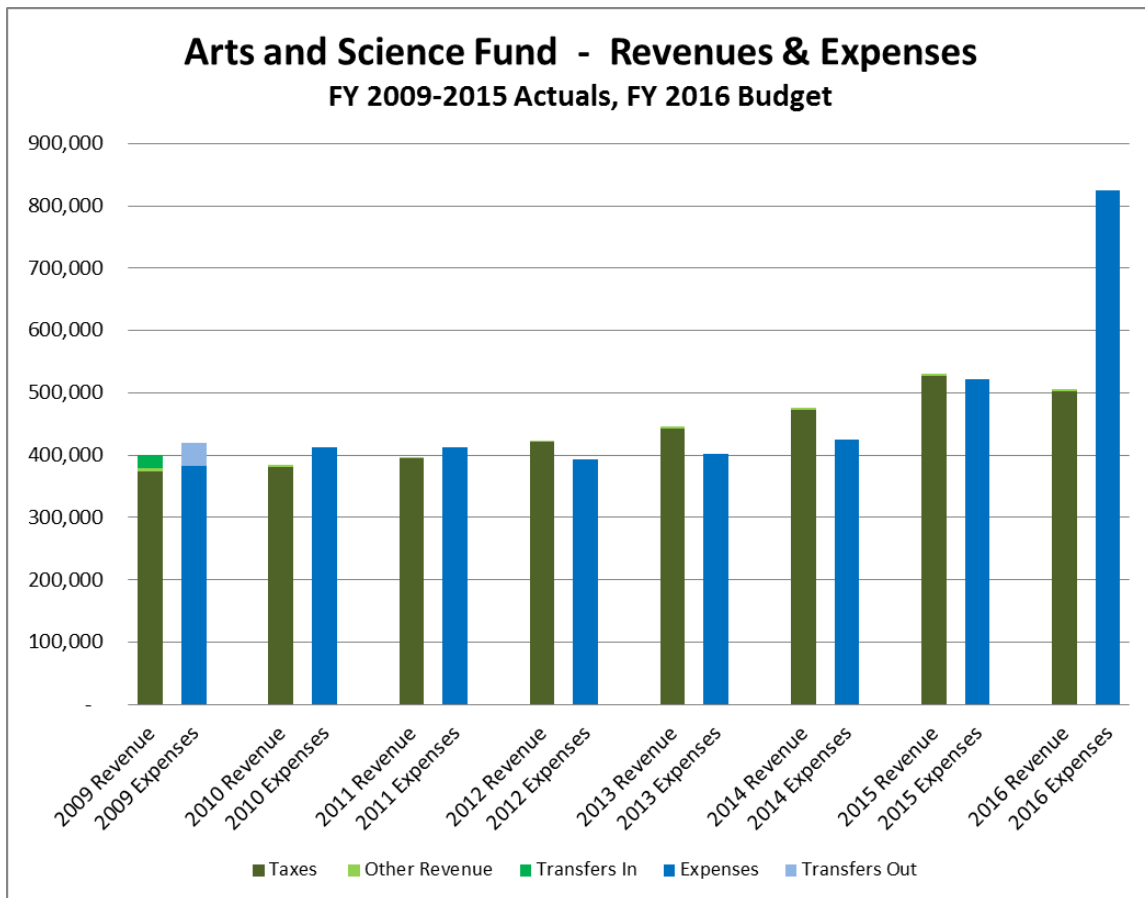
(1) Membership

## TOURISM FUND:



The Tourism Fund other revenues include Visitor Center retail sales, building rents and advertising revenues related to Out of Market installations like the Flagstaff Cool Zone. This fund primarily has operation expenses for the Convention and Visitors Bureau and Visitor Center as well as the repairs and maintenance of the Train Station and Milligan House. This fund transfers resources to support the Cityscape, Library and Recreation events.

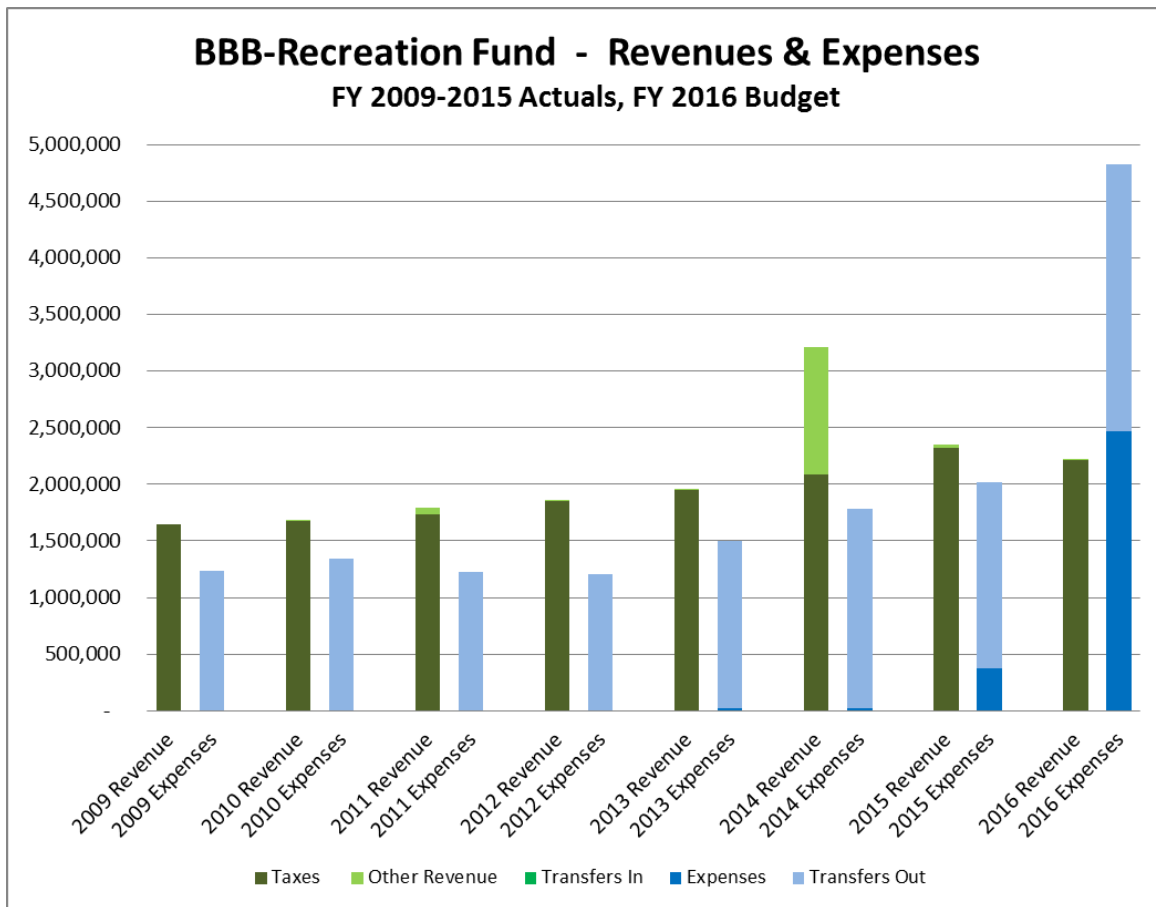
## ARTS AND SCIENCE FUND:



The Arts and Science Fund other revenues include interest income. This fund supports public art projects however the primary expense is for service partner contracts. The history of service partner contacts is listed below.

Arts and Science								
Service Partner	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
FCP Administration Fee	73,500	69,825	69,825	69,825	65,000	65,000	69,000	71,070
FCP A&S Grant Awards	305,000	289,750	290,000	293,000	290,000	290,000	300,000	300,000
FCP A&S Grant to Agencies (1x)	-	-	43,000	-	-	-	-	-
Riordan Mansion	-	-	10,000	20,000	20,000	-	-	-
Science Foundation	-	-	-	-	-	50,000	40,000	25,000

## BBB-RECREATION FUND:



The BBB-Recreation Fund other revenue included \$1.1M of bond funds in FY 2014. This fund primarily transfers resources to the General Fund to pay for FUTS and Parks improved with BBB funding. Beginning in FY 2010 we began transferring resources to the General Fund for recreation program support. In FY 2016, we used fund balance to complete many recreation facilities and parks improvements.

## RECOMMENDATION / CONCLUSION

This report is for information only.



## CITY COUNCIL REPORT

DATE: May 31, 2017

TO: Mayor, Vice Mayor, and Councilmembers

FROM: Heidi Hansen, Economic Vitality Director

CC: Josh Copley, Barbara Goodrich, Shane Dille, Christina Rubalcava,  
Leadership Team

SUBJECT: Bed, Board, & Beverage/Booze (BBB) History, Allocations, and Revenues

This is in response to a council request for information on the Bed, Board, and Beverage/Booze (BBB) tax history, allocations, and revenues.

**HISTORY:**

The BBB tax was originally adopted by the Flagstaff voters in 1988. The tax is a 2% levy on the gross sales of revenue generated from hotels, motels, campgrounds, bars, and restaurants, and is in addition to all other taxes. The tax was originally approved for a 10-year period and allocated to fund Tourism, Beautification, Economic Development, and Administration. In 1996, this tax was renewed for a 15-year period and the allocation changed, by ordinance, as shown on the following table.

Allocation	1988	1996	% Change
Tourism	48.5%	30.0%	-18.5%
Economic Development	16.5%	9.5%	-7.0%
Arts and Science	0.0%	7.5%	7.5%
Administration	3.0%	0.0%	-3.0%
Beautification	32.0%	20.0%	-12.0%
Parks and Recreation	0.0%	33.0%	33.0%

The tax was again renewed in 2010 until 2028 without any additional change in allocation.

Tourism is considered an 'operational fund' where the primary activity is dedicated to the administration of programs. These programs are marketing and promotions, public relations, sales, creative services, and visitor center operations. Included in the budget for Tourism is a marketing plan intended to provide guidance in determining markets, promotion directed at these markets, and measurement tools. The Visitor Center programs include the Visitor Center (including the gift shop) and Train Station Operations.

Economic Development is considered an 'operational fund' where the primary activity is dedicated to the administration of programs. While this fund may have capital expenditures, it is not its chief function. This fund focuses on business retention and expansion and attraction as well as workforce development. In addition, the City funds the Business Incubator and the new Innovation Mesa Business Accelerator program, structured to allow local entrepreneurs to work in a supportive environment to develop ideas into commercial business models.

Arts and Sciences is considered an 'operational fund' where the primary activity is dedicated to the administration of select programs either through staff or contractual relationships. Most of the funds are distributed by a grant process to grantees that use the funds for arts, science, and cultural projects and for the operations of arts, science and cultural agencies. A small portion of the funds are dedicated to purchasing public art.

Beautification primarily funds capital streetscape projects and then subsequently funds the maintenance for these when completed.

Parks & Recreation has shifted from capital programming for the improvements in local parks as well as our Flagstaff Urban Trail System (FUTS). Funding is now primarily directed to the ongoing maintenance of the improvements originally funded with these dollars as well as recreation programming. The programs administered using these funds include Beautification, Community Design, Heritage Preservation, and Redevelopment.

### **BBB ALLOCATIONS:**

#### **TOURISM:**

Tourism is the guidance, management, marketing, accommodation, promotion and encouragement of tourists.

The BBB ordinance allows for the designation of a Tourism Commission. The Tourism Commission is responsible for:

- Developing and transmitting to Council an annual plan outlining their program recommendations for the coming year,
- Making recommendations to council on budgetary and marketing plans,
- Establishment of a visitor center,
- Establishment of an education program which allows for scholarships to the hospitality program at NAU,
- Promoting activities that enhance the community image and quality of life, and
- Retaining appropriate staff to implement approved programs.

Currently, we have a seven-person commission.

**Funding:** Tourism BBB is the only funding source to maintain the staffing at the Convention and Visitors Bureau and Visitor Center as well as the administering of all marketing and media relations programs.

#### **ECONOMIC DEVELOPMENT:**

Economic Development is the encouragement, promotion, and assistance of the expansion of economic activity for the purposes of expanding revenue and providing jobs to the community.

The BBB ordinance allows the Council to either act as or designate an Economic Development Commission. The Commission is responsible for:

- Developing and transmitting to Council an annual plan outlining their program recommendations for the coming year,
- Making recommendations to Council on budgetary allocations including but not limited to:
  - Developing and acquiring and distributing advertising (marketing) material to promote economic development,
  - Providing financial assistance programs to stimulate relocation and retention of industrial projects of Flagstaff, and
  - Retaining appropriate staff to implement approved programs.

Currently, Economic Development does not have a Commission. ED works with the Economic Collaborative of Northern Arizona (ECoNA) and several other community partners.

**Funding:** Economic Development BBB is the only funding source to maintain the staffing and administering of programs. Economic Development also receives funding through the City's General Fund, but those funds are limited to paying a portion of the debt service on the Business Incubator. Economic Development BBB funds pay the remainder of the debt service.

#### **ARTS AND SCIENCES:**

Arts and Sciences is defined as support for Flagstaff arts, scientific and cultural activities, events, and organizations to provide direct and indirect citizen participation and enhancement of the overall quality of life and community image including support of public art.

The BBB ordinance allows the public art program to be administered by the Beautification/Public Art Commission. The Commission is responsible for:

- Developing and transmitting to Council an annual plan outlining their program recommendations in line with the annual budget process,
- Making recommendations to Council on budgetary allocations including but not limited to:
  - Developing and supporting the Flagstaff arts, scientific and cultural activities, events and organizations to provide direct and indirect citizen participation, and opportunities for enhancement of the overall quality of life and community image,
  - Developing, acquiring and distributing material to promote arts and science,
  - Developing financial assistance programs to stimulate artistic and scientific activities in Flagstaff, and
  - Retaining appropriate staff to implement approved programs.

Currently, we have a seven-person commission.

**Funding:** Arts and Science BBB is the only funding source to maintain the staffing and administering of programs.

**BEAUTIFICATION:**

Beautification is defined as any modification of the urban physical environment to increase pleasure to the senses or pleasurable exalt the mind or spirit or strengthen the urban design framework of the City.

The BBB ordinance allows for the designation of the Beautification/Public Art Commission, which is responsible for:

- Making a recommendation to Council concerning the annual budgetary allocation of the beautification and public art portions of this tax to include but not limited to:
  - Purchase, installation, or modification of landscaping and irrigation systems,
  - Purchase, removal or modifications of billboards and nonconforming signs,
  - Beautification of buildings and facilities, streetscapes and gateways,
  - Development and support of the City's public art program, and
  - Purchase or lease of easements or property necessary for beautification.

Currently, we have a seven-person commission.

**Funding:** Beautification BBB is the only funding source to maintain the staffing and administration of programs.

**PARKS AND RECREATION:**

Parks and Recreation is defined as the development and management of public parks, recreational facilities, and programs which are available to the residents and visitors including funding the FUTS.

The BBB ordinance allows for the designation of the Parks and Recreation Commission, which is responsible for:

- Making a recommendation to Council concerning the annual budgetary allocation of the Parks and Recreation portion of this tax to include but not limited to:
  - Developing Parks and Recreation facilities and programs as needed to benefit the community and its visitors,
  - Funding for the FUTS development and maintenance, and
  - Developing, acquiring, and distributing material to promote Parks and Recreation.

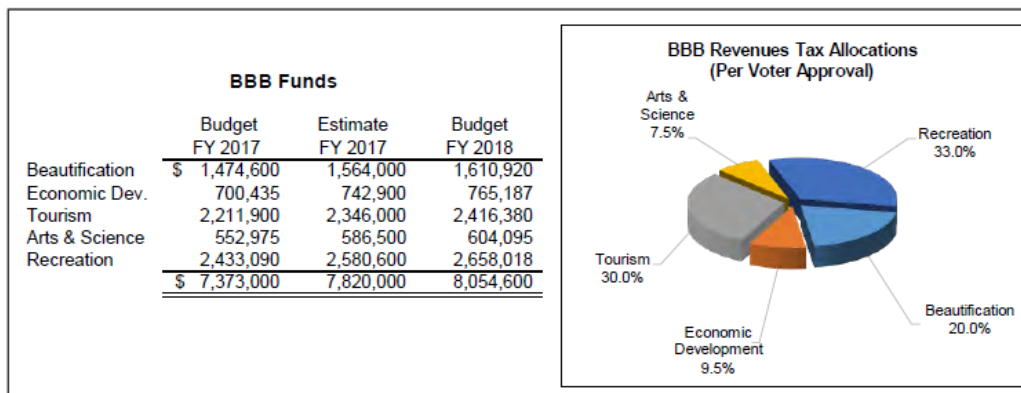
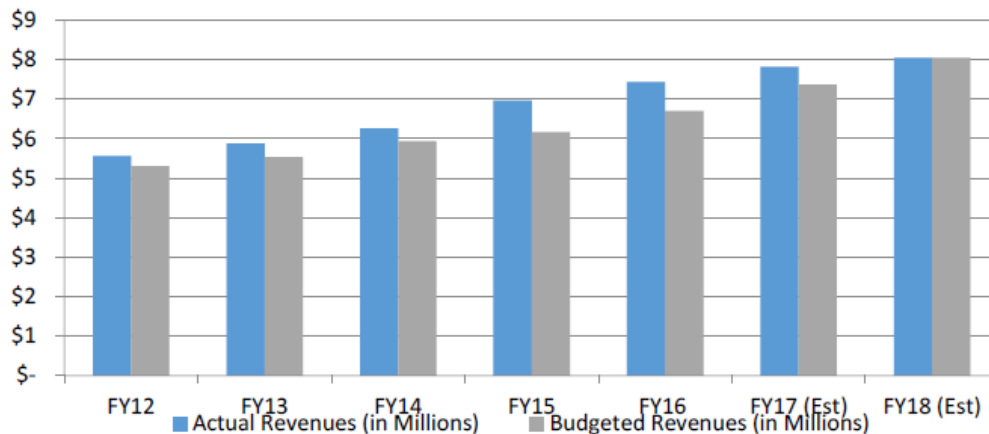
Currently, we have a seven-person commission.

**Funding:** Parks and Recreation BBB is not the only funding source to maintain the staffing and administering of programs. Parks and Recreation also receives funding through the City's General Fund.

### **BBB FY2018 REVENUES:**

Revenue for FY 2018 is projected to increase slightly over FY 2017 estimates. Activities funded with the revenues have made operating adjustments necessary to reflect a balanced budget to the increased sales tax receipts and these changes are reflected within each five-year plan.

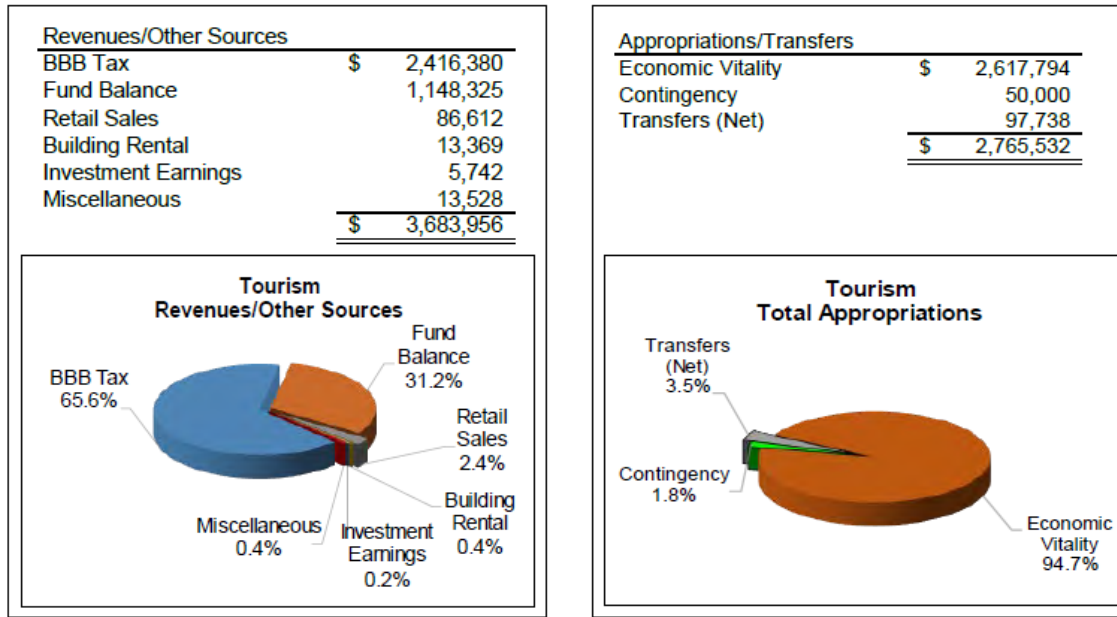
### **Bed, Board, and Beverage (BBB) Tax Revenues**



### **TOURISM FUND:**

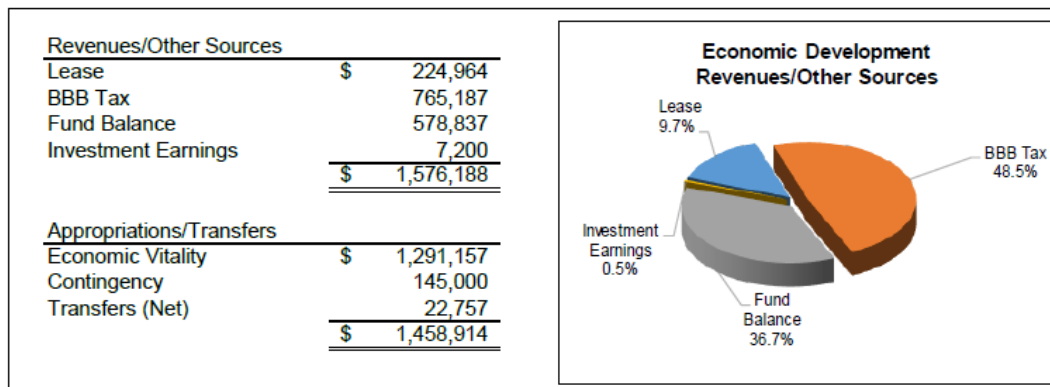
Total resources available in FY2018 are approximately \$3.7 million, of which an estimated \$2.4 million is from the BBB tax. The remaining \$1.3 million is housed in the Tourism Fund Balance at \$1.1 million with the other revenues accounting for retail sales, building rental, and other earnings.

The total appropriations are approximately \$2.8 million, which includes \$2.1 million for Tourism. Tourism includes General Administration, Marketing, Sales, Media/PR Relations, and the Film Office. The \$2.1 million is the base figure for the CVB's overall marketing program with \$492,000 allocated to the Visitor Center, \$50,000 for contingency, and \$97,000 transferred to other funds (library and general fund).



#### **ECONOMIC DEVELOPMENT FUND:**

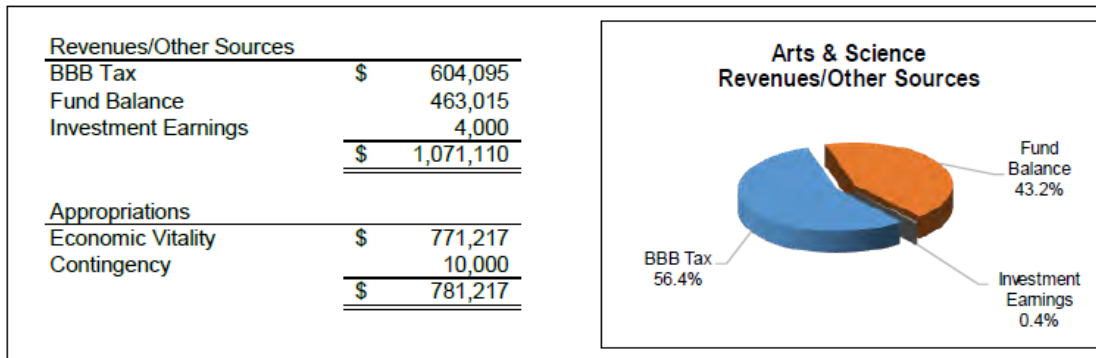
The City will continue to seek targeted industries to relocate to the community. Those industries will be complementary to existing businesses or will be supportive of community goals. Total resources allocated to this effort are approximately \$1.6 million, of which \$765,187 is from the BBB dedicated taxes for economic development, lease revenue of \$225,000 and fund balance of \$578,837.



#### **ARTS AND SCIENCE FUND:**

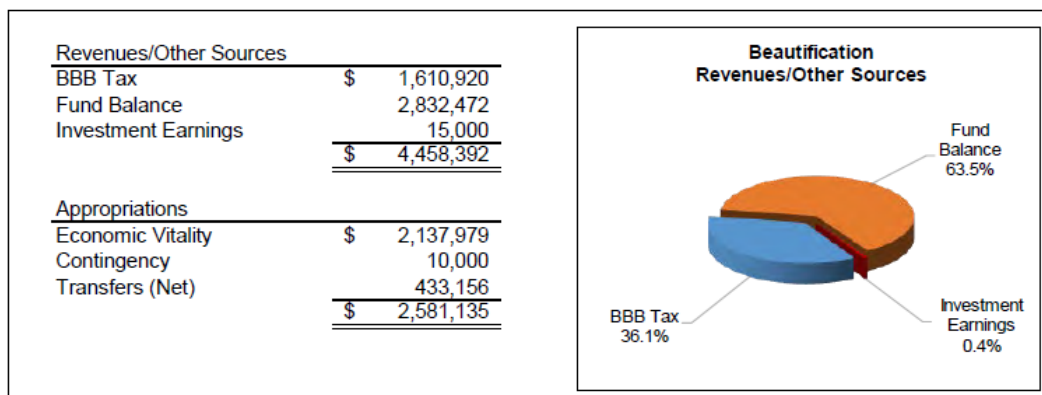
Total resources available for Arts and Science activities are approximately \$1.1 million, including estimated revenues from the BBB tax of \$604,095. Expenditures include: Public Art for \$252,000, Service Partner Contracts for \$450,000, and the Science Foundation for \$25,000.





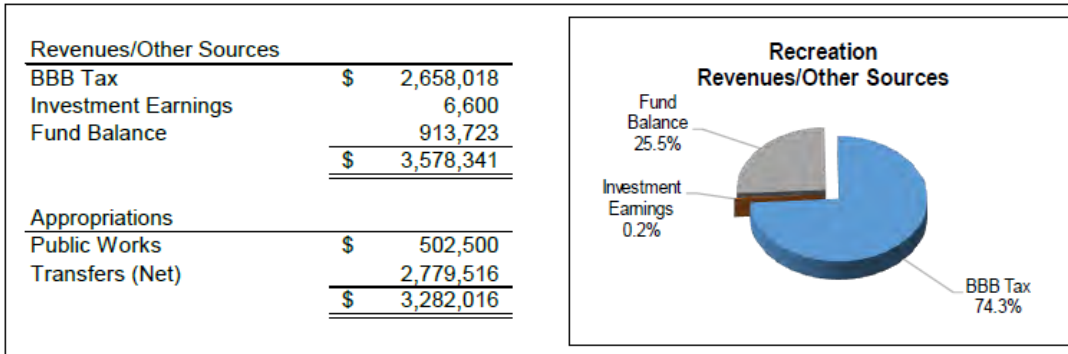
### **BEAUTIFICATION FUND:**

Total resources available for Beautification Fund activities amount to \$4.5 million. Expenditures from this fund are primarily for beautification operations and capital improvements in streetscape projects. Some of the major projects include the US 89 medians – Fanning to Marketplace, Downtown, Non-Gateway and Buffalo Park parking improvements. A \$433,156 transfer to the General Fund is used primarily for the maintenance of streetscapes.



### **PARKS AND RECREATION FUND:**

There are appropriations in the amount of \$502,500 in FY 2018 for Recreation Fund activities and projects. Expenditures in this fund are capital in nature and include basketball court resurfacing and repair at Codgill and Ponderosa, new restroom facilities at Buffalo and Thorpe parks and upgraded playground equipment at Thorpe, Mobile Haven, and Smokerise parks. Per discussion with City Council in the spring 1996 retreat, Council concluded this funding should support the expansion of existing facilities and the associated maintenance. Over the past several years, the City Council has re-examined the use of these funds and in FY 2018 directs \$1.3 million to fund recreational programming, \$1.5 million to fund FUTS maintenance, BBB recreation fields operation and maintenance. These are funded via a transfer to the General Fund.



## **RECOMMENDATION / CONCLUSION**

This report is for information only.

CITY COUNCIL REPORT

DATE: February 23, 2018

TO: Mayor, Vice Mayor, and Councilmembers

FROM: Heidi Hansen, Economic Vitality Director, Trace Ward, Convention and Visitors Bureau Director, Karl Eberhard, Community Design and Redevelopment Manager, and Rebecca Sayers, Parks and Recreation Director

CC: Barbara Goodrich, Shane Dille, Leadership Team

SUBJECT: BBB Revenue, Projects, and Return on Investment (ROI)

This is in response to a request for information regarding Bed, Board, and Beverage (BBB) tax revenue, projects, and return on investment (ROI).

**HISTORY:**

The BBB tax was originally adopted by the Flagstaff voters in 1988. The tax is a 2% levy on the gross sales of revenue generated from hotels, motels, campgrounds, bars, and restaurants, and is in addition to all other taxes. The tax was originally approved for a 10-year period and allocated to fund Tourism, Beautification, Economic Development, and Administration. In 1996, this tax was renewed for a 15-year period and the allocation changed, by ordinance, as shown on the following table.

Allocation	1988	1996	% Change
Tourism	48.5%	30.0%	-18.5%
Economic Development	16.5%	9.5%	-7.0%
Arts and Science	0.0%	7.5%	7.5%
Administration	3.0%	0.0%	-3.0%
Beautification	32.0%	20.0%	-12.0%
Parks and Recreation	0.0%	33.0%	33.0%

The tax was again renewed in 2010 until 2028 without any additional change in allocation.

Tourism is considered an 'operational fund' where the primary activity is dedicated to the administration of programs. These programs are marketing and promotions, public relations, sales, creative services, and visitor center operations. Included in the budget for Tourism is a marketing plan intended to provide guidance in determining markets, promotion directed at these markets, and measurement tools. The Visitor Center programs include the Visitor Center (including the gift shop) and Train Station Operations.

Economic Development is considered an ‘operational fund’ where the primary activity is dedicated to the administration of programs. While this fund may have capital expenditures, it is not its chief function. This fund focuses on business retention and expansion and attraction as well as workforce development. In addition, the City funds the Business Incubator and the new Innovation Mesa Business Accelerator program, structured to allow local entrepreneurs to work in a supportive environment to develop ideas into commercial business models.

Arts and Sciences is considered an ‘operational fund’ where the primary activity is dedicated to the administration of select programs either through staff or contractual relationships. Most of the funds are distributed by a grant process to grantees that use the funds for arts, science, and cultural projects and for the operations of arts, science and cultural agencies. A small portion of the funds are dedicated to purchasing public art.

Beautification primarily funds capital streetscape projects and then subsequently funds the maintenance for these when completed.

Parks and Recreation has shifted from capital programming for land acquisition, park development, and FUTS trails to the ongoing maintenance of the improvements originally funded with these dollars as well as recreation programming.

**DISCUSSION:**

***Request 1: Share what projects the BBB tax assisted with, dollar amounts for each project, and what was the Return on Investment (ROI) to the community.***

The BBB fund was originally created as a mechanism for our City to promote Flagstaff as a premier travel destination. The idea was that having a strong marketing program would assist in increasing visitation and in turn would help with the overall economic impact and quality of life for our residents. When we see increased BBB revenue from visitation, all key BBB sectors receive more to support their program efforts. Below you will see highlights from each of these sectors. Please note that this is not an exhaustive list.

**TOURISM:**

BBB funds utilized for our City’s tourism marketing arm to be repurposed for direct sales and marketing efforts have been paying off at an average rate for the past 5 years of 9% increase in gross BBB collections per year. This is an approximate average of a half million dollars per year increase.

Fiscal Year	Gross BBB Tax Collection
FY2013	\$5,903,018
FY2014	\$6,309,745
FY2015	\$6,981,772
FY2016	\$7,452,864
FY2017	\$7,874,968

The greater economic impact of tourism for Flagstaff, which takes into account the total spend and not just the tax on bed, board and beverage, based on studies, is somewhere between \$600 and \$700 million per year. Currently, the Convention and Visitors Bureau, along with the Arizona Office of Tourism, has commissioned Northern Arizona University (NAU) Research Department

to conduct a tourism study to better understand where these and other statistics are today, since we know there has been a significant growth since the last study was performed in 2014.

Visitors don't just show up. There is a psychology to purchasing travel and the Flagstaff Convention and Visitors Bureau use primary and secondary research along with current technology, such as behavioral targeting, a creative approach that speaks to the psychographics of the potential visitors to bring the best possible results for Flagstaff.

This is especially true when it comes to the international visitor. This visitor needs to be aware of the destination and then they need to be assured that it is going to be a safe and fulfilling travel experience for them and their family in order to be inspired to visit. Here's an example: In 2005, Flagstaff had approximately 10,000 visitors from Australia. Our CVB International Travel Trade Sales Manager knew there was potential in this market and made it a focus for her work plan. Flagstaff was the first Arizona destination to target this market and actively work to get into the itineraries of tour operators and online travel agencies in Australia. Today, we receive over 100,000 Australians a year and the Arizona Office of Tourism has now begun to follow suit and it now targeting this market with us in 2018.

The traveling public around the world goes through a process to buy travel. This process is different depending on the country, distance in time to travel and motivation for travel, but what stays the same is three important components: awareness, inspiration and motivation. All of which the CVB utilize each year with our BBB funds.

**Awareness: Did you know? And, here is why you should care...**

Sales missions to key origin cities, Media missions, Familiarization tours (FAMS), Marketing strategies, Website and Search Engine Optimization.

**Inspiration: This could be you...**

Videos, Hero photography, Social media influencers, Inspirational information (Print and digital) Social media channels, Social media ambassadors, User generated content (UGC), and Sweepstakes.

**Motivation: Plan your trip...**

Packaging, Pricing, Tour operator partners, Online travel agencies (OTAs), Itineraries, and Planning tools.

**ROI - Key Accommodations Metrics and Marketing Outcomes:**

Our key accommodations are healthy in Flagstaff, which is why we are seeing new properties being built – the builders and owners of hotels are doing feasibility studies and are seeing tremendous potential.

Calendar Year	Occupancy	AVG. Daily Rate	Rev Per Available Room
2013	66.4	82.24	54.61
2014	70.0	85.71	59.99
2015	74.4	92.84	69.04
2016	74.9	97.21	72.78
2017	75.2	101.58	76.41

The CVB utilizes a Marketing Rule of 5 – always leveraging multiple customer touchpoints from paid, earned and owned media, to Visitor Center walk-ins, events, travel trade and stakeholder partnerships. We focus our campaigns on our 'Destination for all seasons' slogan. Therefore, we

have campaigns that are for all seasons and specifically targeted to attract visitors from one season to the next. We have seen success year over year with our marketing efforts and have received several awards from the Arizona Office of Tourism (AOT), Destination Marketing Association International (DMAI), Arizona Interactive Marketing Association (AZMIA), AVA (not an acronym) Digital Award, Hermes Creative Award, American Institute of Graphic Arts (AIGA), and City of Flagstaff City Manager's Award of Excellence.

Due to the complexity of each year's marketing program and results, we will be reporting on our previous year's results for this council report. For the 2017, the CVB marketing had over 300 digital banners, carousels, and emails which yielded a 79.25% increase. We also had 8 Woobox (mechanism to help grow email subscribers) campaigns, 36 outward facing print advertisements, 12 inward facing print advertisements, 4 inserts that went into the Arizona Republic, Silicon Valley Business Journal, Phoenix Business Journal, and San Francisco Times, 2 NAIPTA bus wraps for National Travel and Tourism Week, 1 digital billboard in the Legends District in downtown Phoenix, and hosted our [flagstaffarizona.org](http://flagstaffarizona.org) website. All of this was done by utilizing the following campaigns; Hero, Duality, Characters Welcomed, Oddly Arizona, Feet Matter, Spectacle of Festivals, Spring Training, and National Travel and Tourism Week.

Our social media platforms all showed increases:

Facebook Likes: 84,157 = for the year, increase of 16%

Twitter Followers: 8,245 = for the year, increase of 8%

YouTube Upload Views: 768,382 = for the year, increase of 96%

Instagram Likes: 35,135 = for the year, increase of 45%

Flagstaff Happening eblast subscribers: 5,050, increase of 1%

Lastly, Flagstaff visitation has grown from 4.6 million visitors to over 5 million plus visitors in the past four years.

### **ECONOMIC DEVELOPMENT:**

Economic Development BBB funds go toward our efforts with business attraction, retention, and expansion for the entire city. We utilize the funds to build strong economic development partnerships with the Arizona Commerce Authority, Arizona Association of Economic Development (AAED), Arizona Forward, Economic Collaborative of Northern Arizona (ECoNA), Coconino County Career Services, Flagstaff Chamber of Commerce, Northern Arizona University, Coconino Community College, and Northern Arizona Council of Governments (NACOG).

In 2017, Economic Development staff assisted with the following:

- Worked with nineteen new businesses that entered the market in 2017. This equated to 385 new jobs for the citizens of Flagstaff;
- Attended several tradeshows in key industry sectors of advanced manufacturing, bioscience, technology innovation and retail. The tradeshows attended are as follows: Consumer Electronic Show, BIO International, Bio MedDevice and International Council of Shopping Centers. Staff met with hundreds of prospects in an effort to recruit them to the Flagstaff area;
- Hosted ten site inspections;
- Worked with Nestle Purina on odor mitigation;
- Created 2 Business Resource events that were free to the community that went over social media trends, internships, how to hire a veteran, minimum wage law, and more.



- Worked with the Auto Park Association and City Council to clear the way for a potential sale of lot 8. Preparations for securing right of way for Flagstaff Urban Trail Systems (FUTS) trails on lots 8 & 9 are in progress. Staff also worked to clear hurdles for the new owner of lot 11 to ensure construction on the lot continues to move forward;
- Held the following stakeholder meetings:
  - 113 Meetings with various businesses addressing retention and expansion programs, workforce, data, incentive programs, and development process navigation;
  - 40 meetings on policy development including the development of an *Adaptive Reuse Program* and a *Waste to Profit Policy*;
  - 40 meetings on marketing efforts from providing exposure for Flagstaff Economic Development in the international magazine Innovation and Technology Today, and contributing to the interdepartmental Visit. Discover. Grow. campaign;
  - 39 Workforce Development meetings focused on Automotive Technician Pipeline Enhancements, Career and Technical Education, Employer Resource events;

Overall ROI, assisted with \$38 million in new commercial construction including 2 new healthcare facilities, 3 new hotels, the new Mercedes facility at the Flagstaff Auto Park, 2 new student housing complexes with retail centers, and 32 acres of City-owned land sold for a hotel, event space and corporate offices.

#### **PARKS AND RECREATION:**

##### **Parks that are funded and maintained with BBB dollars:**

BBB Parks (0567) FY18 Budget = \$1,544,467 (including operating capital of \$125,000/year)

- BMX "The Basin"
- Bushmaster Park
- Bow & Arrow Park
- Continental Sports Park
- Foxglenn Park
- McMillan Mesa Park
- Thorpe Softball Complex

##### **BBB Operating capital recent projects:**

- Resurfaced tennis and basketball courts at Bushmaster Park (\$60,000)
- Installed ADA adaptive outdoor fitness area at Bushmaster Park (\$50,000)
- Installed automatic access gate at the south entrance to Bushmaster Park (\$5,000)
- Replaced the roof of the Ramada at BMX "The Basin" (\$5,000)
- Regraded and replaced the sod at Continental Field #1 (\$35,000)
- Re-lamped the ballfield lights on Fields #1 and #2 at the Continental Sports Complex (\$10,000)
- Repaired and replaced fence fabric and addition of a mid-rail at Continental Field #2 (\$10,000)
- Replaced 6,000 square feet of sod at the Foxglenn East Soccer Field (\$10,000)
- Laser-leveled all infields at Foxglenn, Continental, and Thorpe Softball Complex (10 fields) (\$30,000)
- Installed an adaptive swing amenity at McMillan Mesa Park (\$1,500)

- Chip-sealed parking lots at Continental, Foxglenn, and Thorpe Softball Complex (\$150,000)

**BBB Recreation FY18 one-time capital funded projects:**

- Restroom Facilities at Buffalo Park and Thorpe Park (\$300,000) (estimate)
- New adaptive playground at Thorpe Park and accessible surfacing (\$168,000)
- Aquaplex cabana and locker room repairs/remodel (\$325,000) (estimate)
- Upgrade playground equipment at Mobile Haven and Smokerise parks (\$150,000)
- Hal Jensen tennis court replacement (\$400,000)

**BEAUTIFICATION:**

**Route 66 Landscaping:**

BBB Beautification funds were first used to landscape the space between Route 66 and the railroad tracks. Prior to this work, this space consisted of unmaintained open grass fields and commercial billboards. The work was performed in seven initial phases, acquiring and removing the billboards, and installing FUTS trails, berms, landscaping and irrigation.

The last phase of this effort was completed in 2012 and consisted of preserving a 700-foot stretch of historic Route 66, converting it to a FUTS trail, and constructing a Route 66 themed pocket park / FUTS rest stop. The cost to the Beautification Fund for this phase was approximately \$100,000. However, investments were enhanced with several public and private partnerships that brought another \$50,000 worth of work to the project.

**City Gateway Signs:**

Since 2004, BBB Beautification funds have been used to construct stone, log and steel city gateway signs along US89, I-17 and US 180. These have become one of the more photographed objects in town and are frequently sought for service club, university and business association signage. They have become a major branding element for the City itself but images of these investments are also frequently used by a variety of businesses and non-profits. A fourth city gateway sign is soon to be constructed along US89A near Lake Mary Road. These signs cost approximately \$40,000 each.

**Southside Redevelopment:**

In 2011, Beaver Street and San Francisco Street in the Southside area were re-built from building face to building face. This work included new wider sidewalks, street trees and furniture, bicycle racks and public art. As a result, a number of Southside properties have been revitalized and the district as a whole has seen tremendous growth in vitality without losing the valued funk of the area. Tourists and locals alike now spend more time, and more money in the district. This project utilized \$1.2M BBB Beautification funds, additional funds from Utilities and a grant for a total expenditure of nearly \$2.8M.

**Fourth Street Gateway:**

The corner of Fourth Street and Route 66, including a parcel owned by the City, served as an ADOT service yard for many years. In 2013, nearly \$230,000 of BBB Beautification funds were used to redevelop the City parcel into a neighborhood gateway. This included creating a plaza space, and installing landscaping and a neighborhood sign. The plaza provides a space for public art and this year a grand lighted holiday sculpture was installed for the season. The sculpture cost \$40,000.

**Other Beautification Projects:**

A few Beautification projects are highlighted above. However, the work of the program includes many other works of different scales, locations, and notoriety. Some of the medium-scale works include landscaping along US89 from Fanning to Smokerise (\$900,000, done to two phases), along Woodlands Blvd. (\$500,000) and along Butler Avenue (\$350,000). Last year, \$250,000 was used to re-paint everything green in downtown. Currently, \$250,000 of landscaping and parking lot improvements are being installed at Joel Montalvo Park. Smaller works have included landscaping at the Plaza Vieja gateway, improvements at the Sante Fe and Route 66 triangle median (\$75,000), as well as capital maintenance at some of the older Beautification projects (\$50,000). An enhancement of the sidewalk and landscaping at the intersection of Steves Blvd. and Route 66 (\$75,000) is underway.

Some “very small” projects have included painting Two-spot with special preserving paint (\$25,000), fencing at the Country Club detention basin (\$30,000), the development of three community gardens (\$10,000 each), and a community thermometer in downtown (\$25,000). In the same “small uses” category, these funds are used to provide grants owners of historic properties to use for preservation projects (\$10,000 max.) and they are used for small grants for groups and neighborhoods to perform very small beautification projects (\$2,500 max.). For example, the Flagstaff Rotary Club used this grant to help fund the restoration of the Buffalo Park entrance building.

**ARTS & SCIENCES:****Arts, Science and Culture Grants:**

The primary use of Arts & Science Funds is providing grants to Arts, Science and Culture agencies and projects. Each year, \$275,000 to \$360,000 is given to approximately forty grantees including agencies like the Museum of Northern Arizona, the Flagstaff Symphony, the Grand Canyon Guitar Society, and the Ballet Folklorico. Some of the funded projects include the Science Festival, the Celtic Festival, the Center for Indigenous Music and Culture, the Flagstaff Mountain Film Festival, the State of Black Arts Initiative, and the Celebration of the Night (Dark Skies Coalition). These grants are administered on behalf of the Flagstaff City Council by the Flagstaff Arts Council. For this, and for additional services as the area lead arts agency, the Flagstaff Arts Council receives an annual fee of approximately \$70,000.

**Public Art:**

Understanding the impact of this fund on public art is best demonstrated by the Public Art Map, which depicts an extensive inventory of the City’s public art holdings. The award-winning map, prepared with Arts & Science funding (\$7,500), does include some private pieces, and can be seen here: [https://www.flagstaffarizona.org/wp-content/uploads/Art-Map.Flagstaff.LORES\\_.pdf](https://www.flagstaffarizona.org/wp-content/uploads/Art-Map.Flagstaff.LORES_.pdf)

Some of the better known recent public art projects have included the large format photographs at the Pulliam Airport (\$85,000), the Kings House inn mural (\$25,000), the Lumberyard Mural (\$25,000), mosaics on the Thorpe Bridge (\$2,500), and the Sound of Flight Mural (\$2,500). Current projects include the Children’s Garden Sculpture (\$45,000), additional mosaics on the Thorpe Bridge (\$40,000), and more.

**Return on Investment (ROI):**

Measuring the return on investment for Arts & Sciences Funds and for Beautification Funds is challenging in that these funds aren’t used for things that are counted (like hotel occupancy or

visitors). These funds are used to create a sense of place for residents, employees, employers, and tourists that are attracted to Flagstaff by the other BBB Funds.

Thanks to the Arts and Economic Prosperity Study, partially funded with Arts & Science Funds, we do know that the arts are a \$90M industry in Flagstaff, generating \$4.6M in local tax revenue, and supporting 3,000 FTE jobs. This is the most measureable aspect of the Arts & Sciences Funds and Beautification Funds return on investment.

We also know that employees, and thus employers, are changing to place-based jobs instead of going to places for jobs. This means that people select where they wish to live, in the mountains, in cultural centers, in historic downtowns, and then they seek jobs that allow them to live there. Employers, seeing this trend, have in turn increased how much “place” factors into their location decisions.

And of course, attracting tourism requires having a “place” to promote. How many towns have lots of tourists and little sense of character, history, or beauty? Arts & Sciences Funds and Beautification Funds are place making funds that provide a destination with character, history, and beauty. The return on investment is comingled with that of promoting tourism and business attraction and retention.

#### **MEDIA MENTIONS:**

The most notable ROI Flagstaff is receiving is in way of media accolades. This past year we were recognized in the following ways:

- January 2017: “best college towns” came out yesterday, this time by the American Institute of Economic Research, and Flagstaff was ranked #3;
- April 2017: Car Rentals.com, The Best Biggest Little Cities in America ranked #4;
- April 2017: Channel 12, Reported on New Milligan House Public Art Preserves Flagstaff History in Paint;
- May 2017: Flagstaff is one of our 50 Best Smaller College Towns with the Best Music Scenes, and we know a thing or two about live music;
- June 2017: Historic Downtown Flagstaff was selected as one of USA Today’s 10 best Arizona Attractions;
- July 2017: Top Four U.S. Community College Towns;
- August 2017: The 20 Best Towns in America;
- August 2017: Motorhome magazine noted Flagstaff Star Party;
- August 2017 Outside Magazine: The 25 Best Towns of 2017;
- August 2017: Outside Magazine: 6 Breweries on the Edge of National Parks;
- October 2017: Mentioned in the Calvin and Hobbs cartoon – AZ Republic;
- November 2017: Trips to Discover.com - 8 Best Towns to Celebrate Christmas in Arizona;

#### ***Request 2: What percentage of BBB is paid by visitor vs. resident?***

There hasn’t been a study on what portion of the BBB is coming from visitors vs. locals since 2009. At that time, the tax collected figure showed 73% visitors and 27% locals. If we look at the two taxable activities Hotel/Motel and Restaurant/Bar on the BBB chart, it would seem that close to 100% of hotel/motel and 50% of restaurant/bars is paid by our visitors.

**SUMMARY:**

There is so much happening in Flagstaff due to the assistance of BBB funding. All BBB sectors are actively creating annual work plans that are bringing big results to our community year after year.

This is for information only.

CITY COUNCIL REPORT

PUBLIC

DATE: November 03, 2020

TO: Mayor, Vice Mayor, and Councilmembers

FROM: Heidi Hansen, Economic Vitality Director  
Rick Tadder, Management Services Director  
Rebecca Sayers, Public Works Section Director

CC: Greg Clifton, City Manager  
Sterling Solomon, City Attorney  
Shane Dille, Deputy City Manager  
Shannon Anderson, Deputy City Manager

SUBJECT: Bed, Board, & Beverage/Booze (BBB) History, Allocations,  
Revenues and Budget

This report is to provide current information on the Bed, Board, and Beverage/Booze (BBB) tax history, allocations, revenues and budget. Our last update on this topic was provided in a May 31, 2017 Council Communication Report (CCR).

**HISTORY:**

The BBB tax is a 2% local transaction privilege tax (TPT) levy on the gross revenues generated from hotels, motels, campgrounds, bars, and restaurants. The BBB tax is in addition to the base local TPT rate of 2.281%, plus the state and county TPT rates. Flagstaff voters approve all local TPT rates, including the BBB tax, per the Flagstaff City Charter.



Flagstaff voters originally approved the BBB tax in 1988, for a 10-year period. At that time, BBB tax revenues were allocated to fund Tourism, Beautification, Economic Development, and Administration.

In 1995 the City Council adopted an ordinance to reallocate revenues from BBB Tax, to also include funding for Parks and Recreation.

BBB tax revenues are allocated for the uses as specified in the Flagstaff City Code, Chapter 3-06, *Hospitality Industry Revenues*. The table below represents the original and current allocations that have been in place for many years:

<b>Allocations</b>	<b>Original</b>	<b>Current</b>	<b>Change</b>
Administration	3.0%	0.0%	- 3.0%
Arts and Science	0.0%	7.5%	+ 7.5%
Beautification	32.0%	20.0%	- 12.0%
Economic Development	16.5%	9.5%	- 7.0%
Parks and Recreation	0.0%	33.0%	+ 33.0%
Tourism	48.5%	30.0%	- 18.5%

At the March 5, 1996 General Election, a ballot measure was brought forth, Proposition 401, to request a continuance of the 2% BBB Tax rate for an additional 15-years. While the official ballot measure did not include specific allocation of revenues, the publicity pamphlet provided a Fact Sheet that shared the change in allocations.

At the May 18, 2010 General Election, a ballot measure was brought forth, Proposition 401, to request a continuance of the 2% BBB Tax rate for an additional 15-years. While the official ballot measure did not include specific percentage allocation of revenues, the information pamphlet provided information on the current allocations and purposes. The official title of the ballot measure was as follows:

OFFICIAL TITLE: A Measure Referred to the People by the City Council of the City of Flagstaff, Arizona: "Shall the City Council have the authority to continue the City Lodging, Restaurant and Lounge ("BBB") Tax at the present rate of two percent (2%) for an additional fifteen (15) year period beyond March 31, 2013?"

City staff is often asked whether our Flagstaff election materials require a specific allocation of BBB tax revenues? The election materials do not require the allocation percentages described above; however, the election materials reflect the Flagstaff community's understanding of how revenues will be spent. The ballot language that is approved by the voters provides the legal requirements the City must follow.

### **CURRENT PROGRAMS RECEIVING BBB ALLOCATIONS:**

**Arts and Sciences** is considered an 'operational fund' where the primary activity is dedicated to the administration of select programs either through staff or contractual relationships. Most of the funds are distributed by a grant process to grantees that use the funds for arts, science, and cultural projects and for the operations of arts, science and cultural agencies throughout our community. A small portion of the funds are dedicated to purchasing public art that is considered through community, commission, and council input.

**Beautification** primarily funds capital streetscape projects and then subsequently funds the maintenance for these when completed. Some examples of these streetscape projects are murals for areas like the Boys and Girls Club, Route 66 sign monuments recognizing the iconic Mother Road, landscape and gateway signage throughout our community, and much more. This program creates a true sense of place for both our residents and visitors.

**Economic Development** is considered an 'operational fund' where the primary activity is dedicated to the administration of programs. While this fund may have capital expenditures, it is not its chief function. This fund focuses on business retention, expansion, and attraction as well as workforce development. In addition, the City funds the Business Incubator and Accelerator programs, structured to allow local entrepreneurs to work in a supportive environment to develop ideas into commercial business models. These programs are housed on Innovation Mesa at our Northern Arizona Center for Entrepreneurship and Technology (NACET) campus and managed through our City's Community Investment section in partnership with Moonshot.

**Parks and Recreation** has shifted from capital programming for new parks, improvements in existing parks, and new construction of the Flagstaff Urban Trail System (FUTS), to operations and maintenance. Funding is now primarily directed to the ongoing maintenance of improvements originally funded with BBB dollars, such as

Foxglenn Park, the Thorpe Softball Complex, and FUTS. BBB funds also pay for a portion of recreation programming, including Community Events, Athletics, and the recreation centers. The Parks Section also maintains BBB-Beautification improved streetscapes and rights-of-way; this maintenance is funded from the Beautification portion of the BBB tax.

**Tourism** is considered an 'operational fund' where the primary activity is dedicated to the administration of programs. These programs are marketing and advertising, media relations, sales (meetings, events, conferences, and international travel trade), creative services (tourism and City of Flagstaff creative), and visitor center operations. Included in the budget for Tourism is a marketing plan that guides staff in determining markets and promotion directed at these markets that are inward and outward facing, as well as measurement tools that show our growth and overall economic impact. The Visitor Center programs include the Visitor Center (including the gift shop) and Train Station Operations that work as ambassadors by welcoming our visitors to Flagstaff, AZ.

## **BBB ALLOCATIONS:**

### **Arts and Sciences**

Arts and Sciences is defined as support for Flagstaff arts, scientific and cultural activities, events, and organizations to provide direct and indirect citizen participation and enhancement of the overall quality of life and community image including support of public art.

The BBB ordinance allows the public art program to be administered by the Beautification & Public Art (BPAC) Commission. The Commission is responsible for:

- Developing and transmitting to Council an annual plan outlining their program recommendations in line with the annual budget process,
- Making recommendations to Council on budgetary allocations including but not limited to:
  - Developing and supporting the Flagstaff arts, scientific and cultural activities, events and organizations to provide direct and indirect citizen participation, and opportunities for enhancement of the overall quality of life and community image,

- Developing, acquiring and distributing material to promote arts and science,
- Developing financial assistance programs to stimulate artistic and scientific activities in Flagstaff, and
- Retaining appropriate staff to implement approved programs.

Currently, we have a seven-person commission.

Funding: Arts and Science BBB is the only funding source to maintain the staffing and administering of programs.

## **Beautification**

Beautification is defined as any modification of the urban physical environment to increase pleasure to the senses or pleasurable exalt the mind or spirit or strengthen the urban design framework of the City.

The BBB ordinance allows for the designation of the Beautification/Public Art Commission, which is responsible for:

- Making a recommendation to Council concerning the annual budgetary allocation of the beautification and public art portions of this tax to include but not limited to:
  - Purchase, installation, or modification of landscaping and irrigation systems,
  - Purchase, removal or modifications of billboards and nonconforming signs,
  - Beautification of buildings and facilities, streetscapes and gateways,
  - Development and support of the City's public art program, and
  - Purchase or lease of easements or property necessary for beautification.

Currently, we have a seven-person commission.

Funding: Beautification BBB is the only funding source to maintain the staffing and administration of programs.

## **Economic Development**

Economic Development is the encouragement, promotion, and assistance of the expansion of economic activity for the purposes of expanding revenue and providing jobs to the community.

The BBB ordinance allows the Council to either act as or designate an Economic Development Commission. The Commission is responsible for:

- Developing and transmitting to Council an annual plan outlining their program recommendations for the coming year,
- Making recommendations to Council on budgetary allocations including but not limited to:
  - Developing and acquiring and distributing advertising (marketing) material to promote economic development,
  - Maintaining the chooseflagstaff.com website,
  - Providing financial assistance programs to stimulate relocation and retention of industrial projects of Flagstaff, and
  - Retaining appropriate staff to implement approved programs.

Currently, Economic Development does not have a Commission. ED works with the Economic Collaborative of Northern Arizona (ECoNA), AZ&WORK, County, and several other community partners.

Funding: Economic Development BBB is the only funding source to maintain the staffing and administering of programs. Economic Development also receives funding through the City's General Fund, but those funds are limited to paying a portion of the debt service on the Business Incubator and Accelerator facilities. Economic Development BBB funds pay the remainder of the debt service.

## **Parks and Recreation**

Parks and Recreation is defined as the development and management of public parks, recreational facilities, and programs which are available to the residents and visitors including funding the FUTS.

The BBB ordinance allows for the designation of the Parks and Recreation Commission, which is responsible for:

- Making a recommendation to Council concerning the annual budgetary allocation of the Parks and Recreation portion of this tax to include but not limited to:
  - Developing Parks and Recreation facilities and programs as needed to benefit the community and its visitors,
  - Funding for the FUTS development and maintenance, and
  - Developing, acquiring, and distributing material to promote Parks and Recreation.

Currently, we have a seven-person commission.

Funding: Parks and Recreation BBB is not the only funding source to maintain the staffing and administering of programs. Parks and Recreation also receives funding through the City's General Fund.

## **Tourism**

Tourism is the guidance, management, marketing, accommodation, promotion and encouragement of visitors from around the globe.

The BBB ordinance allows for the designation of a Tourism Commission. The Tourism Commission is responsible for:

- Developing and transmitting to Council an annual plan outlining their program recommendations for the coming year,
- Making recommendations to council on budgetary and marketing plans,
- Maintaining the [discoverflagstaff.com](http://discoverflagstaff.com) website,
- Management and maintenance of a visitor center,
- Establishment of an education program which allows for scholarships to the hospitality program at NAU in partnership with the University,
- Promoting activities that enhance the community image and quality of life, and
- Retaining appropriate staff to implement approved programs.

Currently, we have a seven-person commission.

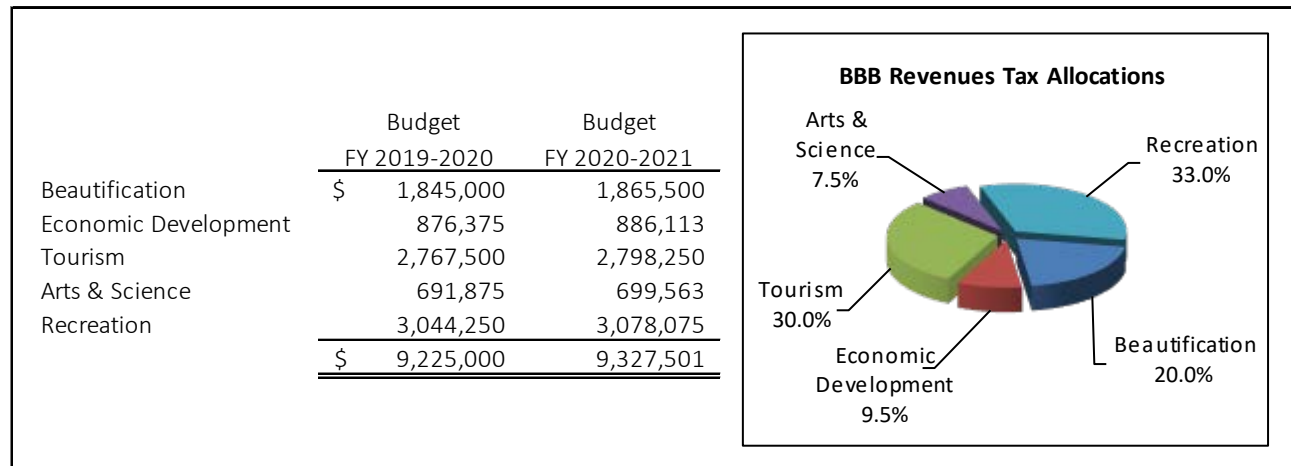
Funding: Tourism BBB is the only funding source to maintain the staffing at the Convention and Visitors Bureau and Visitor Center as well as the administering of all marketing and media relations programs.





## **BBB REVENUES:**

The adopted budget for FY 2020-2021 continued to show an increase in projected revenue and demonstrates the strength of tourism in Northern Arizona. The growth demonstrated in year-over-year receipts indicates the funds used toward targeted tourism is paying off. These projections were based on February estimates.



Since February, the economic conditions changed due to the COVID-19 pandemic. Staff has been monitoring tax revenues monthly in addition to building a four-scenario forecasting model. The scenarios are developed based on how the economy recovers, is weak or slumps further. Scenario 4 provides an average of these forecast and it what we are using for fund planning. Our hotel, motel, short-term rentals, restaurants and bars industries have seen the biggest negative impact during the current economic conditions. Ranges in revenue declines are currently projected between 12% and 23% with an average of 17%.

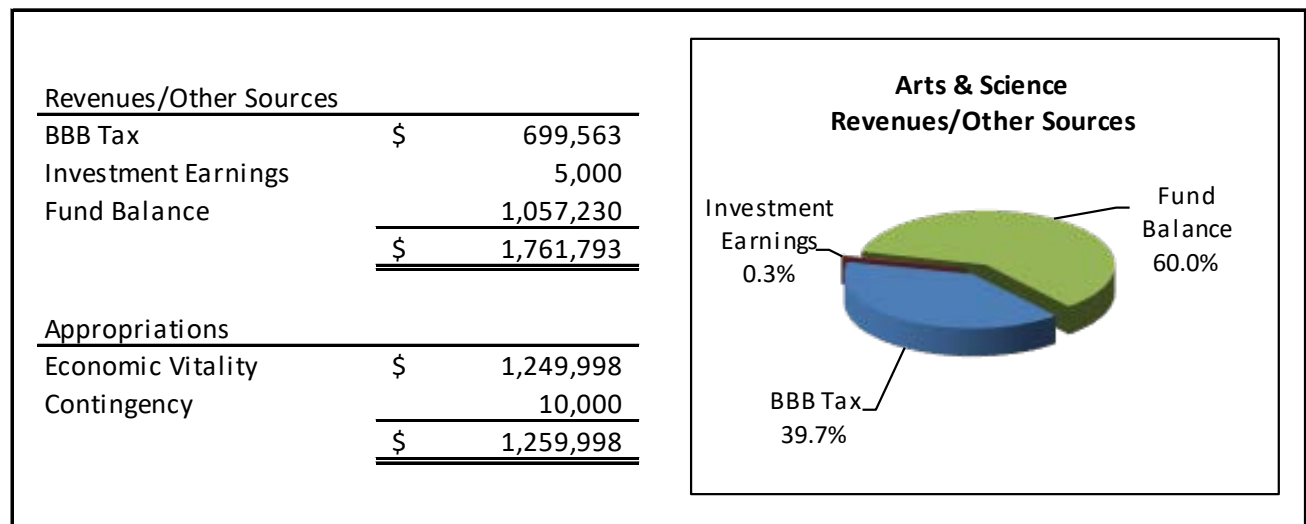
	FY 2020-21 Budget	Scenario 1 FY 2020-21	Scenario 2 FY 2020-21	Scenario 3 FY 2020-21	Scenario 4 FY 2020-21
<b>BBB Funds</b>					
Beautification	\$ 1,865,500	\$ 1,428,800	\$ 1,643,600	\$ 1,562,200	\$ 1,544,800
Economic Development	886,113	678,700	780,700	742,000	733,800
Tourism	2,798,250	2,143,100	2,465,300	2,343,300	2,317,300
Arts and Sciences	699,563	535,800	616,300	585,800	579,300
Recreation	3,078,075	2,357,500	2,711,900	2,577,600	2,549,000
<b>BBB Funds Total</b>	<b>\$ 9,327,501</b>	<b>\$ 7,143,900</b>	<b>\$ 8,217,800</b>	<b>\$ 7,810,900</b>	<b>\$ 7,724,200</b>
<b>Change vs Prior Estimate</b>		<b>\$ (2,183,601)</b>	<b>\$ (1,109,701)</b>	<b>\$ (1,516,601)</b>	<b>\$ (1,603,301)</b>
<b>% Change vs Prior Estimate</b>		<b>-23.4%</b>	<b>-11.9%</b>	<b>-16.3%</b>	<b>-17.2%</b>

## **FISCAL YEAR 2020-2021 BUDGET:**

The following information was pulled directly from the FY 2020-2021 Budget Book and does not reflect any changes due to the current economic environment and COVID-19 pandemic impacts. The City has adopted a Recession Plan to implement budget spending reductions in a flexible manner. The City is not and will not be spending all the funds budgeted for FY2020-2021.

### **Arts and Science Fund**

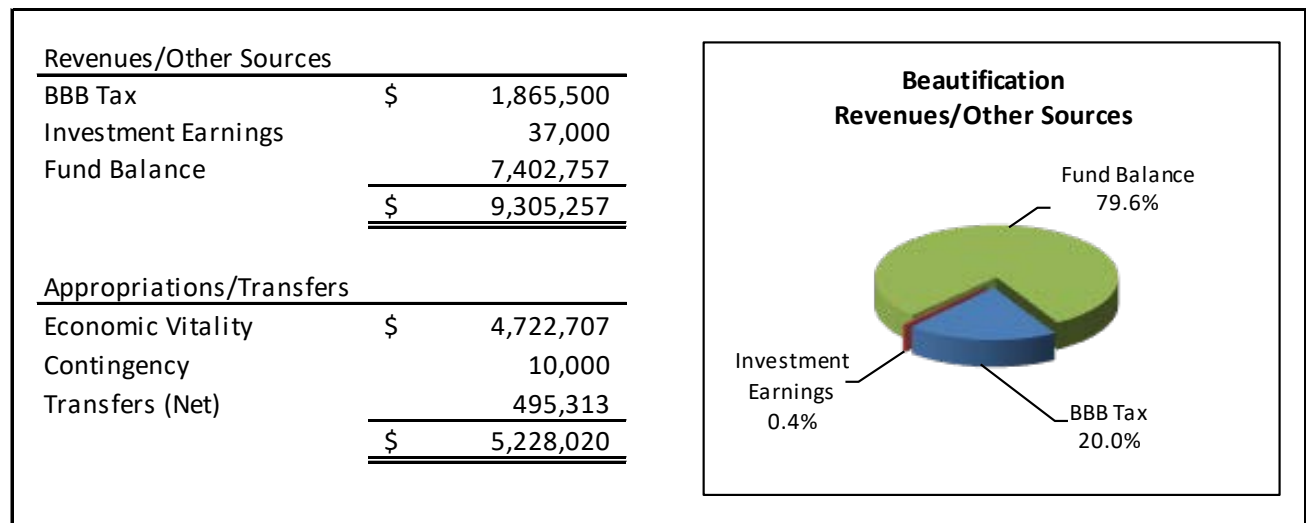
Total revenues and other sources available for Arts and Science activities are approximately \$1.8 million, including estimated revenues from the BBB tax of \$699,563. Expenditures include public art projects for \$690,623 and service partner contracts for \$496,590.



### **Beautification Fund**

Total revenues and other sources available for the Beautification Fund activities amount to \$9.3 million. Expenditures from this fund are primarily for beautification operations and capital improvements in streetscape projects. Some of the major projects include the Buffalo Park parking enhancements, Airport parking lot improvements, playground beautification, City Hall lawn enhancements and eastside neighborhood beautification. A full project listing is available in the CIP Section. The \$495,313 transfer includes a transfer to the General Fund of \$465,313 which is used

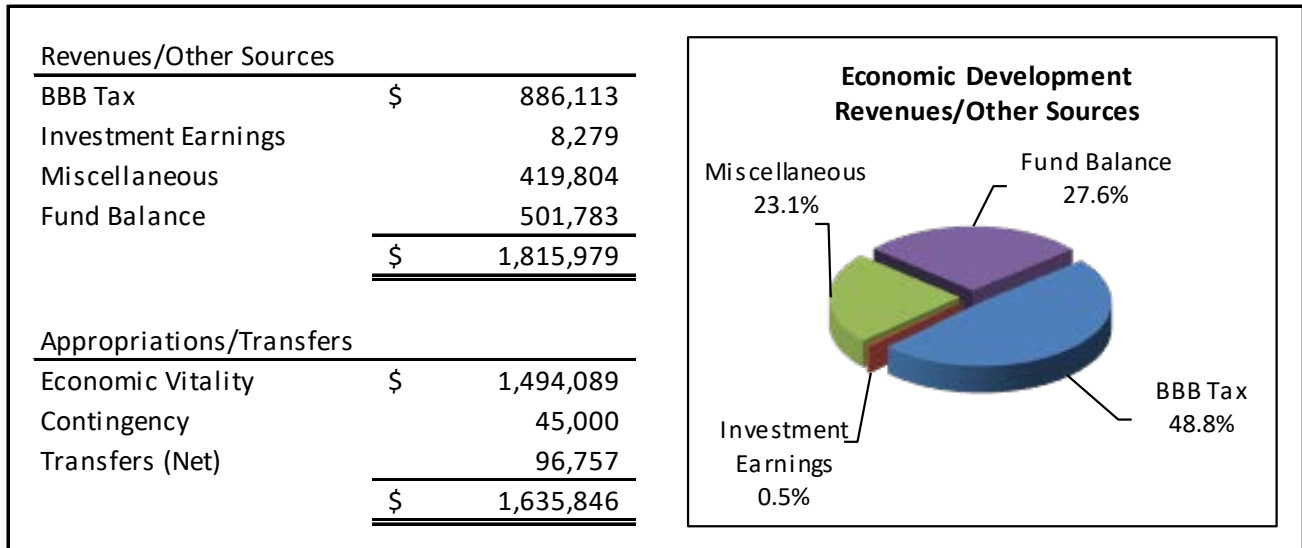
primarily for the maintenance of streetscapes and a \$30,000 transfer to SEMS to contribute to litter control efforts.



### Economic Development Fund

This fund focuses on business retention and attraction as well as workforce development. In addition, the City funds the Business Incubation Program and the Innovation Mesa Business Accelerator program, structured to allow university professors and local entrepreneurs to work in a supportive environment to develop ideas into commercial business models.

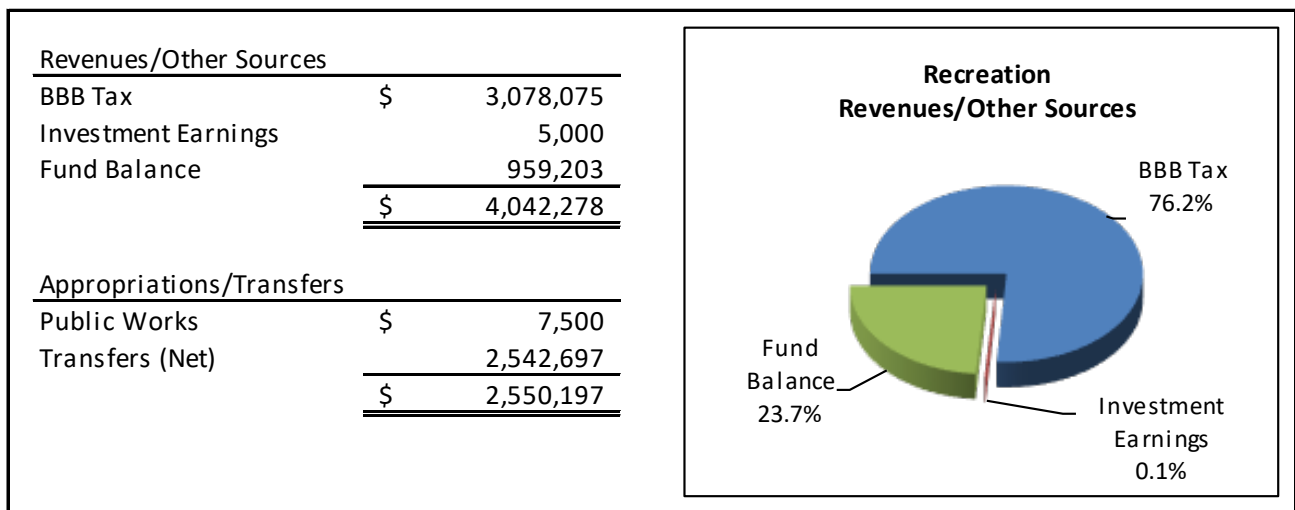
The City will continue to seek targeted industries to relocate to the community. Those industries will be complementary to existing businesses or will be supportive of community goals. Total revenues and other sources available are approximately \$1.8 million, of which \$886,113 is from the BBB dedicated tax for economic development, lease revenue of \$419,804 and fund balance of \$501,783.



### BBB Recreation Fund

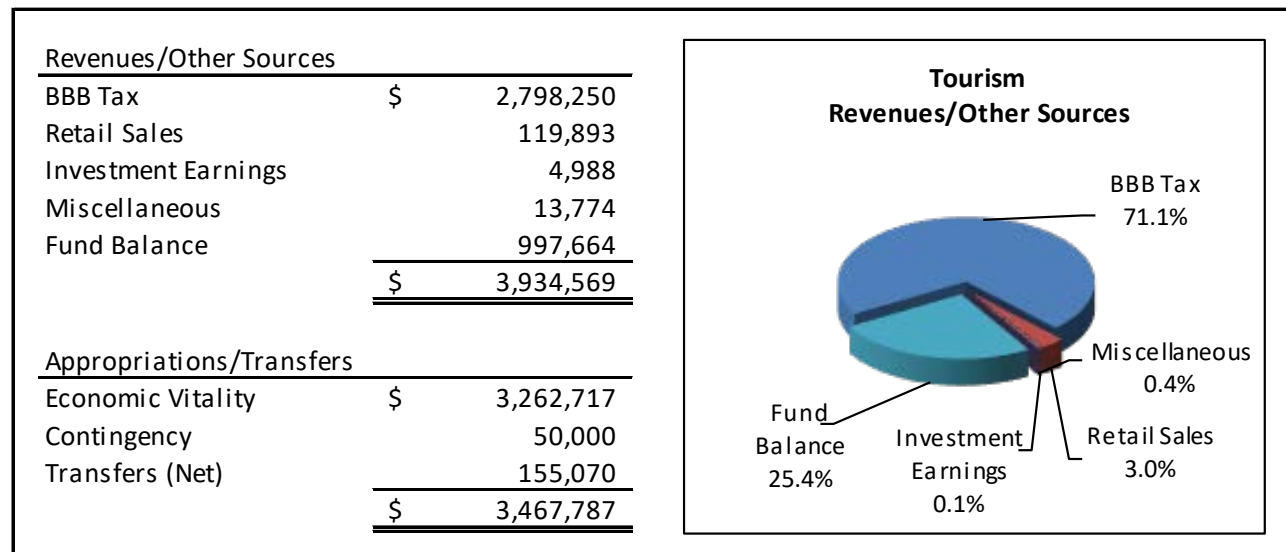
Total revenues and other sources available for recreation activities are approximately \$4.0 million, including estimated revenues from the BBB tax of \$3.1 million.

There are total appropriations and transfers in the amount of \$2.5 million in FY 2020-2021 for Recreation Fund activities and projects. Per discussion with City Council in the spring 1996 retreat, Council concluded this funding should support the expansion of existing facilities and the associated maintenance. Over the past several years, the City Council has re-examined the use of these funds and in FY 2019-2020 directed approximately \$1.0 million to fund recreational programming, \$1.6 million to fund FUTS maintenance and recreation fields operation and maintenance. These are funded via a transfer to the General Fund.



## Tourism Fund

Total revenues and other sources available are approximately \$3.9 million, of which an estimated \$2.8 million is from the BBB tax. The total appropriations are approximately \$3.5 million, which includes \$2.7 million for Tourism. Tourism includes General Administration, Marketing, Sales, Public Relations and the Film Office. The Visitors Center programs account for \$477,928 of the total. The Visitor Center programs include the Visitor Center (including the gift shop) and Train Station Operations.



## RECOMMENDATION / CONCLUSION

This report is primarily for information only.

As the current BBB Tax is set to expire May 31, 2028, City staff recommends bringing a ballot measure to request an extension of the tax to the voters for the November 2024 General Elections with an additional opportunity two years later if the measure does not pass.