

ISSUES AND UPDATES

PERSONNEL SERVICE COSTS

COMPENSATION

The fiscal year 2011 budget does not include a market or merit increase for classified and exempt employees due to the financial condition of the organization. The City's pay plan was decreased by 1.2% on May 1, 2009 and will continue through fiscal year 2011, which saves approximately \$505,952 in the general fund.

Employees who are in the skill based pay plan are eligible for pay adjustments based on acquiring skills and knowledge that are associated with skill blocks. Each of the skill blocks will continue to be reduced by 1.2%

Hazardous Assignment Pay is paid to employees who perform demanding duties or duties with an unusual degree of responsibility, a heightened level of physical risk that is above the norm for the job, and where additional certification and/or continuing education is needed that is above and beyond the minimum requirements for the position. Assignment pay will continue to be reduced by 1.2%.

The Flagstaff Housing Authority compensation has decreased from FY2010 Budget to FY2011 by \$37,251 due to salary being lower than the projected and a 0.75 decrease in full time equivalents. The total amount budgeted for compensation is \$1,109,119. As part of the ongoing alignment of Housing Authority operations with City operations, a \$30,000 reserve has been included in the Housing Authority budget to address any differences in pay between the Housing Authority and City. Any salaries that match the City pay scale will not be adjusted.

COMPENSATION STUDY UPDATE

The Compensation Study was completed this fiscal year and the Human Resources division has implemented the following recommendations based on the results of the study.

- Retention pay was eliminated as an add-pay and was incorporated into new pay classifications, effecting Police, Fire, Information Technology and some positions in Legal.
- A job analysis questionnaire was created to add the City's values to each job description. This will promote the use of the City's values when communicating job requirements and making hiring decisions.

- An implementation team of section heads has been identified and the team has had an introductory meeting to discuss the goals and objectives of the assignment. The team's recommendation will go through the Employee Advisory Committee and Leadership and those proposed changes will be forwarded to City Council.

BENEFITS

Fiscal year 2011 begins the 18th year the City has participated in the joint purchasing of health insurance through Northern Arizona Public Employees Benefit Trust (NAPEBT). NAPEBT includes four voting members: Coconino County, Flagstaff Unified School District, Coconino Community College, and the City of Flagstaff and two non-voting members: NAIPTA and the Accommodation School.

NAPEBT continues to fund a wellness program in an effort to control costs. This year NAPEBT held its second annual health fair. All of the insurance providers and various community medical providers and wellness vendors participated in the two day event. Employees were able to receive flu shots and wellness assessments free of charge. The POP mobile was also added this year to promote prostate health.

The overall premium increase for health insurance is 10.98%. This increase was mitigated through plan design changes such as increases in the PPO deductible, office visit co-pays, emergency room access fees, urgent care co-pays, prescription drug increases in tiers II-IV and a decrease to the Buy Up out-of-network coinsurance. The base plan contribution rate has increased by two percent. There is \$300,000 set aside in one time dollars to help off-set these increases in contribution rates and the cost of services.

NAPEBT voted to allow an opt-out provision for fiscal year 2011. An employee may discontinue employee-only coverage with proof of group health insurance outside of the Trust. This provision will provide savings to the City, but will not provide an incentive to the employee to opt-out.

The Trust's decision to become self insured in 2007 has led to the lower premium increases experienced over the last three years. The overall increase for health insurance is still below the national trend of approximately 12-15%.

The City will continue paying the full premium for the employee and \$254 per month for dependent subsidy. The dependent subsidy was reduced effective July 1, 2009 and this will continue fiscal year 2011. The total budget for employee only

health insurance is \$3.9 million dollars. The total cost of the dependent subsidy to the City is \$898,779.

The Flagstaff Housing Authority pays the full premium for the employee and 60% for dependent coverage. The budget for employee health insurance and the dependent subsidy is \$158,534.

City employees who do not elect dependent health insurance coverage normally receive \$60 per month in deferred compensation, but this benefit was suspended beginning July 1, 2009 and will continue through fiscal year 2011. The savings to all funds is approximately \$357,438.

The Flagstaff Housing Authority provides a deferred compensation benefit of \$50 per month to employees who do not elect dependent coverage. The total cost for deferred compensation is \$4,800.

The City added another dental plan in an effort to provide 100% preventive care. The employees may choose between Plan A and Plan B. The dental insurance premiums for both plans resulted in a rate decrease of approximately 2%. The City pays 100% of employee coverage and employees pay 100% for dependent coverage. The cost to all funds is approximately \$291,825.

The Flagstaff Housing Authority provides Plan B to employees and will also experience a 2% decrease in the premium. The Housing Authority pays 100% of employee coverage and employees pay 100% of dependent coverage. The total cost for dental insurance is \$12,027.

The City provides a basic vision benefit for the employee and dependents. The employee does have a buy up option for employee and dependent coverage. The vision insurance premiums resulted in a rate decrease of approximately 4%. The cost to all funds is approximately \$12,500.

The Flagstaff Housing Authority provides all employees and dependents with the buy up vision plan. Employees are also eligible for vision expense reimbursement of up to \$150 per employee and \$90 per insured dependent. The total cost of vision insurance has decreased by 4% and is budgeted for \$2,272.

The City provides a basic life and accidental death & dismemberment benefit in the amount of one times the employee's annual salary to a maximum of \$150,000. The cost of this benefit is \$76,640. The Airport Service Workers receive an additional occupational accidental death & dismemberment (AD&D) benefit in the amount of two times the employee's annual salary to a maximum of \$150,000; since this group of employees is not

eligible for the Public Safety Personnel Retirement System. The cost of the additional occupational AD&D is \$541.

The Flagstaff Housing Authority provides basic life and accidental death & dismemberment coverage in the amount of one times the employee's annual salary to a maximum of \$150,000. The total budgeted cost for this coverage is \$2,085.

Employees of the City and the Housing Authority may choose to purchase additional group term life coverage for themselves or their dependents and the employee pays 100% of those premiums.

The Public Safety Personnel Retirement System (PSPRS) employer contribution will increase by 0.17% for Police and decrease by 1.52% for Fire. The PSPRS employee contribution will remain 7.65% for the employee. The Arizona State Retirement System (ASRS) contribution will be 9.85%, which is an increase of 0.45% for both the employer and employee. The ASRS pension and health insurance benefit will be 9.6%, which is a 0.6% increase in contribution rates. The ASRS long-term disability will be 0.25%, which is a 0.15% decrease in contribution rates. The cost to all funds is approximately \$2.6 million for PSPRS and \$2.6 million for ASRS.

The Flagstaff Housing Authority participates in the Arizona State Retirement System (ASRS) and the overall contribution increased by 0.45%. The total cost for ASRS is \$108,226.

SUPPLEMENTAL BENEFITS

The City provides supplemental benefits to employees including the Employee Assistance Program, Repetitive Motion Therapy and the ECOpass.

All benefit-eligible employees are eligible to participate in the Employee Assistance Program (EAP). The program provides six sessions at no cost to the employee.

There are two methods by which an employee may be referred to the City's EAP. The first is self-referral when the employee voluntarily calls or contacts the EAP. The second is a referral done by the supervisor when there is a documented performance problem. The EAP also responds to critical incidents, is the City's DOT Substance Abuse Counselor and provides training on topics such as Dealing with Difficult Customers, Preventing Violence in the Workplace and Drug & Alcohol Training for Supervisors.

The total amount budgeted for the Employee Assistance Program is \$34,000, which includes \$20,000 of one-time dollars.

The City provides a Repetitive Motion Therapy (RMT) benefit to all employees. The RMT sessions are for those employees who have previous, current, or are susceptible to a repetitive motion injury. Thus, priority for appointments is given in the following order.

- All employees with current workman's compensation claims or claims closed for less than one year have first priority when scheduling an appointment. However, employees with current workman's comp claims who do not follow their prescribed course of treatments will not have priority when scheduling an appointment.
- All other employees who are susceptible to a repetitive motion therapy are eligible for one therapy session per week.

The total amount budgeted for Repetitive Motion Therapy is \$12,000, which was reduced by approximately 67% this fiscal year.

The City provides an ECoPass to all benefit eligible employees. The ECoPass is a deeply discounted Mountain Line bus pass to the City which allows city employees to ride the bus for free. In FY2011 this supplemental benefit was scheduled to be suspended to save a total of \$20,000 in the General Fund. During budget discussions with the Council in April, this benefit was added back.

SUCCESSION PLANNING

The Human Resources division has proposed a phased retirement program in efforts to provide succession planning for key personnel. The program would provide for substantial savings to the organization in reduced salary, payroll taxes, unemployment, workers compensation and the elimination of the Arizona State Retirement System employer contribution.

All employees eligible for normal retirement with Arizona State Retirement System and demonstrating above average performance are eligible for the phased retirement program. There must be a recommendation from the supervisor and an agreement between the Supervisor, Division Director, Deputy City Manager and the employee regarding the critical projects or succession steps that will be completed during the contract period. The contract period may be set a three months to one year with the ability to extend the period for one additional year.

CLASSIFICATION

Maintenance of the job classification system is an ongoing process to ensure that job classifications accurately reflect the responsibilities and tasks being performed by City employees. If a Division Director believes that an employee(s) is functioning out of class on a regular basis or that job responsibilities have changed sufficiently, a request may be made for the Human Resources division to conduct a review. The Human Resources division then conducts an audit and evaluates the request utilizing Decision Band Method (DBM) methodology.

If the audit and analysis indicates that an adjustment needs to be made to a position classification, Human Resources procedures allow for four types of changes.

1. RECLASS - An individual(s) within a classification is evaluated in regard to moving that person(s) from others in the same classification to a higher (or lower) classification. Some instances may include a title change.
2. RERANGE - A classification in a given pay range is evaluated in regard to moving that position classification to a higher (or lower) pay range. This affects all employees in the classification, including single incumbent classifications. Some instances may include a title change.
3. RETITLE - A job title is evaluated in regard to changing the job title only. This does not affect pay.
4. REZONE - An individual within a broadband may be move to a higher-level zone within the broadband based on the employee's performance.

The audit can also show that the position is properly classified and/or titled and that no changes are needed.

All requests from divisions were submitted to the Human Resources division for review, and only those recommended for approval were forwarded to the Budget Team for inclusion in the FY2011 budget. The Human Resources division has notified all Division Directors of the status of their requests, whether approved or disapproved. All approved changes will be effective as of July 1, 2010.

The Human Resources division received a total of 11 requests for reclassifications/reranges and 10 requests for rezones. The following shows those that were approved:

7/1/10 RECLASSIFICATIONS/RERANGES				
Old Title	Old Range	New Title	New Range	No. of Employees Effected
Equipment Operator (Zone 3)	B83	Env Services Leadworker	9	2
Inspector I	8	Building Inspector	10	2
Inspector II	9	Building Inspector	10	3

7/1/10 REZONES				
Current Job Title	Old Zone	New Job Title	New Zone	No. of Employees Effected
Administrative Assistant	B11	Administrative Assistant	B12	3
Administrative Assistant	B12	Administrative Assistant	B13	1
Administrative Specialist	B21	Administrative Specialist	B22	1
Administrative Specialist	B22	Administrative Specialist	B23	1
Project Manager	B52	Project Manager	B53	1
Water Services Specialist	B32	Water Services Specialist	B33	1

Human Resources also received the following requests mid-year for new classifications, reclassifications, reranges and salary adjustments:

MID YEAR CHANGES	
NEW CLASSIFICATIONS	
Title	Range
Zoning Code Manager	12
Downtown/4 th Street Manager	12

SALARY ADJUSTMENTS	
Fire Captain (3)	Promotional rates for those promoted directly from Firefighter to Fire Captain were adjusted (to a minimum of 11%) to provide more equitability in the Fire Captain rank.

REORGANIZATIONS

The following reorganizations have been completed:

- Information Technology – The GIS function will begin reporting to the IT Director. A help desk technician has been added to the Information Technology Assistance Center in order to better meet the organization’s needs. The reorganization successfully created progression from the entry level technician to Specialist, Analyst and Administrator. The two IT Specialists in Applications and Systems have

been reclassified to IT Analysts, the Applications and Systems Manager has been reclassified to an IT Operations Manager, the Senior Network Administrator has been reclassified to a IT Manager – Network and the Network Administrator has been reclassified to an IT Specialist – Network. The IT division has also added resources to project management as part of this reorganization.

- Library – The library will establish a Library Information Technology Services group utilizing existing library IT staff. One of the IT

Coordinators will be reclassified as an IT Manager and assumed supervisory responsibility for all other library IT staff. The other IT Coordinator will be reclassified to an IT Analyst. Human Resources will conduct an additional organization study during FY 2010-2011 to analyze the remaining IT positions in the Library section.

- Management Services – Many of the sections within Management Services have reorganized to build internal capacity to meet current and future City needs. The Tax and Revenue and Customer Service sections have merged. A Revenue Director position has been created to oversee the new section and the Customer Service Manager and Tax and License Administrator positions have been eliminated. One Auditor II full-time equivalent will be reclassified to an Auditor I. Two mid-level supervisory positions (Sales Tax Manager and Administrative Specialist Supervisor) have been created which allows for leadership development within the Division. The copy center and switchboard also moved from Purchasing and Finance to the new Revenue section. There was a slight reduction to the switchboard position.
- Public Works – The Public Works division has consolidated seven sections into three and has eliminated the Assistant Public Works Director position. The new sections will be the combination of Environmental Services and Fleet Services; Parks, Streets and Cemetery; and Sustainability and Environmental Manager and Facilities Maintenance. The three section heads have been classified, the Supervisors and Managers have been reclassified and there has been the creation of additional lead workers in the Parks program. There were reductions of personnel in Fleet and Parks.

- Fire – The Wildland Fire program eliminated two positions due to budget reductions. The Wildland Fire Manager will have three grant funded full-time equivalents, the Wildland Fire Leadworker, the Wildland Fire Specialist and a group of temporary employees (Wildland Fire Crew Members). The Fire Department has also eliminated the training Battalion Chief position.
- Community Development – Community Development has eliminated the Building Inspection Manager, two Building Inspectors, , Materials Technician II, Engineering Tech Leadworker, Administrative Specialists (1.5 FTEs) and a Development Engineering Project Manager. The Construction Manager will assume direct supervision of the Material Lab due to the elimination of the Material Technician II. The Housing section realigned duties for the Land Trust Manager with the elimination of the Housing Project Manager.

ORGANIZATIONAL STUDIES

The Human Resources division conducted two organization studies this year. The Information Technology study included all positions within the Information Technology division. The Airport Service Worker study is regarding issues related specific to the level I and II positions.

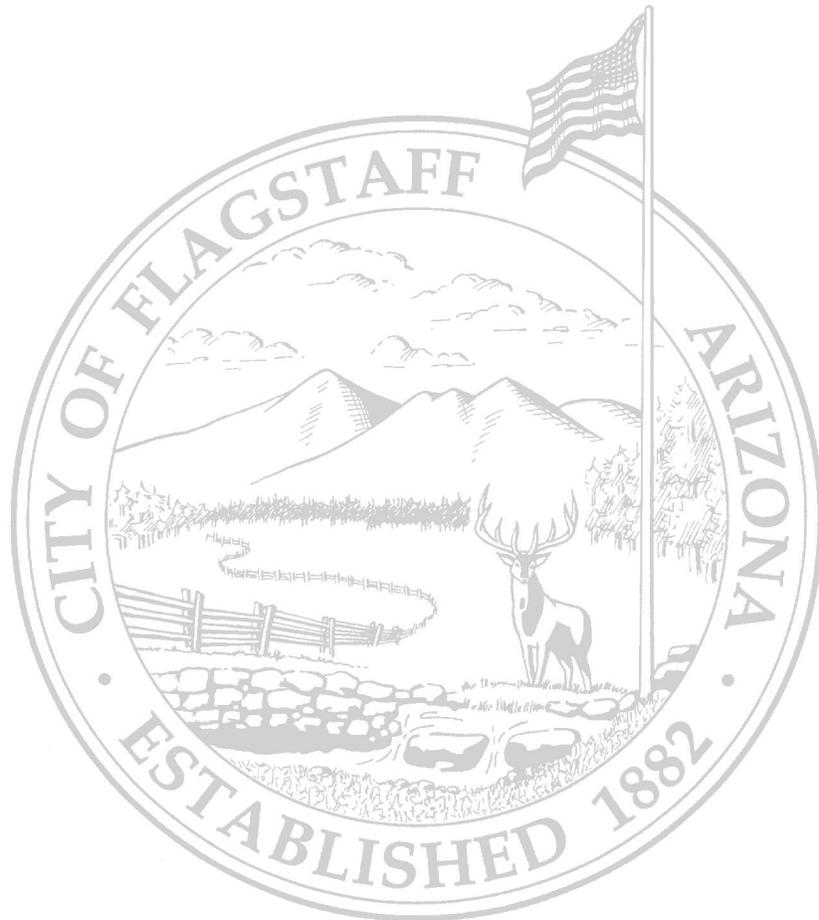
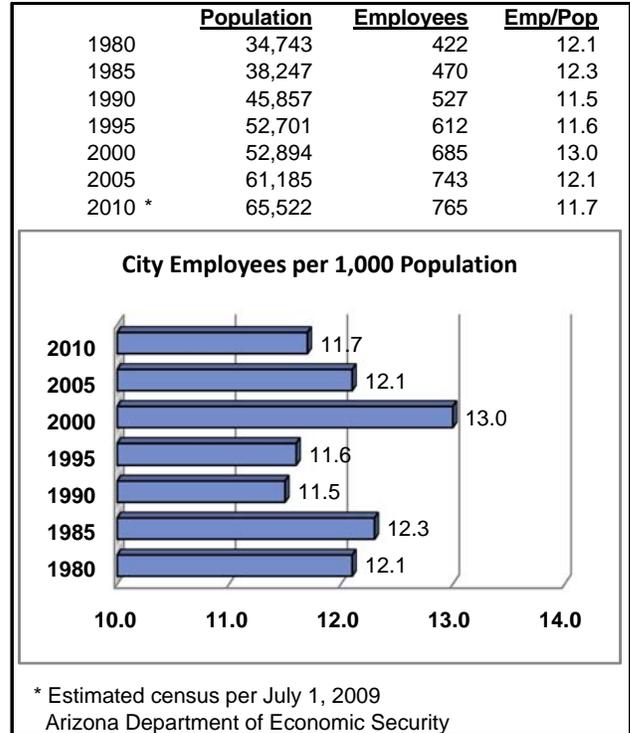
POSITION ADDITIONS/DELETIONS

A review of the Personnel Table of Organization (see Appendix Section), provides complete detail, including staffing request changes that are reclassification requests and transfers of personnel between divisions to accommodate changing program needs.

A total of 25.65 FTE's were cut across all funds for FY2010. The following detail highlights the five year historical staffing trend as well as the City's calculation of City staff in comparison to population.

PERSONNEL IN EACH FUNCTION CATEGORY 5 YEAR HISTORICAL TREND					
	Fiscal Year				
	2007	2008	2009	2010	2011
Public Safety	264.75	275.75	282.75	267.00	260.00
Public Works	205.67	241.89	250.35	159.09	153.59
Comm Enrich	0.00	0.00	0.00	110.43	110.43
General Admin	76.00	80.13	83.88	73.88	72.68
Utilities	79.00	80.25	81.75	70.50	68.50
Community Dev	94.00	99.38	102.38	69.58	61.88
Housing Authority	0.00	0.00	0.00	0.00	23.50
Mgmt Services	92.27	98.78	105.41	38.75	39.00
Econ Vitality	0.00	0.00	0.00	38.25	35.75
	811.69	876.18	906.52	827.48	825.33

Employees per 1000 Population



The table below lists each section with staff level reductions for FY2011:

Section	FY2010 Authorized Personnel	FY2011 Authorized Personnel	FY2011 Personnel Reductions
City Manager/City Clerk	11.5	11.5	0
Human Resources	6.75	6.25	0.5
Risk Management	2	2	0
Law	14.75	14.75	0
Information Technology	13	13	0
Management Services – Purchasing	8.5	7	1.5
Management Services – Revenue	18.75	20	+1.25
Management Services – Finance	11.5	12	+0.5
FMPO	2.88	2.88	0
Community Development – Administration	2.5	2	0.5
Community Development – Capital Improvement	11	11	0
Community Development – Planning & Development Services	27.2	24	3.2
Community Development – Engineering	20	17	3
Community Development – Housing	6	5	1
Flagstaff Housing Authority	24.25	23.5	0.75
Fire	99	92	7
Police	168	168	0
Community Enrichment – Library	50.77	50.77	0
Community Enrichment – Recreation	59.66	59.66	0
Public Works – Administration	4	2.5	1.5
Public Works – Parks	28.2	27.2	1
Public Works – Fleet	14	13	1
Public Works – Facilities Maintenance	11	11	0
Public Works – Streets Maintenance	36.31	36.31	0
Public Works – Environmental Services	53.5	52.5	1
Public Works – SEMS	12.08	11.08	1
Utilities – Administration	10	9	1
Utilities – Water Production	11	11	0
Utilities – Water Distribution	15	14	1
Utilities – Wildcat Wastewater Treatment Plant	12.5	12.5	0
Utilities – Wastewater Collection	9	9	0
Utilities – Industrial Waste	3	3	0
Utilities – Rio Wastewater Treatment Plant	4	4	0
Utilities – Stormwater	6	6	0
City Court	25.88	25.18	0.7
Economic Vitality – Economic Development	2	2	0
Economic Vitality – Airport	9.5	9.5	0
Economic Vitality – Community Investment	6	5	1
Economic Vitality – CVB	10	9	1
Economic Vitality – Visitors Center	5.75	5.25	0.5
Total	846.73	820.33	26.40*

*The total reductions for the City of Flagstaff is 25.65. The 26.40 includes the Flagstaff Housing Authority reductions of 0.75 FTEs.

CITY OF FLAGSTAFF
 Cost Allocation
 For Fiscal Year 2011

PROVIDING SECTIONS	GENERAL 001	LIBRARY 030	HURF 40	TRANSPOR- TATION 041-044	UTILITY 201	STORMWATER 210	AIRPORT 270	ENVIRON. SERVICES 280	TOTAL	TOTAL CHARGED OUT GF
General Fund Services										
City Manager	\$ 580,392	45,396	41,246	13	91,063	5,797	12,481	72,586	848,974	268,582
City Clerk	144,449	11,090	9,964	7,672	25,868	1,511	2,856	20,191	223,601	79,152
Human Resources	343,844	35,241	24,019	-	49,843	4,496	7,417	48,935	513,795	169,951
Risk Management	125,243	12,669	10,992	7,440	27,544	1,697	3,143	21,404	210,132	84,889
Law	469,911	43,314	41,813	43,659	120,650	6,207	12,386	86,297	824,237	354,326
Information Systems	532,925	-	34,873	-	314,524	-	26,155	78,464	986,941	454,016
Management Services	501,636	47,382	57,571	51,336	227,663	21,816	36,555	56,673	1,000,632	498,996
Customer Services	26,921	1,291	1,043	1,045	717,877	20,937	18	194,015	963,147	936,226
Sales Tax	399,871	41,621	884	241,756	35,976	-	28,766	58,349	807,223	407,352
Finance	649,748	65,731	64,260	29,028	119,530	6,224	29,441	87,151	1,051,113	401,365
Community Dev Admin	180,737	-	-	-	-	-	-	-	180,737	-
Engineering	1,647,382	-	689,931	-	-	28,042	-	-	2,365,355	717,973
Community Investments	738,044	37,938	36,623	38,240	105,675	5,436	10,849	75,585	1,048,390	310,346
Public Works Administration	77,796	-	179,085	-	-	-	12,830	69,890	339,601	261,805
Mechanical Shop	74,948	510	65,983	-	17,412	427	4,776	106,890	270,946	195,998
Facilities Maintenance	909,274	97,642	17,596	-	32,595	12,007	99,712	162,078	1,330,904	421,630
Council & Commissions	264,310	25,031	24,163	25,230	69,723	3,587	7,158	49,870	469,072	204,762
Non-Departmental	2,660,106	86,035	107,242	59,463	333,794	14,186	69,981	253,754	3,584,561	924,455
Total General Fund	\$ 10,327,537	550,891	1,407,288	504,882	2,289,737	132,370	364,524	1,442,132	17,019,361	6,691,824
General Administration	\$ 2,196,764	147,710	162,907	58,784	629,492	19,708	64,438	327,877	3,607,680	1,410,916
Community Development	1,828,119	-	689,931	-	-	28,042	-	-	2,546,092	717,973
Management Services	1,578,176	156,025	123,758	323,165	1,101,046	48,977	94,780	396,188	3,822,115	2,243,939
Public Works	1,062,018	98,152	262,664	-	50,007	12,434	117,318	338,858	1,941,451	879,433
Economic Vitality	738,044	37,938	36,623	38,240	105,675	5,436	10,849	75,585	1,048,390	310,346
Non-Departmental	2,924,416	111,066	131,405	84,693	403,517	17,773	77,139	303,624	4,053,633	1,129,217
	\$ 10,327,537	550,891	1,407,288	504,882	2,289,737	132,370	364,524	1,442,132	17,019,361	6,691,824

COST ALLOCATION

The cost allocation plan has been developed utilizing a methodology that is in accordance with generally accepted accounting principles (GAAP). Incorporated within GAAP are three basic principles related to the allocation of central service support costs to operating departments that have been adhered to in the preparation of the cost allocation plan. First, costs should be necessary and reasonable for proper performance of a program. Second, costs should be charged or allocated to programs in accordance with relative benefits received. A program should only be charged for services it utilizes or benefits from, and should only be charged in relation to benefits derived from the service. Third, costs should be accorded consistent treatment as either direct or indirect. A cost should not be charged to a program as a direct cost if any other cost incurred for the same purpose in like circumstances have been allocated to the program as indirect costs. The methodology accommodates detailed analysis of all service areas through the provisions of a structure that identifies total costs (both direct and indirect) by activity and allocates/assigns costs to benefiting services utilizing a base that appropriately represents the level of benefit provided or derived from each activity by each service. The cost allocation is based on actual expenditures for the fiscal year ending June 30, 2009. The City utilized the services of a consultant to prepare this year's plan. The City also utilizes the cost allocation plan to calculate an indirect cost rate that is allowable in accordance with OMB A-87. The City will annually update the indirect cost rate based on actual expenditures, as required by OMB A-87.

METHODOLOGY

A multiple allocation base methodology has been utilized to prepare the Plan. This methodology acknowledges that the utilization of central administration and support (indirect) services by users varies by type of service. The cost of each indirect service or activity of a service is allocated to users based on an appropriate allocation base related to the service performed. For example, general accounting has been allocated to users based on total budgeted expenditures; accounts payable activities have been allocated on the number of accounts payable transactions processed during FY 2009; and human resources activities have been allocated on the number of budgeted full-time equivalent positions served.

In selecting an allocation base to be used, the objective has been to utilize a base for each service that is available and reasonably results in the

allocation of a service to users based on the relative benefit they receive or derive. A list of the allocation basis is provided in the Appendix.

FLEET MANAGEMENT

Fleet Management is dedicated to sustaining and preserving resources by providing vehicles and equipment that maximizes fuel efficiencies, reduces greenhouse gas and preserves the environment for the Citizens of Flagstaff.

Fleet Management has set the goals of:

- Preserving the environment
- Purchasing environmentally compatible vehicles
- Improving fuel efficiency
- Conserving resources
- Downsizing vehicles
- Reducing green house emissions by using alternative energy
- Rotating under-utilized vehicles

Each piece of equipment submitted for review is evaluated by the Fleet Superintendent and fleet staff. Units are forwarded to the Fleet Review Committee that is comprised of a few supervisors and line workers familiar with equipment use and application. Based on the evaluated vehicle physical condition, fiscal year-to-date costs, and probability of major component failure, units are recommended for retention or replacement. Recommendations are determined by Fleet Review Committee using strict budget funds and guidelines.

This past fiscal year the Fleet committee saw a large number of units being deferred for budget cuts. None the less, Fleet committee was very busy as follows:

- Fleet Review committee reviewed 31 replacement requests. 90% were purchased as hybrids, diesels, E-85 Ethanol Flex-fueled.
- Continued policy of purchasing diesel engines for 3/4 ton and larger trucks so as to operate on Biodiesel.
- Purchased 6 E-85 (Ethanol) Flex-fueled vehicles for the Police department.
- Provided Fleet Review committee members with training on the Fleet computer system.
- Updated the five and ten year fleet equipment/vehicle plan using the H.T.E. fleet system.
- Continued to monitor practical vehicle utilization and rotation.

FLEET FISCAL YEAR 2011 REPLACEMENTS			
DIVISION	AMOUNT	DIVISION	AMOUNT
17 ENGINEERING		41 ENVIRONMENTAL SERVICES	
PICKUP TRUCK	\$ 21,850	REFURBISH G8018 COMPACTOR	300,000
22 POLICE		REFURBISH G8024 DOZER	350,000
PATROL SEDANS (2)	48,000	PAC RAT REFUSE TRUCK	150,000
FULL SIZE SUV (1)	33,500	FUEL TANKER	150,000
26 PARKS		TOTAL ENVIRONMENTAL SERVICES FLEET	950,000
PICKUP, 3/4 TON 4X4 DIESEL W/UTIL	49,500	32 STREET MAINTENANCE AND REPAIRS	
TOTAL GENERAL FUND FLEET	152,850	1 TON DIESEL DUALY W/UTIL	65,000
		1 TON DIESEL CREW CAB W/UTIL	65,000
		TOTAL HURF FUND FLEET	130,000
		TOTAL FLEET REPLACEMENTS	\$ 1,232,850

Proposed objectives for FY 2011 include:

- Coordinate with the sustainability division to review each replacement or new addition that could be hybrids, diesels, Ethanol (FFV'S).
- Coordinate with Purchasing to include estimated MPG estimates in all bids for vehicles and equipment and awarding bids to the most fuel efficient when possible.
- Continue to identify and to reduce units from the fleet that are under-utilized.
- To purchase 90% of all replacement and new additions that will be hybrids, FFV'S, diesels, and more fuel efficient vehicles that are lower emissions and reduces greenhouse gasses.
- Provide quarterly fleet system training to all City employees, if interested.
- Continue to participate in the Valley of the Sun Clean Cities Coalition of other agencies dedicated to conserving and promoting the use of alternative fuels and vehicles.

Five-Year Information Technology Plan

The City of Flagstaff's IT Division will continue to refresh end-user equipment as well as servers and other equipment on an as needed basis. The goal is to continually improve the quality of service which IT provides to the City's employees as well as to the citizens of the Greater Flagstaff area.

Items to consider

- Replacement of old telephone system with voice over IP in a 3-4 year phased approach

- Implementation of Sales Tax Software
- Continuation of disaster recovery planning including real time off-site data replication
- Development of 5 year strategic plan
- Data sharing and collaboration with public and private agencies

FY2011 Acquisitions - \$696,556

IT expenditures have decreased in FY2011 in line with the city-wide 11% decrease. Large purchases include the Microsoft Enterprise agreement and the next phase of VOIP implementation.

PC and Network Replacements & Upgrades - \$91,500

The budgeted amount will allow replacement of those pieces of end-user equipment on an as needed basis.

E-Government - \$10,000

Implement the expansion of video streaming of council meetings to include television broadcast.

Public Safety - \$189,700

The police departments Information Technology will be replaced on an as needed basis.

IT Five Year Projection FY2011-2016

IT Five Year Projections	Actual FY2009	Budget FY2010	Actual FY2010	Budget FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Replacement Programs									
Replacement PC's and Printers	425,674	173,000	173,000	45,750	70,000	70,000	70,000	70,000	70,000
Network equip	-	143,448	143,448	45,750	240,000	240,000	240,000	240,000	240,000
Total - Replacement Programs	425,674	316,448	316,448	91,500	310,000	310,000	310,000	310,000	310,000
GIS									
Hardware upgrades/replacement	-	10,000	10,000	-	10,000	10,000	10,000	10,000	10,000
Software upgrades	-	10,000	10,000	-	10,000	10,000	10,000	10,000	10,000
Total GIS	-	20,000	20,000	-	20,000	20,000	20,000	20,000	20,000
E-Gov	-	90,000	90,000	10,000	30,000	30,000	30,000	30,000	30,000
New Hardware & Software and Upgrades									
Sales Tax Software	-	-	-	20,000	20,000	20,000	20,000	20,000	20,600
Scheduling Software	-	-	-	90,000	-	-	-	-	-
Automated Time Entry	-	-	-	50,000	-	-	-	-	-
Parking Solution	-	-	-	90,000	-	-	-	-	-
Microsoft Enterprise Agreement	-	185,000	185,000	185,000	138,750	138,750	138,750	-	-
VOIP Migration - next phase	-	100,000	100,000	95,750	-	-	-	-	-
Hardware & Software Purchases	152,371	587,500	587,500	113,456	116,860	120,365	123,976	127,696	131,527
Equipment	-	-	-	52,350	-	-	-	-	-
Total New Hardware & Software	152,371	872,500	872,500	696,556	275,610	279,115	282,726	147,696	152,127
Public Safety									
Police Upgrades	-	199,700	199,700	117,700	121,231	124,868	128,614	132,472	136,447
Add PD to City Email	-	45,000	45,000	45,000	-	-	-	-	-
PD MS Office	-	-	-	10,000	-	-	-	-	-
PD Booking Photo Import	-	-	-	10,000	-	-	-	-	-
PD POS	-	-	-	7,000	-	-	-	-	-
Total Public Safety	-	244,700	244,700	189,700	121,231	124,868	128,614	132,472	136,447
Total Expenditures	578,045	1,543,648	1,543,648	987,756	756,841	763,983	771,340	640,168	648,573
Funding									
General Fund MIS allocation	-	-	-	-	-	-	-	-	-
One time monies	-	-	-	-	-	-	-	-	-
Carryover	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-
Total Funding	-	-	-	-	-	-	-	-	-
Expenditure Summary									
Replacement Program	425,674	316,448	316,448	91,500	310,000	310,000	310,000	310,000	310,000
Local & Wide Area Network	-	-	-	-	-	-	-	-	-
GIS	-	20,000	20,000	-	20,000	20,000	20,000	20,000	20,000
E-Gov	-	90,000	90,000	10,000	30,000	30,000	30,000	30,000	30,000
New Hardware & Software Purchases	152,371	872,500	872,500	696,556	275,610	279,115	282,726	147,696	152,127
Public Safety	-	244,700	244,700	189,700	121,231	124,868	128,614	132,472	136,447
Total Expenditures	578,045	1,543,648	1,543,648	987,756	756,841	763,983	771,340	640,168	648,573

FY 2011 ISSUES

NEW ECONOMIC DEVELOPMENT MODEL

The City of Flagstaff staff conducted a Listening Tour associated with Economic Development (E.D.) activities. It was started this in February of 2009. This tour evolved into a series of “Summits” associated with trying to find a new model that was more inclusive, financially diverse, and kept the City in the business. The last point was important because the City is responsible for the BBB revenue earmarked for Economic Development; the City is the only one who can provide tax incentives as a E.D. tool (beside the State); and the City is one of the largest land owners in town and often business attraction and retention deals involve land.

The Summits spent a great deal of time struggling with the governance issue. We would find a framework and then find a problem with that framework. Finally a small subcommittee took the key elements of the discussion and put together a concept. The Summit participants preferred the name Economic Collaborative of Northern Arizona (ECoNA) and we are now working under that title. All of the participants in these Summits have signed-off on the concept meaning they agreed with the concept and would take it back to their decision makers for consideration. That process has occurred during the month of April and May.

In summary, there are four tiers to this model. In Tier 1, there is an Advisory Council. Anyone would be welcome to participate at this Advisory Council level (by organization or by individual). At the start, the Advisory Council would consist of the 32 individuals representing 16 agencies that participated in the Summits, but would grow to those interested. The second tier would consist of an Executive Committee made up of a single representative from each of eight sectors of the economy—City, County, Small Business (Chamber of Commerce), Large Business, Education, Development, Utilities, and Non-Profits. Each would need to make a financial contribution to sit at the table and pick a single representative for that slot. The Executive Committee would manage an Executive Director and make appointments to the Economic Development Teams. The Executive Director would be responsible for coordinating and providing staff support to five Economic Development Teams –Business Attraction, Business Retention & Expansion, Workforce Development, Redevelopment and Economic Gardening. These teams are made up of agencies appointed by the executive committee. For example, Economic Gardening may consist of NACET, NAU Tech

Transfer, SEDI, and SBDC working collaboratively to facilitate entrepreneurs into the market.

Four of the Summit participants have verbally committed to funding this new model pending approval by their Board. The City is one of them. These Founders would each contribute \$40,000 per year for three years. They are, City of Flagstaff, Coconino County, Flagstaff Chamber of Commerce, and Greater Flagstaff Economic Council (GFEC). It is anticipated that GFEC would dissolve with this action and transfer their assets and organization (i.e. Articles of Incorporation, bylaws and 501(c)(3) status) to ECoNA (obviously there are more specific legal actions that need to be taken but that would be the net effect). Along with financially supporting the Founding of this new organization, they want to earmark a portion of their assets for a micro-loan program.

Again, all parties to the Summit have signed-off on the concept and agreed to seek their agency’s participation in this new collaborative. We believe that the City must be in the Economic Development business, but that we will not succeed if we go it alone. Working in a collaborative arrangement maximizes our resources, includes public and private expertise, and diversifies the funding mechanism so that the activity can survive changes in any one participant.

OUTSIDE LEGAL COUNSEL

The City Charter (Article IV Section 4) states that the City Attorney is the City’s chief legal advisor and responsible for all legal matters. Given the staffing level and specialization required for certain legal matters, for years the City has utilized the services of contracted attorneys to assist the City Attorney’s office. The City Attorney has a system in place to track and monitors the legal activities of these contracted attorneys. However because the budget(s) for these outside Attorneys are not within the City Attorney Divisional budget, there is not a clear process to monitor the expenditures.

Administrative Policy

When a Division, other than the City Attorney or City Court Divisions, require the legal services of a contracted attorney, the request will be made in writing to the appropriate Deputy City Manager, with a copy to the City Attorney. Such requests will include: reason, funding source, estimated duration of the project/services, and approximate cost and budget for the services. The Deputy City Manager will consult with the City Attorney and approve, disapprove or amend the request and inform the

requesting division. It will be the responsibility of the Deputy City Manager to receive from the requesting Division regular reports as to the project cost and duration. Supervision of the contracted attorneys shall be by the City Attorney's office.

PROPERTY MANAGEMENT ORDINANCE IMPACT

For several years the City has considered adopting a Property Maintenance Ordinance (PMO) that would apply Citywide to provide for clear enforceable regulations for the maintenance and upkeep of all properties. Following a number of work sessions with the City Council on the PMO, and discussion with key stakeholders such as the League of Neighborhoods, staff has received very clear direction on the structure and content of the PMO, and how it should be applied and enforced in the community. There is also consensus that the PMO is important to the City Council and numerous members of the community, and hence as soon as staff has completed work on the adoption and implementation of the new zoning code, work will commence on the PMO.

Possible Future Budget Impacts

It is anticipated that the City Council will adopt the new zoning code in January 2011. At least three months will be needed thereafter to ensure that the new zoning code is implemented smoothly with training on the new code with staff, developers, designers, contractors and interested citizens, completion of desired user's guides, completion of the new documentation for revised processes, etc. Thus, in April 2011 work on a PMO can commence in earnest with adoption anticipated in the late fall/winter of 2011.

After adoption of the PMO, consistent with community desires and the City Council's direction thus far, it is anticipated that the PMO will be phased in with City staff initially seeking compliance via education and employing a more lenient enforcement approach rather than achieving compliance through the courts. Also, staff will only respond to complaints rather than actively seek out possible violations. Minimal enforcement will result in minimal impact; significant enforcement will see significant impact.

Thus, at least for the first year of the PMO's implementation, it is reasonable to assume the following:

- There will be a need for one additional Code Compliance Officer in the Planning and

Development Services Section to enforce the PMO. This will increase the size of the Code Compliance Program to a total of two individuals who between them should be able to handle the tasks associated with general code compliance and the implementation of the PMO through outreach and education, and employing a more lenient enforcement approach.

- There will an impact on the City Attorney's office as there is a strong likelihood of many questions during the educational phase, and there will be a need to be getting geared up for the active enforcement phase. Thus there will be the need for hiring at a minimum one new attorney.
- It is not expected that there would be a significant impact on the Municipal Court at the inception of the PMO.

However, in the medium to long term, there may be a community desire for more active enforcement and possibly for an expanded PMO. Under this scenario, even with a new civil hearing process in place, it is reasonable to assume that:

- There will be a need for at least one additional Code Compliance Officer in the Planning and Development Services Section and possibly an additional Code Compliance Officer in the Sustainability and Environmental Management Division to enforce the PMO.
- There will be an increase in the number of civil cases for review and prosecution by the City Prosecutor's office and the Municipal Court that may warrant an increase in staff, implementation of a night court, etc.

Conclusion

In the short term assuming that the PMO is not aggressively enforced and City staff employs a more educational approach rather than achieving compliance through the courts, an additional Code Compliance Officer and an additional attorney will be needed to handle the increased work load resulting from the adoption of a PMO. However, in the medium to long term assuming a community desire for more active enforcement there is likely to be a need for additional Code Compliance Officers and there will be a potential impact on the City Prosecutor's office and the Municipal Court.

CONSTRUCTION STIMULUS

In January 2009, the idea of a local stimulus package was introduced by the City Manager. One of the tools in that package was a sales tax rebate program for new and used autos. That program was funded at \$100,000 and rebates the 1% sales tax to

those who purchase an automobile in Flagstaff. Also introduced and presented was a construction stimulus proposal. This proposal would essentially waive building permit fees for new construction. The price tag and conditions associated with this program was \$250,000 and was contingent upon the State adopting its balanced budget. This latter condition was because we had set aside contingency funds in the FY2010 budget to deal with and decrease in state shared revenue that might arise and that was how we would fund a construction stimulus program.

At this time, the State just passed a balanced budget for FY2010 and we knew that decreases associated with State shared revenue will consume the entire contingency. Therefore the original funding source identified for the construction stimulus is not available.

As FY2010 progressed, there has been very low participation in the Auto Sales Tax Rebate program. As of March 31, 2010 there have been a total of 46 rebates and \$7,821 spent.

The City will now discontinue the Auto Rebate Program on May 1 and transfer the money to the Construction Stimulus program. Community Development staff developed the guidelines for the program. We will provide \$80,000 in fee waivers for construction while allowing funding for any outstanding auto rebates to be processed. If there are surplus funds when that program is closed out, we could move it to the construction stimulus program. The \$80,000 is only a third of the original program, but we believe it may be enough to influence this building season.

BBB-RECREATION REVENUE TRANSFERS

The BBB-Recreation portion of the City BBB tax is 33% or approximately \$1.6 million dollars per year. The specific issue is the possible reallocation of the BBB funds earmarked for Parks and Recreation capital projects to be used to supplement other Recreation operating costs (programming) on an ongoing basis.

Overview

Within the BBB funding allocation there are three programs that are funded within Parks: Streetscapes/Medians, BBB Recreation Fields, and FUTS. The BBB Recreation Fields funding allocation amount is approximately \$1.1 million annually, of which roughly \$200,000 goes towards the maintenance of FUTS and the remainder is for

maintenance of other projects associated with sports fields constructed by the 1996 Bond Election.

The primary function of the BBB funding has long been considered a mechanism to construct parks and recreation capital projects. However, as construction occurs a greater portion of the tax dollars has been allocated towards the maintenance of these projects. Some of these capital projects have included Thorpe Park improvements (\$6.3M), Foxglenn Park improvements (\$2.7M), Continental Park improvements (\$1.6M), school field improvements (\$1.9M), and FUTS trail construction (\$1.6M).

After transfers are completed for maintenance and construction, the ending fund balance is carried over and used for future unfunded projects, as determined by the Parks and Recreation Commission. For several years, the fund balance was in the negative, due to planned overdraws to fund projects such as the Thorpe improvements.

In 2008, the Parks and Recreation Commission prioritized their top unfunded capital projects with hopes to be able to acquire BBB revenues over the years to fund these projects. One of the primary responsibilities of the Commission is planning for future parkland acquisitions, improvements, and construction. At the March 24, 2010 meeting, the Commission was presented the proposal to transfer BBB capital money into recreation operational funding. In a unanimous vote, the Parks and Recreation Commission endorsed the transfer for the FY2011 only. They expressed a desire to have future transfers come before them annually for their review before making any recommendations to City Council.

An ongoing/annual transfer of \$200,000 from the BBB-Recreation fund towards Recreation operations and programming would significantly reduce the accumulation of funding towards future Parks and Recreation capital projects.

Recommendation

While additional funding in recreation operations would be highly beneficial, particularly for those program areas and centers that have limited resources, there remains a significant impact towards planning for future capital projects in a community already deficient in its inventory of sports fields, new parkland acquisition, and community facilities. With millions of dollars worth of unfunded Parks and Recreation capital projects in the CIP database, transferring BBB funding into recreation

operations would hinder our ability to strategically plan for the future by eliminating a key funding mechanism. Recreation programs would indeed benefit from the transfer, but at the cost of significantly reducing the accumulation of funding towards future Parks and Recreation capital projects. The City will transfer \$200,000 to the General Fund to pay for Recreation programs in FY 2011. We will revisit the transfer during next budget cycle and provide a recommendation to the Parks and Recreation Commission in the Spring of 2011.

DOWNTOWN MANAGEMENT PLAN UPDATE

The Downtown Management Plan seeks to address community stakeholders concerns regarding parking, enhanced downtown maintenance, and business support services in the Central Business District. The concerns with parking include managing the current parking supply efficiently so as to minimize the need of new parking, managing the spill-over affects of changes in downtown parking, and increasing the supply of public parking. Desires for enhanced maintenance needs include comprehensive management, capital maintenance, additional cleaning, and additional snow removal. Downtown businesses seek additional support including a Downtown Manager, ambassadors, common marketing, event and seasonal decoration planning, common trash service, and traditional business attraction and retention specialized and dedicated to downtown.

Proposal Goals

The community stakeholders are proposing to phase the development and implementation of the Downtown Management Plan. The first phase would include the installation of approximately 60 new on-street parking spaces, instituting business and residential permit parking programs, the installation of parking meters, and increasing enforcement to cover all areas served and for more frequency. All of this phase occurs in north downtown. It is proposed that the revenues from parking (permits and meters) would cover program costs and that the surplus would be saved for future garage construction, lessening the amount financed.

Future phases include the formation of a business district, garage construction, an expanded parking management area, downtown maintenance, and business support services would all be developed and implemented at an unspecified later date as future phases.

Overview

The Downtown Management Plan Concept 2009 previously presented to the City Council, comprehensively addressed community stakeholders concerns with several effective but ambitious strategies. Notable features included:

- The formation of a district (PBID for convenience) that could provide overall comprehensive management and that through assessment and parking revenues could provide district operational income and capital for garage construction.
- A public/private partnership that would use municipal bonds to finance the garage construction and that split the construction cost between the PBID and the City as a whole with both portions reduced by potential grants.
- A contract whereby the PBID would receive City funds currently dedicated to downtown maintenance, would be responsible for performing the work, and could supplement those funds with their own funds to enhance the maintenance.
- Boundaries that formally united north downtown and south downtown as well as peripheral areas toward Columbus Avenue and Franklin Avenue.

Update

Since the concept was presented to the City Council (August 25, 2009), additional community stakeholders were sought out and focus groups were convened to develop the various aspects of the plan in detail. The process involved approximately 75 people from all over the district, and City staff, and over 30 planning meetings were held between August 2009 and present. Some groups continue to meet though the work has been cut down to match current phased proposal. Over the same period of time, a series of public meetings were convened, with outreach designed to reach all parts of the district and with meetings conducted in various venues around the district.

Some highlights of the work completed includes inventorying all services provided by the City and assigning costs to those services, developing and calculating budgets and potential assessments for services that were sought by the stakeholders, researching and discussing the merits of various district types that could be used, developing new on-street parking plans, and developing three types of parking permit programs.

In arriving at the current proposal, to proceed with one limited phase, the Steering Committee had several things in mind:

- Being a comprehensive plan, and the process being fully transparent, adds another notable

feature – the concept is multi-faceted and detailed, and thus complicated. The Steering Committee expressed that they were having difficulty understanding it themselves much less communicating the plan to others in any simple terms. Staff has similarly struggled with balancing “transparency” and “simplicity” in light of the multi-faceted goals.

- The EDA grant, that would have covered about a third of the garage construction cost, was not accepted. However, two other grants (FTA) are currently being pursued that would cover 80% of the cost, with City owned land making up the remaining 20%. Responses to these applications could come at any time, but also could come as late as six months from now.
- The political realities of forming a PBID do not seem favorable right now. The limitations of Arizona law, in terms of possible district types and governance requirements, have been a particularly challenging discussion for the group. As well, businesses and property owners not involved in the development of the concept, and those in the peripheral areas, have not yet seen the advantages of such an organization or recognized the plan as more than a parking plan serving the core area. Both of these elements need more time for resolution.
- Continuing from there, the political realities of enacting an assessment, notably in light of the current economic circumstances, also did not seem favorable. The economic challenges currently facing businesses have been the subject of much discussion. Even businesses and property owners that have been engaged and involved have been struggling with the concept of volunteering to pay more taxes for any purpose.
- Steering Committee members had great concerns that the garage(s) would not be included in the upcoming bond election and that even if included, the bonds would not pass. Their discussion on this centered on the idea that a bond at a later date would separate this project from the tax renewals and the current bond effort, and that the savings of parking revenues in the intervening years would allow a future bond request for a lesser amount.
- Across all City Departments, staff support has been overwhelmingly positive in facilitation, participation, and the development of plan content. However, regardless of what staff, or how many, this leadership is (and will be) insufficient without numerous stakeholders, of varied interests, who can spread the vision and gain support in the community at large.

The fiscal impact of proceeding with only phase one at this time is entirely positive. The business plan shows that the costs of the services sought are significantly outweighed by the revenues generated from parking permits and meters and that saving up for a garage (or down payment) is quite feasible.

RIORDAN MANSION STATE HISTORIC PARK

Overview

Due to the State’s dire budget situation and State Parks funds being ‘swept’, Riordan Mansion is slated for closure. Originally the Park was to be closed indefinitely beginning February 22; however, a number of community partners came forward with a proposal to keep the Park open and subsequently delayed the closure. Recently, the Arizona State Parks (ASP) board considered a proposal recommending that the Park be leased by the Arizona Historical Society, and operated by Northern Arizona Pioneer Historical Society (NAPHS) for three years. This recommendation is currently pending approval by the Arizona Historical Society. Additionally, Riordan Action Network (RAN) is providing a reliable funding source through donations and fundraising to support ongoing operations of the Park. Staff presented a recommendation on February 16 for Council reconsideration that included funding landscape maintenance and/or snow removal both in the current fiscal year (\$10,000) and next fiscal year (\$20,000).

Our goal is to provide funding for Riordan Mansion State Historic Park (RMSHP) in FY11 for landscape maintenance and/or snow removal services as part of a greater community partnership which will allow the Park to remain open and continue providing valuable educational and visitor programs. We can achieve this by:

- Working with other community partners to provide services to help offset the Park’s operating costs.
- Providing funding for landscape maintenance and/or snow removal services.
- Keeping Riordan Mansion open in order to provide valuable historic, arts, and cultural programming for residents and visitors alike.

Fiscal Impact

At the February 16 meeting, Council supported funding \$10,000 this fiscal year towards landscape maintenance. These dollars will come from the BBB Beautification Fund, specifically the Redevelopment Opportunities budget. The Redevelopment

Opportunities budget has an allocation of \$50,000 that in years past has been used primarily for concept drawings for economic development purposes; however, no funds have been spent in this line item year-to-date. This budget has been cut for next fiscal year and therefore not available to provided future funding.

Four funding options were provided to council for the \$20,000 needed for FY 2011. These options come from the BBB Beautification Fund

- Utilizing a portion of the fund balance normally set-aside for Capital beautification projects. The annual allocation is approximately \$450,000, and a portion of this is normally carried forward for larger projects. Notable projects currently being saved up for include streetscape improvements along Butler Avenue and streetscape improvements along the Fourth Street Corridor. The projects will be delayed or have the scope of work somewhat reduced.
- Two projects slated for construction this spring and into next fiscal year (Southside Streetscape Improvements and the Woodlands/Beulah Medians and Sidewalks) are also being funded through the above mentioned fund balance and could be reduced in scope or delayed.
- There are seven (7) Beautification and Public Art projects anticipated for next year. Although smaller in scope, these projects could be delayed or reduced in scope to allow for Riordan Mansion funding. They include: City Hall Flower Beds, Route 66 Northside Streetscape, Chamber Plaza, Wheeler Park Seasonal Lighting, City Hall Lawn – Xeriscape, Fourth Street Neighborhood Gateway, and Neighborhood Gardens.
- There are available funds in the Special Projects/Unprogrammed Work budget that could be utilized for Riordan Mansion. This approach would not impact any specific, planned, or committed projects, but would limit our ability to respond to other unforeseen needs next year. This line item has \$50,000 allocated for such uses.

Staff recommended and council approved the last option above as the funding source for landscape maintenance and/or snow removal for Riordan Mansion in FY2011.

UTILITIES BLANK SLATE

The Utilities Department was asked to write up an issue paper to explain what the department would do differently if they were able to start from scratch and rebuild the utility system. This also could be

viewed as “lessons learned” exercise or best practices from reviewing other utilities. If Utilities could start from scratch, what practices should be implemented was asked from the Section Heads in Utilities and their comments summarized in the follow paragraphs. Additional detail of the Section Head’s responses can be found in the appendix.

Finance

The public wants to pay the “true cost of water” and does not want to jeopardize the quality or quantity of the City’s water supply or drainage systems. Utilities across the nation have been hesitant to request adequate funding. The Federal grants of the early Wastewater Treatment programs have skewed the true costs to maintain a water/wastewater and storm water systems. Utilities have relied on bonding and growth to fund the O&M of existing infrastructure. Utilities need to create sinking funds for replacement of equipment and infrastructure. Growth needs to be managed for both short term and long term impacts. Utility managers engineer systems with effective solutions in order to minimize rates or increasing costs. However, this short term thinking doesn’t pay off in the long term because eventually the bills come due. Good financial information and solid business based decisions are required. Lack of funding issues for a correct fix is not available so a substandard approach may be used for short term gain..

Infrastructure/Engineering/Standards/Policies

The public likes to see “long term thinking” when discussing long range water plans. They want to have policies and standards that treat everyone fairly and equally. Utility personnel respond to answer complaints where in most cases the systems were not built correctly as pipes not joined properly, inadequate design, construction was completed before being annexed or was annexed without standards in place, or someone knew someone and was allowed to install a substandard system. In most cases it is easier to do the construction work right the first time, it much harder to respond to complaints, and rebuild the construction after the area is developed. Decisions based on sound information are important. Data collection, record keeping and analyzing the information takes time and money but the costs of not having the information are greater. In most cases, the cost of design and the preliminary work is much cheaper then the construction. In many cases our utility infrastructure is over 60 years old and needs replacement. In fact 25 miles of the City’s water mains are between 60-100 years old and needs to be replaced as soon as possible. Flagstaff’s aging

infrastructure is not just a local problem. City of Flagstaff Utility has a planned system replacement and upgrade program that provides for annual main replacements. The Utility needs to replace over 415 miles of pipe in the next 40 years to renew the system. A planned annual increase in spending to accomplish this goal by 2050 will be proposed.

Staff/Training

The lack of funding over the last three years has caused a staff reduction from 76 people to 60. The demand for services and maintenance has not been reduced so there is a large amount of work that is going undone. Combining positions make it difficult maintain all functions including responding to grants, complying with grants and permits, and community outreach. Other positions as GIS coordinator, construction project manager, utilities and storm water plan reviewer pay for themselves and provide good customer service. Positions that should be considered in the future are water rights attorney, construction crew to rehabilitate water/sewer mains projects, and a business manager to manage finances and purchasing. Travel and training has been reduced over the past three years. Training is important to bring in new ideas and staying current with new technology and regulations. Training of existing personnel is cheaper and more productive than hiring new people without the system background.

Technology

Numerous technology items were discussed by sections. They included SCADA improvements, tracking of regulatory requirements, GIS applications, wireless devices to have mobile connections, and linking of technologies with other government entities. The investment of time and expenses for software/ hardware and training are difficult to budget for but invaluable in the long term payoff in time saving, quality decision making, record keeping and storage. Investments are needed in developing a smart water system grid measured by smart meters and automated information availability.

Communication

Sharing information with the public and staff is a crucial aspect of Utilities. Having an opportunity for outreach and education improves public opinion and allows for more educated discussions. Linking up with other regional partners for regional planning and emergency preparedness is an important element of a utility. The regional database for land information and general information sharing was an excellent suggestion between regional government entities. Becoming a great utility has much to do employees' and customers' need to understand the utilities vision, a strategy for getting there, and why it is important.

Looking Ahead

As the water utility industry begins to move from the past and current economy, characterized by heavy reliance on Federal funding of wastewater and water treatment facilities, aging infrastructure and consumers who under value water, toward a new economy that includes less reliance on federal money for infrastructure, a smarter water system grid, increased use of renewable energy resources and active informed consumers. A great utility is a company that applies information to the water consumer, maximizing its reliability, affordability and sustainability from generation to end customers. Becoming a great utility requires more than just technology investments; it requires a real investment in people and processes.