

ISSUES AND UPDATES

PERSONNEL SERVICE COSTS

HOUSING TRANSITION

The City Council adopted ordinance 2010-09 on June 8, 2010 affirming Housing Authority employees are City of Flagstaff employees. A transition team was assembled and Human Resources have been working with City and Housing Authority staff towards this integration. Effective July 1, 2011 Housing Authority staff will be added to the City's pay plan. The differences in benefits have also been examined and the benefit program will transition over time as the merging of systems continues.

COMPENSATION

The fiscal year 2012 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 which saves approximately \$478,000 annually in the general fund.

There was approval to increase the pay plan by 0.6% to offset legislative changes in the retirement system. Because of the shift in burden of the retirement plan from the City the employee, the City was going to realize about \$160,000 decrease in cost. The City used that savings and added \$90,000 from our improved State revenue allocations, as a result of the census, to help minimize the impact to employees.

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 0.6% (net of the retirement plan offset).

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 0.6% (net of the retirement plan offset).

Any additional restoration of pay this year will be based on revenue triggers. The revenue trigger will be based on the adjusted local sales tax and state shared sales tax budgeted amount and the actual receipts collected between June and December of 2011. The reports will be received in January of 2012, which is the most comprehensive time to

capture local sales tax, since it includes those businesses that file annually, monthly and quarterly. If the receipts exceed the budgeted amount by 2.4%, all employees will have the 1.2% reduction in pay restored. This addition will be implemented in April of 2012 and this addition will not be retroactive.

The compensation package proposed in this year's budget attempts to address two issues:

- Maintaining compensation and benefits for employees
- Restoring compensation and benefits for employees that have been reduced due to budget reductions

City employees currently receive three additional paid time off days each fiscal year in consideration of the 1.2% reduction in compensation.

The Flagstaff Housing Authority compensation has increased by \$49,734 due to replacement of a temporary employee with a higher paid permanent employee, elimination of one maintenance temporary position and an increase in one full-time grant-funded staff position for the new ROSS Grant. The total amount budgeted for compensation is \$1,278,178. 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 fall within the appropriate range in the City's pay scale will not be adjusted.

BENEFITS

Fiscal year 2012 begins the 19th 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 third 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 overall premium increase for health insurance is 8.1%. This increase will be mitigated through the use of Trust surplus and an additional cost sharing of \$20 per employee. The plan design will also be updated to include a \$100 access fee for hospitalization, \$2 decrease to generic Rx, \$5 increase to brand Rx and 90-day Rx supplies at a

pharmacy. The Trust is also adding wellness components to the group health plan fiscal year 2012.

NAPEBT will continue allow an opt-out provision for employees 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 four years. The overall increase for health insurance is still below the national trend of approximately 10-15%.

The City will pay the full premium for employees participating in the HDHP and \$254 per month for dependent subsidy. The dependent subsidy was reduced effective July 1, 2009 and this will continue fiscal year 2012. In order to offset the 8.1% increase NAPEBT voted for employees to begin a \$20 per month contribution for the Base Plan, increase the Buy Up Plan contribution by \$20 and reduce the HDHP H.S.A. contribution by \$20. The fiscal year 2011-2012 budget proposes the City paying the \$20 for each employee in order to maintain the current benefit package. This benefit will be evaluated each fiscal year as part of the budget process. The total budget for employee only health insurance is \$4.1 million dollars. The total cost of the dependent subsidy to the City is \$852,915.

The Flagstaff Housing Authority is proposing the same contribution strategy as the City and covers \$473 of the cost of dependent coverage. As of January 1, 2012 the Housing Authority staff will begin receiving the same dependent subsidy as other City employees. The budget for employee health insurance and the dependent subsidy is \$185,934.

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 2012. The savings to all funds is approximately \$330,000.

The Flagstaff Housing Authority provides a deferred compensation benefit of \$50 per month to employees who do not elect dependent coverage. As part of the Housing Authority transition, the deferred compensation benefit will be suspended as of January 1, 2012. The total cost for deferred compensation is \$6,600.

The dental rates increased by 3% and there is now one plan for all eligible participants. The dental plan has a calendar year maximum of \$2,000 per person,

calendar year deductible of \$50 per person, preventative services are covered at 10%, basic services at 80%, crowns at 60%, major services at 50%, and orthodontia (ages 8-17) 50% up to \$1,000 lifetime maximum. The City pays 100% of employee coverage and employees pay 100% for dependent coverage. The cost to all funds is budgeted at \$295,333.

The Flagstaff Housing Authority provides the same dental plan and will experience a 3% increase. The Housing Authority pays 100% of employee coverage and pays \$33 per month of dependent coverage. The total cost for dental insurance is \$12,800.

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. There is no change in the contribution this year. The cost to all funds is budgeted at \$12,294.

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 Housing Authority vision coverage will be aligned with the City's current coverage as of January 1, 2012. There is no change in the vision insurance premium. Vision coverage is budgeted for \$2,441.

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 premiums have increased by 12.1% and the cost of this benefit is \$84,376. 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 \$458.

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 \$2,118.

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 be 24.54% for Police an increase of 2.22% and 31.28% for Fire an increase of 5.32%. The PSPRS employee contribution will increase to 8.65% for the employee.

The Arizona State Retirement System (ASRS) contribution rate split changed from 50/50 to 53 percent employee and 47 percent employer. The pension benefit employee contribution will be 11.13%, which is an increase of 1.53%. The pension benefit employer contribution will be 9.87%, which is a increase of 0.27%. The ASRS long-term disability will change from 0.25% to 0.26% for the employee and 0.23% for the employer. The cost to all funds is approximately \$2.91 million for PSPRS and \$2.60 million for ASRS.

The Flagstaff Housing Authority participates in the Arizona State Retirement System (ASRS) and the total cost for ASRS is \$119,238.

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 and there is no change proposed for the FY 2012 budget.

The Housing Authority also provides the same Employee Assistance Program to their employees.

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 was reduced to \$12,000 fiscal year 2010-2011 and this will continue to be the budgeted amount this fiscal year. Housing Authority personnel were added to this benefit beginning February 2011.

The City has discontinued the ECOpass benefit for all employees.

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 FY 2012 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, 2011.

The Human Resources division received a total of 13 requests for reclassifications/reranges and 15 requests for rezones. The following shows those that were approved:

FISCAL YEAR CHANGES				
RECLASSIFICATIONS/RERANGES				
Old Title	Old Range	New Title	New Range	No. of Employees Effected
Sr. Assistant City Attorney	Z3	City Prosecutor	18	1
Grants Manager	13	Grants Manager	14	1
Sustainability Manager	12	Sustainability Manager	13	1
HR Generalist	9	HR Analyst – Employee Relations	12	1
HR Recruitment Specialist	8	HR Generalist	9	1
Recreation Superintendent	14	Recreation Services Director	17	1

RETITLE		
Old Title	New Title	Range
Meter Reader	Meter Technician	9

REZONES				
Current Job Title	Old Zone	New Job Title	New Zone	No. of Employees Effected
Project Manager – Utilities	I	Project Manager – Utilities	II	1
Project Manager – Utilities	II	Project Manager – Utilities	III	1
Maintenance Worker – Parks	I	Maintenance Worker – Parks	II	1
Maintenance Worker – Parks	II	Maintenance Worker – Parks	III	3
Equipment Operator – Collections	I	Equipment Operator – Collections	II	4
Admin Specialist – Tax & License	I	Admin Specialist – Tax & License	II	1
Admin Assistant – Sales Tax	II	Admin Assistant – Sales Tax	III	1
Equipment Operator – Streets	II	Equipment Operator – Streets	III	1
Equipment Operator – Landfill	I	Equipment Operator – Landfill	II	1
Maintenance	I	Equipment Operator – Landfill	II	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
Risk Management Specialist	10
Grants Specialist	9
Sr. Assistant City Attorney – Water and Natural Resources	15

RETITLE		
Old Title	New Title	Range
Wildland Fire Specialist	Wildland Fire Leadworker	9

SALARY ADJUSTMENTS	
Fire Captain (3)	Re-evaluated and updated salary adjustments given updated information from Fire Administration

REORGANIZATIONS

The following reorganizations have been completed:

1. Human Resources – The HR Recruitment Specialist will be reclassified to an HR Generalist to assume recruitment and benefit responsibilities. The current HR Generalist will be reclassified to an HR Analyst specializing in Employee Relations.
2. Recreation – Recreation has created a phased reorganization approach with Phase I introducing a Recreation Supervisor into the Jay Lively Activity Center. This Recreation Supervisor will oversee the Activity Center and Adult Athletics.
3. Housing – The vacant Housing Planner position will be eliminated and duties will be shifted to existing staff. The Administrative Specialist will assume contract, loan and rehabilitation administration and be retitled to Housing Specialist. The Housing and Grant Administrator will assume policy planning duties. The current Permanent Affordability Administrator will assume private development negotiations and implementation and oversight for the newly created Rehab and Project Specialist. The new title for this Administrator position will be Ownership Program Manager.

4. Fire – The Fire Department will be eliminating the Deputy Fire Chief position responsible for Fire Prevention and Fire Inspection. A Fire Marshal position will be created to oversee Fire Inspection services. The Deputy Fire Chief of Operations, Fire Marshal and Wildland Fire Manager will report directly to the Fire Chief.

ORGANIZATIONAL STUDIES

The Human Resources division conducted three organization studies this year.

1. Information Technology – This was phase two of the organization study conducted for the City’s information technology division. Phase two included the review of information technology positions in the Court and Library. The information reviewed during the study supported a different structure is warranted in the Courts and Library due to the difference in duties. In doing the external comparison when a Library and Court have information technology staff separate from the information technology division it is common to have a different structure and job titles.
2. Paramedic – During the compensation study Fire suggested and the Compensation Committee supported an evaluation of the Paramedic and assignment pay structure.

The results of the compensation study did show that the majority of the benchmark organizations do treat paramedic service as an assignment pay versus a classification. Human Resources has revisited these results and have found no changes. The Fire Department did provide more information, so this study may continue into next fiscal year with review of this additional information and more research outside of the benchmark organizations to consider other best practices.

3. Housing Authority – City Council adopted an ordinance affirming Housing Authority employees are City employees. The Housing Authority will become a section of the Community Development division. The Human Resources Analyst has met with Housing Authority staff and management to understand the structure and the roles and responsibilities of each position. The positions have been compared to external housing authority benchmarks and internal City positions prior to being classified and added to the City pay plan. These changes will become effective July 1, 2011.

TURNOVER

The City’s turnover rate for calendar year 2010 is 11.68%. This is 1.12% lower than the state and local government rate according to the Bureau of Labor Statistics.

POSITION ADDITIONS/DELETIONS

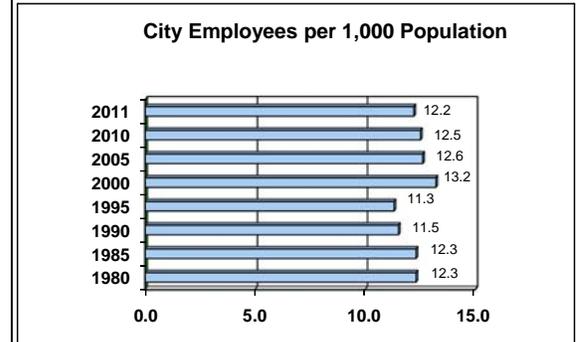
A review of the Personnel Table of Organization (see Appendix Section), provides complete detail, including staffing request changes that are reclassification requests and transfers of personnel between divisions to accommodate changing program needs.

A total of 16.6 FTE’s were cut across all funds for FY 2012. The following detail highlights the five year historical staffing trend as well as the City’s calculation of City staff in comparison to population.

	Fiscal Year				
	2008	2009	2010	2011	2012
Public Safety	275.75	282.75	267.00	260.00	253.00
Public Works	241.89	250.35	159.09	153.59	149.87
Comm Enrich	0.00	0.00	110.43	110.43	112.75
General Admin	80.13	83.88	73.88	72.68	71.48
Utilities	80.25	81.75	70.50	68.50	67.50
Community Dev	99.38	102.38	69.58	61.88	57.38
Housing Authority	0.00	0.00	0.00	23.50	23.50
Mgmt Services	98.78	105.41	38.75	39.00	38.25
Econ Vitality	0.00	0.00	38.25	35.75	34.99
	876.18	906.52	827.48	825.33	808.72

Employees per 1000 Population

Census Year	Population	Budget Year	Employees	Emp/Pop
1980 *	34,743	1981	427.75	12.3
1985	38,247	1986	470.25	12.3
1990 *	45,857	1991	527.25	11.5
1995	52,701	1996	593.00	11.3
2000 *	52,894	2001	700.00	13.2
2005	61,185	2006	768.03	12.6
2010 *	65,870	2011	825.33	12.5
2011 **	66,529	2012	808.72	12.2



* Census Figures per United States Census Bureau
 All Other Populations per Arizona Department of Economic Security Estimates
 **Estimated Population

The table below lists each section with staff level changes for FY 2012:

Section	FY 2011 Authorized Personnel	FY 2012 Authorized Personnel	FY 2011 1X Funded Reductions	Other Changes & Reductions
City Manager/City Clerk	11.50	10.795	-.125	-0.58
Human Resources	6.25	6.75		0.50
Risk Management	2	2		
Law	14.75	13.75	-1.0	
Information Technology	13	13		
Management Services – Purchasing	7	8		1.0
Management Services – Revenue	20	18.25	-.75	-1.0
Management Services – Finance	12	12		
FMPO	2.88	2.88		
Community Development – Administration	2	2		
Community Development – Capital Improvement	11	8		-3.0
Community Development – Planning & Development Services	24	22.5	-1.0	-.5
Community Development – Engineering	17	17		
Community Development – Housing	5	5		
Flagstaff Housing Authority	23.5	23.5		
Fire	92	85	-6.0	-1.0
Police	168	168	-1.0	1.0
Community Enrichment – Library	50.77	51.4		0.63
Community Enrichment – Recreation	59.66	61.35		1.69
Public Works – Administration	2.5	2.5		
Public Works – Parks	27.2	27.46		0.26
Public Works – Fleet	13	13		
Public Works – Facilities Maintenance	11	11		
Public Works – Streets Maintenance	36.31	36.31		
Public Works – Environmental Services	52.5	48		-4.5
Public Works – SEMS	11.08	11.6		.52
Utilities – Administration	9	8		-1.0
Utilities – Water Production	11	11		
Utilities – Water Distribution	14	14		
Utilities – Wildcat Wastewater Treatment Plant	12.5	12.5		
Utilities – Wastewater Collection	9	9		
Utilities – Industrial Waste	3	3		
Utilities – Rio Wastewater Treatment Plant	4	4		
Utilities – Stormwater	6	6		
City Court	25.18	25.18	-1.0	1.0
Economic Vitality – Administration	2	2		
Economic Vitality – Airport	9.5	9.5		
Economic Vitality – Community Investment	5	5		
Economic Vitality – CVB	9	9		
Economic Vitality – Visitors Center	5.25	4.49	-.76	
Total	820.33	803.72	-11.635	-4.98

CITY OF FLAGSTAFF Cost Allocation For Fiscal Year 2012										
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	\$ 679,959	30,219	25,215	12	91,213	9,595	12,051	45,450	893,714	213,755
City Clerk	170,783	12,581	11,647	3,049	28,870	1,894	3,551	24,164	256,539	85,756
Human Resources	316,173	33,765	22,798	-	47,712	3,880	6,941	49,155	480,424	164,251
Risk Management	116,042	11,528	10,177	2,375	24,613	1,663	3,090	20,430	189,918	73,876
Law	422,880	36,552	38,445	40,842	104,462	6,369	12,269	79,753	741,572	318,692
Information Systems	489,905	-	-	-	283,383	-	13,160	92,119	878,567	388,662
Management Services	298,077	29,408	77,662	36,557	149,241	4,832	30,220	48,284	674,281	376,204
Customer Services	18,728	966	768	241	707,053	19,490	26	163,411	910,683	891,955
Sales Tax	416,440	59,811	-	204,056	26,534	-	41,216	84,008	832,065	415,625
Finance	577,795	60,463	59,866	25,686	100,810	6,009	28,273	77,359	936,261	358,466
Community Dev Admin	208,330	-	-	-	-	-	-	-	208,330	-
Engineering	1,451,487	-	678,205	-	-	19,762	-	-	2,149,454	697,967
Community Investments	310,687	27,622	29,053	10,449	78,942	4,813	9,272	60,269	531,107	220,420
Public Works Administration	95,557	-	93,153	-	-	-	62,190	125,686	376,586	281,029
Mechanical Shop	83,836	570	73,808	-	19,477	477	5,342	119,565	303,075	219,239
Facilities Maintenance	599,244	58,339	10,513	-	31,221	11,772	59,576	99,570	870,235	270,991
Council & Commissions	236,136	20,994	22,081	7,942	59,999	3,658	7,047	45,807	403,664	167,528
Non-Departmental	2,505,807	131,202	204,337	18,333	434,339	13,887	63,001	251,605	3,622,511	1,116,704
Total General Fund	\$ 8,997,866	514,020	1,357,728	349,542	2,187,869	108,101	357,225	1,386,635	15,258,986	6,261,120
General Administration	\$ 2,195,742	124,645	108,282	46,278	580,253	23,401	51,062	311,071	3,440,734	1,244,992
Community Development	1,659,817	-	678,205	-	-	19,762	-	-	2,357,784	697,967
Management Services	1,311,040	150,648	138,296	266,540	983,638	30,331	99,735	373,062	3,353,290	2,042,250
Public Works	778,637	58,909	177,474	-	50,698	12,249	127,108	344,821	1,549,896	771,259
Economic Vitality	310,687	27,622	29,053	10,449	78,942	4,813	9,272	60,269	531,107	220,420
Non-Departmental	2,741,943	152,196	226,418	26,275	494,338	17,545	70,048	297,412	4,026,175	1,284,232
Total	\$ 8,997,866	514,020	1,357,728	349,542	2,187,869	108,101	357,225	1,386,635	15,258,986	6,261,120

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, 2010. 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 2010; 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

To provide a comprehensive fleet management program dedicated to health, safety, resource conservation and fiscal responsibility in selecting and supplying the most efficient state of the art vehicles and equipment to support City divisions and employees in the delivery of municipal services.

Fleet management has set the following goals.

- Revamp the existing vehicle and equipment replacement criteria.
- Rework and rebuild the underutilized vehicle policy; eliminate 6 or more units out of the fleet.
- Coordinate driver training and operational procedures to increase fuel mileage and decrease fuel usage by 6.1%.
- Coordinate with Divisions and Purchasing for all fuel billing to create the most efficient and accurate fuel usage tracking.
- Make all fleet policies and procedures electronic.

Fleet Management consists of line workers and supervisors representing City divisions that are dedicated to developing and implementing policies and procedures for fleet operations. Under leadership of the Public Works Section Director and Fleet Manager and as directed by the fleet policies identified in the Municipal Sustainability Plan; Fleet Management coordinates and monitors the evaluation, replacement, purchasing, fuel usage and utilization of the City's fleet, maximizing vehicle and equipment life, retaining units as long as economically possible and replacing units that have met or exceeded useful life.

The Fleet Management Committee is in the process of re-writing policies and replacement criteria with a goal of maximizing possible Fleet utilization. The Committee is committed to right-sizing the City of Flagstaffs Fleet. This last year we reviewed 31 replacement requests and agreed on replacing 20 vehicles and equipment in the different funding sources. We also agreed to a paint striper refurbishment and transferred two underutilized vehicles to other departments for full utilization. The committee created a catastrophic component replacement fund; this fund will help the General funded departments with major emergency failures and create a funding source for major purchases.

- Re-evaluated and adjusted the replacement criteria for FY 2012.
- Created an electronic spreadsheet for 10 year vehicle replacement plan for all Sections.
- Reorganized committee leadership.
- Removed 6 underutilized vehicles.
- Introduced and recommended a component replacement fund.
- **Proposed objectives for FY 2012 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.

FLEET FISCAL YEAR 2012 REPLACEMENTS			
DIVISION/SECTION	AMOUNT	DIVISION/SECTION	AMOUNT
21 FIRE		32 STREET MAINTENANCE AND REPAIRS	
BRUSH TRUCK & BED	\$ 51,200	SNOW PLOWS (6)	49,000
		THERMOPLASTIC MACHINE	90,000
22 POLICE		REFURISH PAINT STRIPPER	50,000
PATROL SEDANS (4)	97,600	WATER TRUCK WITH TANK	200,000
FULL SIZE SUV (1)	29,000	1 TON PICKUP TRUCK	60,000
TOTAL GENERAL FUND FLEET	<u>177,800</u>	TOTAL HURF FUND FLEET	<u>449,000</u>
41 ENVIRONMENTAL SERVICES		42 UTILITIES ADMIN	
REAR LOADER	230,000	SEDAN	30,000
TOP LOADERS (3)	894,297	47 LAKE MARY	
LANDFILL COMPACTOR	1,127,000	FULL SIZE SUV	30,000
PICKUP TRUCK	22,400	PICKUP TRUCK	25,000
REFURB PYTHON ARMS	55,000	53 WASTEWATER TREATMENT	
TOTAL ENVIRONMENTAL SERVICES FLEET	<u>2,328,697</u>	1 TON PICKUP TRUCK	6,000
		DOZER	150,000
		54 WASTEWATER COLLECTION	
		1 TON PICKUP TRUCK	60,000
		55 WASTEWATER MONITORING	
		PICKUP TRUCK WITH SHELL	30,000
		TOTAL UTILITIES FLEET	<u>331,000</u>
		TOTAL FLEET REPLACEMENTS	<u>\$ 3,286,497</u>

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
- Data sharing and collaboration with public and private agencies

FY2012 Acquisitions - \$633,003

Large purchases include the Microsoft Enterprise agreement, Kiva Replacement and the last phase of VOIP implementation.

PC and Network Replacements & Upgrades - \$180,450

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

E-Government - \$25,000

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

Public Safety - \$280,900

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

IT Five Year Projection FY2012-2017

Annual Financial Plan

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City of Flagstaff

IT Five Year Projections	Actual FY2010	Budget FY2011	Actual FY2011	Budget FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Replacement Programs									
Replacement PC's and Printers	108,090	45,750	750	90,225	70,000	70,000	70,000	70,000	70,000
Network equip	-	45,750	750	90,225	240,000	240,000	240,000	240,000	240,000
Total - Replacement Programs	108,090	91,500	1,500	180,450	310,000	310,000	310,000	310,000	310,000
GIS									
Hardware upgrades/replacement	-	-	-	-	10,000	10,000	10,000	10,000	10,000
Software upgrades	-	-	-	-	10,000	10,000	10,000	10,000	10,000
Total GIS	-	-	-	-	20,000	20,000	20,000	20,000	20,000
E-Gov	9,000	10,000	-	25,000	20,000	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	20,000	20,000	21,000	22,050
Scheduling Software	-	90,000	-	90,000	-	-	-	-	-
Automated Time Entry	-	50,000	-	50,000	-	-	-	-	-
Parking Solution	-	90,000	-	90,000	-	-	-	-	-
Microsoft Enterprise Agreement	159,529	185,000	185,000	125,000	185,000	185,000	-	-	-
Kiva Replacement	-	-	-	132,778	-	-	-	-	-
VOIP Migration - next phase	120,985	95,750	75,750	65,225	-	-	-	-	-
SAN for Disaster Recovery	-	-	-	60,000	-	-	-	-	-
Hardware & Software Purchases	169,786	113,456	38,272	-	-	-	-	-	-
Equipment	-	52,350	20,128	-	-	-	-	-	-
Total New Hardware & Software	470,300	696,556	339,150	633,003	205,000	205,000	20,000	21,000	22,050
Public Safety									
Police Upgrades	80,328	117,700	26,500	280,900	289,327	298,007	306,947	316,155	325,640
Add PD to City Email	-	45,000	-	-	-	-	-	-	-
PD MS Office	-	10,000	-	-	-	-	-	-	-
PD Booking Photo Import	-	10,000	-	-	-	-	-	-	-
PD POS	-	7,000	-	-	-	-	-	-	-
Total Public Safety	80,328	189,700	26,500	280,900	289,327	298,007	306,947	316,155	325,640
Total Expenditures	667,718	987,756	367,150	1,119,353	844,327	863,007	686,947	697,155	707,690
Funding									
General Fund MIS allocation	-	-	-	-	-	-	-	-	-
One time monies	-	-	-	-	-	-	-	-	-
Carryover	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-
Total Funding	-	-	-	-	-	-	-	-	-
Expenditure Summary									
Replacement Program	108,090	91,500	1,500	180,450	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
E-Gov	9,000	10,000	-	25,000	20,000	30,000	30,000	30,000	30,000
New Hardware & Software Purchases	470,300	696,556	339,150	633,003	205,000	205,000	20,000	21,000	22,050
Public Safety	80,328	189,700	26,500	280,900	289,327	298,007	306,947	316,155	325,640
Total Expenditures	667,718	987,756	367,150	1,119,353	844,327	863,007	686,947	697,155	707,690
Excess/(deficit) Funding over Expenditures	(667,718)	(987,756)	(367,150)	(1,119,353)	(844,327)	(863,007)	(686,947)	(697,155)	(707,690)

FY 2012 ISSUES

CITY FLEET

As City revenues have declined over recent years, there have been downward adjustments to the budget and reductions in most, if not all areas of City operations. During this time, several million dollars of vehicle/equipment purchases have been deferred to help balance the City budget. In his budget transmittal letter to the Mayor and Council dated June 30, 2010, the City Manager identified this problem and posed the questions of 1) what we would do if revenues didn't return? and 2) when will maintenance costs exceed replacement costs? Revenues have not returned remaining constant at best and maintenance costs are rising.

Current Situation

With fleet deferrals in FY 2011 of over \$3 million and additional deferrals in FY 2012 of \$1 million and no return of revenues in the near future, it is virtually impossible for us to recover from the borrowing on the life of the equipment we have done the past several years. Over the next ten years we will need a total of \$17,281,974 for equipment replacement in the General Fund alone. In that same letter from June, 2010, the City Manager also wrote about opportunities for change which we now find necessary in Fleet Management.

The Long Climb Out

- Eliminate underutilized vehicles/equipment and right-size fleet to maximize utilization.
- Adjust replacement criteria to gain maximum useful life
- Implement component replacement fund to avoid catastrophic losses and keep fleet mobile
- Enlarge fleet pool size to facilitate changes
- General Fund financial benefit
 - Vehicle maintenance savings
 - Fuel savings
 - Sale of fleet assets
 - Ongoing replacement savings
 - Insurance savings

MAINTENANCE/CLOSURES OF CITY PARKS

Funding Issues

The Parks Section is responsible for the grounds maintenance and management of parks, athletic and recreation facilities, Heritage Square with the downtown area, city facilities that include city hall, Milligan house, library, Theatrikos, Cherry building, city courthouse and several City owned parking lots.

These sites are funded by the General Fund. With the ongoing budget reductions of General Fund budgeted for these programs it is time to identify a "trigger" when to decide to reduce or eliminate maintenance services in these areas. By closing parks we would reallocate resources to other parks to increase or maintain existing service levels. The cost savings will be realized in contractual/commodities but it is not realized in personnel that are shifted to other areas.

Triggers

When funding levels decrease there is a significant impact to the service level of existing facilities. It will not be sustainable in the future to maintain current service levels with decreasing funds. The current service levels for park grounds and city facilities range between a Level 3 (moderate-level maintenance) to Level 4 (moderately low-level maintenance) which is a reduction in the frequency of tasks performed. When service levels fall to a Level 5 (minimum-level maintenance), which is a reduction of tasks to monthly or not at all, priority is given to safety based tasks. This will be the time to consider implementing an alternative strategy.

Strategy

- Find alternative funding sources
 - Partnerships
 - Cost shifting
- Develop a matrix to prioritize city facilities and parks grounds based on:
 - Mission Statement
 - Usage
 - Protecting City's Infrastructure
 - Community Needs
 - Demographic Location
 - Available Partnerships – Neighborhood groups, Adopt-A-Park, HOA'S
 - Cost Savings
- Identify Facilities for elimination of services
- Identify Parks for closures

FY 2011 UPDATES

OUTSIDE LEGAL COUNSEL

The City has set forth an 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. The City Attorney has a system in place to track and monitors the legal activities of these contracted attorneys. Issues arise

annually that were not budgeted for and often put a strain on the Division needing the service. To help fund some of these unforeseen issues, for FY 2012 the City will be setting aside \$100,000 in the budget for outside legal services.

BBB-RECREATION REVENUE TRANSFERS

In FY 2011, Council along with the support of the Recreation Commission recommended transferring \$200,000 from the BBB-Recreation Fund to the General Fund to help support funding of Recreation operations. This support helps maintain some of the Recreation services levels. This come at a cost of reduced opportunities to fund future capital projects with this funding source.

This issue was revisited during the budget process and all groups involved agreed to continue funding of Recreation operations with the annual transfer of \$200,000.

CONSTRUCTION STIMULUS

The Building Permit Stimulus Program was approved in May 2010 and provided \$90,000 to pay for all or portions of building permit fees for affordable housing, lower market rate residential, and some commercial development. Fee waivers were based on types of permits and values of the permits. The City issued 67 permits under this program and will be completed in July 2011.

RIORDAN MANSION STATE HISTORIC PARK

For FY 2011 the City was able to provide a one-time \$20,000 in funding from our Special Project funding in our Beautification Fund. The State continues with budget struggles and has not restored any funding cuts for Riordan Mansion. Therefore for FY 2012 we will continue the funding, however we will utilize our Arts and Science Fund which is better suited for this type of program.