

MINUTES

**CITY COUNCIL SPECIAL BUDGET MEETING
TUESDAY- JANUARY 22, 2013
COUNCIL CONFERENCE ROOM – 211 WEST ASPEN
12:30 P.M.**

1. Call to Order

Mayor Nabours called the Special Budget Meeting to order at 12:35 p.m.

2. Roll Call

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

Present:

MAYOR NABOURS	COUNCILMEMBERORAVITS
VICE MAYOR EVANS	COUNCILMEMBER OVERTON
COUNCILMEMBER BAROTZ	COUNCILMEMBER WOODSON (telephonically)
COUNCILMEMBER BREWSTER	

Others present: City Manager Kevin Burke; City Attorney Rosemary Rosales.

3. Presentation on budget-related issues

Community Development/Planning/Development - Code Compliance
Community Development/Planning/Development - Building Inspection
Community Development/Planning/Development - Advance Planning
Community Development/Planning/Development

Community Development Director Mark Landsiedel gave a PowerPoint presentation which was an overview of the Community Development Department. He said that what he and Jim Cronk do is mostly management, but they also manage some of the more difficult projects.

Planning Director Jim Cronk then continued with the PowerPoint reviewing some of the time frames for various review processes.

Discussion was held on self-certification. He reviewed the Phoenix model, noting that they have a 16-month training program. He said that they are proposing that Flagstaff add an additional one-week training for those already certified to cover those issues specific to the Flagstaff region.

Mr. Cronk said that since they came up with this idea they have met with builders and got a lukewarm reception. Last week staff went to the meeting of the local architectural association and none of them were interested. The biggest reason was that they like the City having a second set of eyes on everything they do.

Vice Mayor Evans said that it appears that the City is only collecting 50% of the actual costs in their department. Mr. Cronk said that was correct, and was based on previous Council direction. He added that it is paid for through the General Fund. Vice Mayor Evans said that it would appear that the City is subsidizing that area and helping developers.

Councilmember Overton said that where it could be helpful is in the case of a small tenant improvement, such as a Subway, where the plans are the same for every store. He did not think they would see a lot of people using it. Mr. Cronk said that was why they would like to go ahead with the tenant improvements and see what kind of participation they get. If there is a lot of participation then perhaps they could look at allowing it at the next level higher. He said that staff has an entire Building Code update scheduled to bring before Council at the end of February or early March and they would talk about this at the same time.

Mr. Cronk said that because of the peaks and valleys in the building industry, they use outside firms to assist with plan review, but they keep about 25% because they are still doing inspections and they will spot check their work. He said that they have several builders in town that have asked for the City to review their plans rather than outside firms.

Discussion then turned to Code Compliance. Mr. Cronk said that in 2008 they had four dedicated staff for code enforcement; now they have 1-1/3. He said that once the Regional Plan is complete, Kim would move into other areas such as annexations, long-range and specialty plans, and implementation of the Regional Plan.

Vice Mayor Evans asked if they could work on linking of the two plans – the Regional Plan and the Zoning Code. Mr. Cronk said that they were trying to get there, but their immediate pressures are with completing the Regional Plan. Mr. Landsiedel added that as they continue to implement the Regional Plan, staff will be adding a new section to the Staff Summaries on how the item addresses the Regional Plan.

Mayor Nabours asked if there was anything that the Council could help with to allow their department to work more efficiently; perhaps some type of state-of-the-art process that they currently were not using.

Discussion was held on the changes that have occurred since Mr. Landsiedel took over this department, such as the Single Point of Contact system. He said that between the rewrite of the Zoning Code and the Regional Plan, those documents will help modernize and clarify a lot of what they have to implement. He said that one area that has really helped is the DRB process where all involved departments meet together to review projects. It was also noted that the City was in the process of moving to a new software program, moving from Kiva to Innoprise, which will help with this process.

Councilmember Barotz said that she thought they all had a responsibility to communicate the facts that the City is business-friendly and not perpetuate the myths. She believed that staff works hard and they cannot always see the obstacles they face. She has seen a considerable improvement over the years and they owe it to the City

staff and community to send out a positive message, at the same time identifying any problems.

Mayor Nabours said that he has heard that in some cities they have an “expeditor” or “facilitator.” Mr. Cronk said that is similar to the City’s Single Point of Contact, so that if a developer should have issues they would go to that SPC rather than having the contact various departments.

Mr. Cronk said that their feedback from the community is that the process is 80-90% better than it was. He said that they do surveys at the front counter and at the old APS building at the building department. A process has been established when an issue is raised so a team sits down and looks at the problem to determine if the ordinance is wrong, or the process is wrong.

Councilmember Barotz said that as they have reduced the budget overall with training taking a big hit and she felt it was important to maintain training. She said that they were not going to move forward as a City if they do not keep staff current.

A break was taken from 2:00 p.m. to 2:16 p.m.

Land Trust

Sarah Darr, Housing Manager, gave a PowerPoint presentation on Housing.

Councilmember Oravits referred to the presentation, and suggested that they look at the low-end of houses for values because most first-time buyers are buying lower end homes. Ms. Darr noted that they also have professionals coming into the area that are not interested in buying first-time homes.

Discussion was held on the current housing situation. Ms. Darr said that there are a lot of tax credit units, but they were not included in this presentation because the City does not administer them.

Councilmember Oravits said that there are two homes for sale in Izabel for \$166,900, and they do not get the land. He said that he did not see where these are beneficial when there are other homes for less, and people also get the land. Vice Mayor Evans asked how often that was the case, with the market fluctuating.

Ms. Darr said that with the Land Trust they have outsourced, at Council direction, the long-term affordability responsibilities. For the rental units, it is an orientation piece, working with property management and monitoring.

Councilmember Barotz asked how many negotiations the City had entered into with developers where they have tried to secure affordable housing, but were not successful. Ms. Darr said that what was presented is what has been constructed. Since the incentive policy was updated in 2009, this is all that has been addressed. They have not had any large scale developments come forward; nothing has been brought before Council.

Councilmember Barotz said that, as she stated earlier in the meeting, the Council needs to be sure that when they are talking with citizens that they are conveying the correct information.

Mayor Nabours asked if the Land Trust had some legal implications. Ms. Darr said that they call their program a Land Trust Program because they do not hold it with a third-party entity; they have a ground lease with eligibility criteria. She said that they have a number of parcels that are City-owned that are restricted in some way for use as housing. Whether they purchased it with federal funds (Izabel Homes) or the land was deeded to the City in a Development Agreement (Pine Canyon), or they purchased it (Schultz Plass) for affordable housing. There are other pieces of City-owned properties that make logical sense to use for housing, but there are no restrictions with it.

Mayor Nabours asked if there was a fund of money that could be used for some of this affordable housing program, specifically the Izabel Housing program, and he asked how much was in that pool. Mr. McIntire said that they were expecting at the end of this fiscal year they will be at \$1.2 million. Mr. Burke clarified that those were one-time monies, placed in the fund before the recession and they have been using it as a revolving fund. They have not been adding new General Fund dollars.

Mayor Nabours asked if they could be used for something else. Ms. Darr said that some of them were proceeds from land sales, so some of them are not General Fund dollars. Mr. Landsiedel said that for a number of years they would get a General Fund allocation. That money has been saved up to do Izabel and others. Each time they sell a house they see money come back, maybe \$15,000 less than what was put into it.

Discussion was held on the qualifications. Ms. Darr said that for ownership units they have to be able to fund on their own. The City does not participate in the mortgage financing. They have to be a resident of Flagstaff or the surrounding area, of majority age, and a legal resident of the United States, and they have to be a first-time Flagstaff homebuyer. She said that when they sell the house there is a formula to determine what they get back on it.

Ms. Darr said that the owners are simply getting a deed to the home; the City does not guarantee payment on the loan. Historically, there has been a much lower default rate because of the post-purchase support from a third party. If the City does not get their lease fee, they will offer counseling. She said that they have the option to buy the unit to continue to assure its affordability, but they do not guarantee the payment.

Compensation

Human Resources Manager Shannon Anderson gave a PowerPoint presentation on compensation, which outlined staff's recommendation for one-time payments.

Councilmember Oravits said that they have needs within the City, and if they do not fundamentally change the way they do things, they will continue to increase. He said that if they reduced City staff through attrition they could save \$4 million a year. Mayor Nabours asked if they could get by with fewer employees. He said that he has not met an employee in the City that he did not think was a good employee and was not doing a

good job. And, they would all like the employees to be top paid, but the numbers are staggering.

Councilmember Woodson said that in looking at the report, giving the employees a .5% one-time raise does not get them back to where they need to be. He would like to see that a 5% permanent, but to do that they have to cut costs elsewhere.

Mayor Nabours asked if they had any idea what the average salary was and how that compared with other cities. Ms. Anderson said that the average salary was \$50,000, but she does not have a good comparison with others. She said that for non-exempt employees in 2008 they were 15.9% below market; now they were 13.11% below. For exempt employees in 2008 they were at 13.6% below; now they were 11.23% below.

Councilmember Overton said that he would like to throw more money at this before other areas. Staff across the board has been patient. He would like to avoid the conversation of which one gets 1% or 3%; he prefers not to do that. He said that it would be great to have attrition address it, but it is never the right position that leaves.

Matt Faull and Noah Eisenman, EAC Co-Chairmen, addressed the Council from the EAC's perspective. They said that the voice of the employee body is that they want raises back; something they can look forward to. They do not want it to be with one-time dollars, but built into the system so they can get raises every year. They agreed they could set aside compaction altogether at this point. They said that they would rather stand together and look forward, reinstating merits across the board, which would be about \$1.5 million for FY15. They said that many have reached the pay cap, so to address that they would like to see an adjustment of the pay plan of approximately 6%, or two steps.

They said that they do not have all of the information available to determine where they could get the money, but they were willing to participate in solutions. They said that they wanted to express that they want to have compensation be a priority of the City.

Councilmember Brewster said that they need to focus on generating more revenue through businesses, tourism, etc. She said that they can only cut so much. It has been demonstrated that they have cut a lot already. She said that they were heading in the wrong direction if they were looking to cut again. They need to be proactive.

Mayor Nabours asked if there was a chance that the employees would have ideas of how they could be more efficient. Mr. Faull said that the employees are very creative as they were the ones in the trenches. He said that they do know where there are inefficiencies and the City Manager has always had an open door.

Mr. Faull said that from an employee perspective, they were looking for a commitment and direction from the Mayor and Council to encourage leadership to address the problems as they see it. Mayor Nabours said that he would be willing to have some kind of program, to draw a line in personnel costs, and every savings they could, those savings could go into a fund to provide for increases.

Councilmember Oravits said that he appreciated Councilmember Brewster's comments about generating revenue, but he saw that as more of a long-term approach. He said that they need to find a way to improve the employee morale.

Vice Mayor Evans said that earlier they talked about eight weeks to turn around a building permit; now they were trying to do it in two. Now they have one person doing the work of three, and they need to readjust that. At some point they will have to readjust some of the stuff they proposed this morning. She said that they also need to look at what people are paying for. This morning they talked about one department only getting 50% recovered through their fees.

Councilmember Overton said that was right. They have to look at services and determine what people are willing to pay for. Discussion was held on the opportunity for people to pay more if they want something provided in a quicker turnaround time. It was noted that some of the things that Council comes up with decreases revenues, and they need to consider that.

Mayor Nabours thanked staff for their service. He said that one complaint he does not hear about the City is the demeanor of City employees. If the morale is low, he can understand, and he appreciates that they are not taking it out on the public. He said that customer service is one thing they get good feedback on, and he thanked them. He said that they thought the employees were exemplary and he gave his commitment that they would do something about this.

A break was held between 4:16 p.m. and 4:30 p.m.

4. Input and direction from City Council for February Budget Review.

Mr. Burke said that they know they have big issues regarding compensation and infrastructure. Generally, they are seeing revenues go up, but construction is a volatile area and they do not want to rely on a good year in construction. He said that they divide those revenues between on-going and one-time funds.

He said that between pension, health insurance and liability insurance increases, it eats up most of any increase in ongoing revenues. He said that was why the recommendations were focused around one-time monies. The harder path is reallocation or increased revenue. The mini-retreats have been focused on whether there is a reallocation. He asked to go through the items and have Council provide staff with some direction.

Graffiti – Agreed to look at different funding sources to address, outside of the General Fund.

Library – It was noted that there are a number of volunteers that work here, probably more than anywhere else, and they serve thousands. It was noted that only \$1.1 million comes from the General Fund and rest came from property tax. It was asked if they could get by with just the Library Tax. It was agreed to at least look at hours of operation to see if a savings could be made by reducing underutilized hours.

FUTS Signage – A majority agreed that this particular project was too far along to stop now; they were okay with seeing it through, but it was something to look at in the future.

Consultants – Council agreed that if it was part of a CIP project and they had parameters, there was no need for it to come back to Council, but if it was to provide advice or information to the Council, they would like to see it.

Two-Tiered Fire Response – Council agreed that they should continue with this.

Environmental Management Fee – It was noted that the department used as much revenue as generated, and could use more. It was suggested that other uses, such as graffiti or forest health, be considered from this fund in the future.

General Administration – Mr. Burke committed to look at every vacancy to determine if it needed to be filled. It was suggested that reorganizations may be acceptable if it would benefit the overall organization.

Economic Vitality – Mr. Burke said that there had been some information requested and staff would provide that to Council in the form of a CCR. If there was anything else requested, they should let him know.

Stormwater Management – Council would like to see more of the funds being used for construction rather than planning.

Recreation Fees – Mr. Burke said that since they did not increase the revenues from Jay Lively this year, they still have an ongoing \$100,000 deficit. They can take care of this year, but are committed to let staff review this further and put together proposals, looking at how fields fit in the equation, and reviewing possible incremental increases across the board, including consideration for sponsorships. It was also agreed that they should review the User Fee Policy and determine if they were still okay with it.

Land Trust – Council agreed they would be interested in knowing what else could be done with their funds, besides building spec homes.

Self-Certification – This item will come back before Council during review of the Building Codes.

It was suggested that a formal process be put in place, perhaps not to address immediate needs, for employees to provide suggestions for cost savings throughout the City. Mr. Burke cautioned Council that recommendations may be made by an employee to eliminate another's position, and this could impact morale as well.

Mr. Burke said that staff will work on the targets of infrastructure, as identified at the November retreat, and an increase in compensation.

5. **Adjournment**

The Flagstaff City Council Budget Meeting of January 22, 2013, adjourned at 5:25 p.m.

MAYOR

ATTEST:

CITY CLERK