

ISSUES AND UPDATES

PERSONAL SERVICE COSTS

PAY PLAN

The FY 2006 budget includes a market adjustment of 5% to the City's pay plan for classified employees. The cost of the market adjustment is approximately \$1.2 million to all funds. This adjustment is based on a complete overall compensation analysis that included revising the process and conducting an analysis of actual salaries, pay structures and midpoints. This process and recommendation has been presented to EAC.

The pay plan for the Administrative/Technical/Professional (ATP) employees has not changed; it is still open range, which means ATP employees, do not receive an automatic market adjustment; and any pay increase is based on performance. All ATP employees will be eligible to receive on average an 8.2% merit increase, which is equivalent to the market and merit increase for classified employees. The total salary cost for merit increases for ATP employees is estimated to be \$647,931 to all funds.

In addition, the average merit that classified staff will be eligible for is 3.2% costing approximately \$240,000 to all funds.

The steps in the Broad Band pay plan was reduced from 18 steps to 15 steps so that the average merit is now 3.2% (from 2.7%) and the same as in the regular pay plan.

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.

The Wildcat and Rio Plants, and Collections and Distribution in the Utilities Department are under skill base pay. This coming fiscal year Lake Mary will start the process to implement skill base pay in their area. Skill base pay is a means to increase productivity and efficiency through use of technology and a multiple-skilled workforce and compensate employees for the increased value they bring to the job due to their knowledge and skills that are currently outside their specialty.

HEALTH INSURANCE

Fiscal year 2006 begins the thirteenth year the City has participated in the joint purchasing of health insurance through Northern Arizona Public Employees Benefit Trust (NAPEBT). NAPEBT members are Coconino County, Flagstaff Unified School District, Coconino Community College, and the City of Flagstaff.

The premium increase for health insurance this year came in at 12.5%, which is within 10% to 15% of the national trend for plans similar to the City's. However, the Trust used surplus monies to pre-fund the plan to bring the premium increase to 4.87%.

Each year the Board of Trustees for NAPEBT reviews the plan design with its consultant, the Segal Company, to ensure appropriate levels of coverage and cost are being considered. Given our utilization and effective administration and satisfaction with the plan the Board did not recommend going out to bid for another insurance provider at this time. Discussions continue regarding future trends in health care and the Board will be reviewing various options next year.

FY 2006's budget reflects the continuation of the City of Flagstaff paying the full premium for the employee and keeping the subsidy for dependent health insurance at its current rate of \$244.00 per month. For FY 2006 the total budget for employee only health insurance is \$3,273,334, which is an increase of 3% to all funds. The total cost of the dependent subsidy to the City is \$1,114,280, which is approximately the same as FY 2005. The increased cost to employees for dependent health insurance will be approximately \$26.87 per month.

Dental insurance premiums, both employee only and dependent, resulted in a rate increase of approximately 7%. The City pays 100% of employee coverage and employees pay 100% for dependent coverage. No plan design changes were made for FY 2006.

RECLASSES, RERANGES, RETITLES, REZONES

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 department head 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

effects 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 effect 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 departments were submitted to Human Resources for review, and only those recommended for approval were forwarded to the Budget Review Committee for inclusion in the FY 2006 budget. Human Resources have notified all department heads of the status of their requests, whether approved or disapproved. All approved changes will be effective as of July 1, 2005.

Human Resources received a total of 26 requests for reclassification and 6 requests for rezones. The following shows those positions that were approved:

RERANGES				
Old Position Classification	Old Range	New Title	New Range	No. of Employees Effected
Human Resources Manager	16	Human Resources Director	17	1
Asst. City Attorney, Prosecutor	12	No Change	13	4
Chief Prosecutor	15	Senior Assistant City Attorney	16	1
Asst. City Attorney	15	Senior Assistant City Attorney	16	2
Assistant City Attorney - Civil II	17	Deputy City Attorney	18	1
Traffic Projects & ROW Mgr	12	Traffic Eng. Project Manager	13	1
Plant Supervisor	13	Utilities Senior Project Manager	14	1
Plant Supervisor	13	Water Production Manager	14	1
Utilities Service Supervisor	13	Field Service Manager	14	1
Plant Supervisor	13	Wastewater Treatment Manager	14	1
Storekeeper	1	Warehouse Technician	7	1
Account Clerk II	6	Accounts Receivable Specialist	7	1
Safety/Training Coordinator	9	Env. Services Collection Sup.	10	1
Transportation Planner	13	Metropolitan Planning Org. Mgr.	15	1

RECLASSES				
Old Position Classification	Old Range	New Title	New Range	No. of Employees Effected
Project Manager I	12	No Change	13	1
Mail/Duplication Aide	2	Administrative Assistant	BB1	1
Engineering Project Manager II	13	Senior Project Manager	14	1
Landfill Equipment Operator III	8	Landfill EOIII	9	1

RETITLES				
Old Position Classification	Old Range	New Title	New Range	No. of Employees Effected
NA				

REZONES				
Current Job Title	Old Zone	New Job Title	New Zone	No. of Employees Effected
Administrative Specialist	2	No Change	3	2
Administrative Specialist	1	No Change	2	3
Plant Specialist	1	No Change	2	1

REORGANIZATIONS

The City facilitated two major reorganizations during FY 2005. The first was related to the approval of the Brownfields program in Environmental Services. The Conservation Coordinator became a Conservation Manager, responsible for both the conservation and brownfields programs.

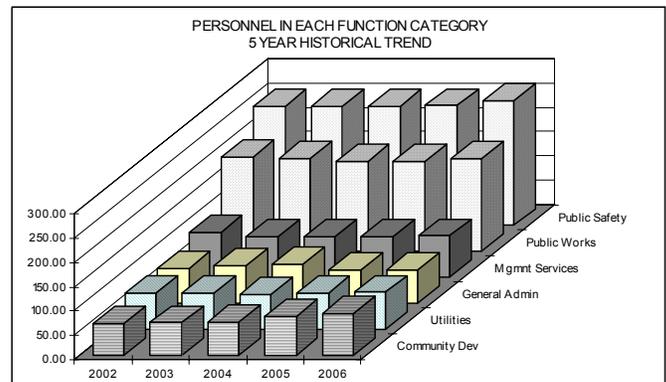
Second, a major reorganization of the Community Development structure will be implemented on July 1, 2005. The four divisions of Community Development (Engineering, Planning, Building, and Capital Improvements) have been restructured into three new divisions to better serve the Community Development customer. The Community Investments Division consists of Housing, Long Range Planning, Redevelopment, Zoning Administration, and Urban Design. The Community Improvements Division has Capital Improvements, Stormwater Management, Traffic Engineering, and the FMPO. The Development Services Division includes Project Management, Project Review, and Project Inspection.

POSITION ADDITIONS/DELETIONS

In preparing budget requests for FY 2006, new position requests would be considered for:

1. Those that could identify a funding source;
2. Those that are an inappropriate use of temporary positions.
3. Those that reinstated a previously cut position.

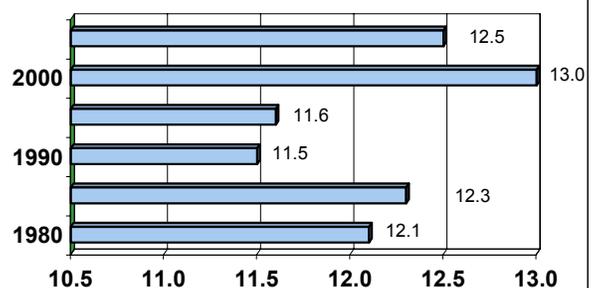
A review of the Authorized Personnel/Positions Summary for the organization (see Appendix Section) provides complete detail, including staffing request changes that are reclassification requests and transfers of personnel between divisions to accommodate changing program needs.



Employees per 1000 Population

	Population	Employees	Emp/Pop
1980	34,743	422	12.1
1985	38,247	470	12.3
1990	45,857	527	11.5
1995	52,701	612	11.6
2000	52,894	685	13.0
2004	61,270	768	12.5

City Employees per 1,000 Population



* Estimated census per Arizona Department of Economic Security

As part of the budget reduction efforts, a Vacancy Review Committee (VRC) was established in FY 2003 to review open positions. The goal was to reduce 20 to 30 positions via the elimination or reduction of City programs. A total of 7.50 FTE's were reduced in FY 2003 through the VRC process. A total of 22 positions were identified for elimination, sixteen in June 30, 2004 and four more by June 30, 2005. For FY 2006 five regular positions that were originally eliminated were reinstated as well as 2.43 FTE temporary positions. To date, the City has not had to effect lay offs; all employment reductions were achieved through retirement, reassignment, or resignation.

Increased Service Levels - New Programs:

Community Investment (1.0) The City Council directed the Housing section to establish a Community Land Trust for Affordable Housing and this new program needs a dedicated staff member, a Land Trust Manager.

Stormwater (1.0) The City is currently not able to meet compliance standards in the NPDES program due to lack of staff time to perform grading inspections and enforcement. A rate increase is being pursued to fund a Floodplain Inspector position for this activity to begin.

Maintaining Service Levels:

City Attorney (1.0) An executive assistant/ paralegal position is being added to assist the Attorney's office with expanded workload issues as well as to be able to assist with legal research.

Information Systems (1.0) Due to ongoing growth in the number of users and the complexity of information technology maintenance, one Network Analyst is being added to provide needed expertise and backup to existing staff.

Development Services (1.0) The request for a Senior Plans examiner is being funded through a related increase in plan review fees. The position will have dual responsibility to perform plan review and coordinate the activities of the other plan examiners.

Community Improvements and FMPO (0.5) A transportation intern will be shared by community improvements and the FMPO to assist with labor intensive, semi-technical tasks relieving higher level employees of these time consuming activities.

Community Investment (1.0) One position scheduled for reduction at the end of FY2005 was a planner position that performed the duties of a Zoning Code Administrator. This position has been restored, and as part of the Community Development reorganization has been title a Code Administrator.

Fire (2.0) One Assistant Fire Chief position had been scheduled as a work force reduction upon his retirement during FY2006. This position has been restored in

conjunction with Council priorities to continue the existing organizational structure. One firefighter position is added to provide firewise duties.

Police (9.0) Three Emergency Communication Specialist positions have been added to better serve dispatch customers and to achieve a minimum of 6 dispatchers on duty to meet ISO requirements. Six police officers were also added. Five will be funded through general funds and one is funded through grant dollars available through Metro.

Parks (1.74) One permanent position, a Maintenance Worker II has been added to take care of added parks inventory. Temporary time (0.74 FTE) has been added to handle the responsibilities associated with the maintenance of the downtown banner program.

Facilities (1.0) A Maintenance Worker I position had reduced through the VRC process in FY 2004. This position has been restored to perform general maintenance duties, and meets the current Council priority of restoring positions previously eliminated.

Recreation (3.43) During the VRC process a 0.75 FTE administrative assistant position had been eliminated. This position is being restored and increased to a 1.0 FTE level to assist with all front office tasks at the Flagstaff City Hall office. 2.43 FTE in temp time has been added to restore the Summer Day Camp program, restore programming at the Cogdill Center, the Adult Center, the Flagstaff Recreation Center, the Jay Lively Ice Rink, and the Aquatics program.

Library (1.0) This is a reinstatement of a Library Clerk position that had previously been eliminated through the City vacancy reduction process. The Library Clerk position will perform a number of routine duties include shelving of material and other customer service duties.

Stormwater (0.5) This request is for a temporary intern position to assist with plans checks and GIS/mapping needs.

Water/Wastewater (2.0) Two Water Service Technician positions enhance the City's ability to regularly maintain the wastewater collection pipes, which is hoped will reduce the City's need to address blockage issues that have resulted in damage claims.

Environmental Services (2.75) One FTE is for a Bin Maintenance/Equipment Operator that will assist in the growing inventory of the City's refuse and recycling containers. An Equipment Operator III position is added due to the growth in collection accounts to bring the volume per driver within an acceptable standard. As programs have grown in the past few years in Environmental Services, Administrative Support has not kept up. A 0.5 FTE is added to address this shortfall. Also, the Commercial Sales position has increased to a full time position from a 0.75 level to allow adequate time for follow up with existing customers.

Decreased Service Levels:

Human Resources (0.5) As meet and confer was not approved by Council, the Human Resource division did not add this FTE to manage that work program.

Environmental Services (1.0) Part of the work program for FY 2005 included fostering a partnership with Coconino County to initiate a waste tire program at the City landfill. The County will not be pursuing this option and so the City will not fill the position previously approved.

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, 2004. The City utilized the services of a consultant to prepare this year's plan. The cost allocation plan also provides information for user fees and the ability to charge indirect cost to grants.

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 2004; 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

The goal of Fleet Management is to maximize vehicle and equipment usage, retain units as long as possible, and replace units that are predicted to experience high cost expenditures in the near future. The Fleet Manager uses numerous criteria in analyzing the fleet replacement needs. Initially, the age and utilization of all equipment is reviewed to determine candidates for replacement. In conjunction with the end user, the equipment is then scheduled for evaluation.

The Fleet Manager, along with his staff, evaluates each piece of equipment submitted for review. The Fleet Manager evaluates fiscal year-to-date as well as life-to-date costs to determine if the vehicle or equipment has had recent major component overhaul or replacement. If engines or transmissions have been replaced or overhauled recently, retention is a strong consideration in the overall evaluation. If the units are mechanically sound and the body is in fairly good condition, the unit is usually recommended for retention for another year.

If a unit has incurred a significant number of expenditures and is likely to experience major component failures, this unit will be recommended for replacement by the Fleet Manager and forwarded to the City Fleet Management Committee, which is comprised of line workers throughout the City. Within strict budget constraints, the committee must make difficult decisions as to allocation of assets due to the thorough review by the Fleet Manager and limited financial funds.

This past fiscal year the Fleet Committee had a very busy year. Listed below are some of the major accomplishments that occurred:

- Fleet Services performed 57 physical evaluation requests this year, 46 of them were forwarded to the Fleet Committee with the request for 6 additional units. The unusually high number of requests is due to the culmination of the last three successful years of rotating older, lower mileage vehicles, thus deferring purchases during tight budget years.

City of Flagstaff
 Cost Allocation
 For Fiscal Year 2006
 (Based on Fiscal Year 2004 Actuals)

CENTRAL SERVICE	GENERAL AND OTHERS					ENVIRON. SERVICES				TOTAL CHARGED OUT - GF	
	001	LIBRARY 030	HURF 040-044	UTILITIES 201	STORMWATER 210	AIRPORT 270	280	TOTAL			
General Fund Services											
Non-Departmental	\$ 2,209,137	44,958	138,908	230,611	18,987	46,545	114,932	2,804,078		594,941	
Council & Commissions	139,015	11,824	49,268	45,171	2,001	4,461	25,954	277,694		138,679	
City Manager	410,982	45,622	113,995	128,066	7,295	14,805	79,697	800,462		389,480	
City Clerk	97,456	3,926	15,893	15,730	661	1,448	8,589	143,703		46,247	
City Attorney	365,744	20,361	82,439	76,647	3,429	7,508	44,548	600,676		234,932	
Human Resources	245,032	21,293	19,193	35,832	3,155	5,549	27,358	357,412		112,380	
Risk Management	75,486	7,185	15,571	17,602	1,111	2,094	11,273	130,322		54,836	
Management Services	303,663	23,169	141,358	160,206	2,540	15,173	52,460	698,569		394,906	
Information Systems	432,648	15,464	59,260	198,980	23,681	4,986	100,209	835,228		492,580	
Finance and Budget	389,959	47,891	44,935	130,306	9,839	31,929	45,253	700,112		310,153	
Sales Tax & Licensing	526,844	16,380	1,030	23,024	-	26,646	39,305	633,229		106,385	
Public Works Admin.	54,071	-	63,632	-	-	54,625	47,635	219,963		165,892	
Public Facilities Maintenance	422,162	73,011	36,023	21,741	7,910	10,507	23,066	594,420		172,258	
Mechanical Shop	90,671	722	54,472	22,055	64	2,235	93,934	264,153		173,482	
Development Services	542,835	-	694,525	466,824	40,255	-	-	1,744,439		1,201,604	
Community Investment	597,772	48,518	196,441	182,640	8,171	17,892	106,151	1,157,585		559,813	
Contributions	184,312	9,540	40,716	63,866	2,013	7,437	24,186	332,070		147,758	
Total General Fund	\$ 7,087,789	389,864	1,767,659	1,819,301	131,112	253,840	844,550	12,294,115		5,206,326	
General Administration	\$ 1,194,700	98,387	247,091	273,877	15,651	31,404	171,465	2,032,575		837,875	
Community Development	1,140,607	48,518	890,966	649,464	48,426	17,892	106,151	2,902,024		1,761,417	
Management Services	1,653,114	102,904	246,583	512,516	36,060	78,734	237,227	2,867,138		1,214,024	
Public Works	566,904	73,733	154,127	43,796	7,974	67,367	164,635	1,078,536		511,632	
Non-Departmental	2,532,464	66,322	228,892	339,648	23,001	58,443	165,072	3,413,842		881,378	
Total	\$ 7,087,789	389,864	1,767,659	1,819,301	131,112	253,840	844,550	12,294,115		5,206,326	
Utility Fund Services											
Customer Services	\$ 28,757	884	3,289	(161,895)	8,167	297	120,501	-		-	

- Two replacement units requested from Environmental Services will be fuel-efficient electric hybrid vehicles.
- Vehicle rotation was a high priority again this year. Fleet Services has two units that exceed replacement criteria; new replacements will be rotated to Building Inspection for two of their higher miles good condition, which will go in the Fleet Service's pool.
- The reorganization of Community Development necessitated the need for additional permanently assigned vehicles for Materials Testing. These units will be offset with two eligible replacements in the Fleet Services' pool vehicles.
- The Police Department requested two grant funded ATV's for off-road and remote travel, and two full-sized SUV's for off-road and inclement weather response in lieu of two eligible sedans.
- Courts was approved a new sedan to assist in prisoner transport.

- The Fire Department requested a replacement for a 4x4 crew van for Fuel Management. The estimate for one "Hot Shot" replacement truck was the same price as three 4x4 crew cab trucks that would allow for more versatility for multiple sites. The Fleet Management Committee approved the additional unit with the Fire Department turning in F2010 increasing fleet by one.
- The Fire Department have budgeted the purchase of a Quint Aerial Fire Apparatus, which will be funded with Bond Proceeds.
- The Fleet Committee approved two new replacement sedans for the Fire Marshall's. Refurbished patrol cars are no longer cost effective since patrol cars are now kept in service 100,000 miles or more.
- In the Library Fund, there is a carryover of a step van Bookmobile and a replacement of the County Bookmobile, which is to be funded with donations.

FLEET FISCAL YEAR 2006			
DIVISION	AMOUNT	DIVISION	AMOUNT
16 ENGINEERING		24 GENERAL GOVT CAPITAL PROJECTS	
PICKUP, 4X4 EXT CAB (2)	\$ 35,000	QUINT AERIAL FIRE TRUCK	900,000 <i>b</i>
PICKUP, 1/2 TON 4X4 EXT CAB (3)	60,000	TOTAL GENERAL GOVT CAPITAL PROJECTS FLEET	<u>900,000</u>
21 FIRE		47 LAKE MARY WATER TREATMENT PLANT	
PICKUP, 3/4 TON 4X4 CREW CAB (2)	49,000	PICKUP, 1 TON 4X4	22,500
UTILITY TRUCK, 3/4 TON 4X4 CREW SEDAN (2)	24,500 <i>b</i>	PICKUP, 3/4 TON 4X4	23,250
SUV, FULL SIZE	32,400	49 WATER DISTRIBUTION	
TYPE 1 ENGINE	29,000	PICKUP, 1-1/2 TON	45,800 <i>a</i>
22 POLICE	404,500 <i>a</i>	SERVICE TRUCK, 1/2 TON 4X4	48,350
PATROL SEDANS (4)	94,000	PICKUP, 3/4 TON 2X4	18,000
PATROL SEDANS (2)	50,000 <i>b</i>	54 WASTEWATER COLLECTION	
PATROL UTILITY VEH, 4X4 (2)	58,000	HYDRO/VACUUM CLEANING UNIT	190,000
PICKUP, 3/4 TON 4X4	23,250	HYDRO/VACUUM CLEANING UNIT	200,000 <i>b</i>
PICKUP, 4X4 EXT CAB/ANIMAL CTRL	18,000	TOTAL UTILITIES FLEET	<u>547,900</u>
SEDANS (2)	32,400	98 STORMWATER	
PRISONER TRANSPORT VAN	37,500 <i>a</i>	PICKUP, 4X4 EXT CAB	30,000 <i>b</i>
23 POLICE GRANTS		TOTAL STORMWATER FLEET	<u>30,000</u>
ALL-TERRAIN VEHICLE (2)	17,546 <i>b</i>	41 ENVIRONMENTAL SERVIC	
26 PARKS		TOPLOADER-COMMERCIAL (2)	390,000
PICKUP, 3/4 TON	16,000	SIDELOADER-RESIDENTIAL	185,400 <i>a</i>
27 FLEET SERVICES		SIDELOADER-RESIDENTIAL	195,000
FORKLIFT	30,000	SUV, AWD HYBRID (2)	61,000
LIFT SYSTEM	30,000	SUV, AWD HYBRID (1)	30,500 <i>a</i>
PICKUP, 3/4 TON 4X4	20,250	PICKUP, 1/2 TON, 4X4	21,000
28 CEMETERY		TOPLOADER-COMMERCIAL	195,000 <i>b</i>
RIDING LAWN MOWER	18,000	TUB GRINDER	522,720 <i>a</i>
29 FACILITIES MAINTENANCE		TOTAL ENVIRONMENTAL SERVICES FLEET	<u>1,600,620</u>
UTILITY TRUCK, 1 TON	28,025	TOTAL FLEET	<u>5,021,391</u>
66 CITY COURT			
PATROL SEDAN	23,500		
TOTAL GENERAL FUND FLEET	<u>1,130,871</u>		
11 LIBRARY			
BOOKMOBILE	125,000 <i>a</i>		
BOOKMOBILE	200,000		
TOTAL LIBRARY FLEET	<u>325,000</u>		
32 STREET MAINT. & REPA			
PICKUP, 1/2 TON 4X4 (3)	60,000		
LOADER (2)	292,000		
10WHEEL DUMP TRUCK	135,000 <i>a</i>		
TOTAL HURF FLEET	<u>487,000</u>		

a-Indicates carryover funding.
b-Indicates additional fleet vehicles.

Proposed Objectives for FY 2006:

- Perform another annual utilization review.
- Review replacement criteria.
- Annual replacement review: look at streamlining process and placing information in a centralized database.
- Update five-year replacement program.
- Monitor hybrid vehicle cost as a comparison to conventional gas vehicles.
- Provide Fleet Committee members training on the use of the Fleet System to help user better manage their resources.

FIVE-YEAR INFORMATION SYSTEMS

With the desired infrastructure in place, the City of Flagstaff must focus on maintaining existing hardware/software. We must also continue to purchase hardware/software in a logical and controlled manner. The City of Flagstaff is now faced with making decisions that will affect the future of the IT environment within Flagstaff and Northern Arizona. These decisions and others will impact our ability to entice clean industry to the Flagstaff area, our ability to increase revenues, and our ability to serve the citizens of Flagstaff and Northern Arizona.

Items to consider

- Creation of a citywide fiber optic infrastructure.
- Creation of a long range IT plan.
- Enhancement of communications among sites that is fast and reliable
- Aerial imagery of the City and surrounding area (MPO), thus creating snap shots in time
- E-Government – Utility Billing review and payment, on-line permitting – Business and Building, Recreation registration, employee access to personal data, vacation and sick leave balances, ect.
- Acceptance of Credit/Debit cards as a form of payment at all locations
- Data sharing with other public and private agencies
- Establishment of enhanced digital data standards for submittals to the City of Flagstaff.
- Disaster Recovery planning.
- Plan for citywide imaging solutions.
- Plan for citywide complaint and tracking system.

FY2006 Acquisitions

The majority of the MIS acquisition funds for fiscal year 2006 will be expended on replacing and upgrading existing equipment. Replacements will encompass all aspects of the City's computer network infrastructure.

Replacements \$325,000

- Personal computers \$70,000 – This will allow for the continued replacement of the City's older PC's. Replacement could occur for two reasons – PC failure or need for increase processing speed.

- Network equipment \$65,000 – Allocation for replacement of network equipment to include switches, servers, back up systems, and storage solutions. Basically all the backroom equipment that powers the network. Currently the City has 25 servers in operation for the various applications.
- Wide Area Network \$180,000 – The City is exploring through an RFP a fix for the wireless system that maintains the communications at all the outlying sites.
- CAD PC Replacements \$10,000 – Allocation for replacement of existing PC's located within CID and Engineering.

GIS \$10,000

- GPS laptop \$3,000 – For the collection of GIS related data
- Hardware /Software upgrades / new licenses of various ESRI products

E-Gov \$65,000 – to be determined by the government committee

The committee prioritizes the needs of the city and citizens for egov related activities. Examples of other areas that will be eventually considered are, employee web access to their payroll information, a citywide complaint and response tracking system, online vendor registration, and web permitting and tracking.

Software Upgrades \$200,000

Exchange upgrade – Staff has been preparing for the conversion to Microsoft outlook from GroupWise. Based on the current information, and RFP for services is being prepared to assist staff in the conversion.

New Hardware/Software \$77,000

- Work Order Management application \$25,000 – Acquisition of work order application which interfaces with existing H T E Payroll, GMBA, and Fleet applications
- Miscellaneous software/hardware \$52,000– i.e. – Additional servers, Personnel module, AutoCAD LT, Microsoft Project Management, Microsoft Visio, Pavement Mgmt, etc

Public Safety \$372,000

- Field reporting LAN \$20,000 – carry over
- Cad Upgrade \$40,000
- RMS upgrade \$20,000 - carryover
- Document imaging \$30,000
- E citation \$118,000 – grant funded
- Laser printers replacement \$5,000
- Software License. \$5,000
- Incident based reporting \$14,200
- Phone Upgrade \$55,500
- Evidence barcode \$3,500
- Laptops \$36,000
- CJIS server replacement \$6,000
- Automated data base search \$4,400
- Hardware/software replacements \$14,400

MIS Five Year Projections	Budget FY2006	FY2007	FY2008	FY2009	FY2010
Replacement Programs					
Replacement PC's and Printers	\$ 70,000	70,000	70,000	70,000	70,000
GIS Workstations	-	15,000	-	15,000	-
Network equip	65,000	175,000	140,000	235,000	50,000
Wide Area Network	180,000	-	-	-	-
Upgrade of servers	-	-	-	-	180,000
CAD PC Replacements	10,000	10,000	10,000	10,000	10,000
Total - Replacement Programs	325,000	270,000	220,000	330,000	310,000
Local & Wide Area Network					
City Hall - LAN - Cabling & Equip	30,000	50,000	60,000	30,000	120,000
Total - Local & Wide Area Network	30,000	50,000	60,000	30,000	120,000
GIS					
Hardware upgrades/replacement	5,000	5,000	10,000	5,000	30,000
Software upgrades	5,000	5,000	10,000	5,000	10,000
Total GIS	10,000	10,000	20,000	10,000	40,000
E-Gov	65,000	40,000	40,000	20,000	30,000
Software Upgrades					
Office (Word,Excel,Access,Power Point)	-	110,000	-	-	-
Exchange upgrade	200,000	-	-	-	-
Software upgrades	-	-	139,000	112,000	80,000
Total Software Upgrades	200,000	110,000	139,000	112,000	80,000
New Hardware & Software Purchases					
Work Order Management	25,000	-	-	-	-
Hardware & Software Purchases	52,000	105,000	85,174	104,000	70,734
Total New Hardware & Software	77,000	105,000	85,174	104,000	70,734
Public Safety					
Police Upgrades	218,000	109,000	149,000	149,000	149,000
Police Laptops	36,000	105,000	125,000	125,000	125,000
E citation	118,000	-	-	-	-
Total Public Safety	372,000	214,000	274,000	274,000	274,000
Total Expenditures	\$ 1,079,000	799,000	838,174	880,000	924,734
Funding					
General Fund MIS allocation	\$ 760,574	798,603	838,533	880,460	924,483
Carryover	200,000	-	-	-	-
Grants	118,000	-	-	-	-
Total Funding	1,078,574	798,603	838,533	880,460	924,483
Excess/(deficit) Funding over Expenditures	(426)	(397)	359	460	(251)

2005 UPDATES

Rural Policy Institute

The concerns that initiated discussion for the need for a Rural Policy Institute (RPI) continue to be valid. These concerns are related to high poverty, low-income levels, poor access to quality health care, inadequate transportation infrastructure, and limited high-technology communication capability. The Alliance Management and Policy Groups continue to support development of and funding for the Rural Policy Institute (RPI). Options for institutional hosting of the RPI, including Northern Arizona University are being researched and analyzed for recommendations to Alliance members and member agencies.

E-Government and Credit Cards

FY 2004-05 brought a number of customer service improvements to the City website. These include:

- Fully accessible and linked City Council Agendas
- GIS available for the first time online
- Engineering Design Standards available
- City projects and programs with a high level of citizen interest were placed prominently on the website homepage including the Mall development, Conference Center, Policies, Election information, Water Conservation Measures, Fuel Management, Multi-Hazard Mitigation Plan, and Employee Excellence Awards.

The City website continues to grow providing 24/7 access to City information and services. In 2004 there were 538,004 visits to the website and nearly 8 million hits. On average, 1,469 people visit our site per day while the average hits per day is well over 21,500. The pages most frequented in 2004 included: Jobs, CVB, Community Profile, Events Calendar, Recreation, Airport, Bids links to other resources, and staff directory information.

For FY 2005-06 the City's E-Government Team will be working with the new IS Director to provide a number of new online services. This will include HTE's "Click 2 Gov" allowing customers on the City's website to complete online forms, register for programs, provide customer access to billing information, and online payments. There is a budget of \$30,000 in Public Information and \$65,000 in non-departmental to facilitate maintenance and new E-gov activities.

The trial period for credit card acceptance has been going very smoothly. Next steps include rolling out credit cards to more divisions including recreation, building, and sales tax. The team will work in conjunction with the E-Gov team in the implementation of online credit card acceptance through the installation of the Click 2 Gov software. There is \$55,000 in Customer Service to purchase the Click 2 Gov module

and \$12,600 in recreation to facilitate software purchases that will enable enhanced credit card processing.

Human Resources Reorganization

Human Resources reorganized with the addition of an additional .50 FTE. Council approved an additional 1.00 FTE for FY 04-05 to address succession planning and meet and confer with the understanding that if meet and confer did not pass then only .50 FTE would be approved.

On September 7, 2004, the Council voted down meet and confer. Based on that decision the Human Resources Division was restructured in the following manner:

1. The new half time position was classified as a Human Resources Analyst that is responsible for classification and compensation, and assists with the citywide succession planning. The current Human Resources Analyst who chose to work part-time filled this position.
2. With the transfer of the current Human Resources Analyst to the half time, this created a vacancy and the opportunity to reclassify the position to a Human Resources Supervisor. This position is responsible for the supervision of the support staff and the day-to-day operations of the Division.

This reorganization has allowed the Human Resources Director to become responsible for the leadership of the workforce planning process to include initiating succession planning, reorganizing and developing transition plans in an effort to capitalize on the talents and skills of current employee who are not leaving, retaining the institutional history of employees that are planning to retire, and determining when new employees need to be hired.

The Human Resources Director continues to provide leadership to the Human Resources Division as well as serving as the Affirmative Action Officer (EEO/AA), chair of the Customer Service Committee, and liaison to the EAC and Diversity Awareness Commission.

Succession Planning - Competencies for the Future

Given that approximately 20% of Department Heads, Division Heads, and supervisors are eligible for retirement within the next five years, the City is in the process of implementing a citywide plan for leadership development and succession planning based on competencies.

All Department Heads met in December and in March for the purpose of defining succession planning and

determining leadership competencies for the future. The following is a summary of what has occurred and the next steps:

1. The City has chosen to use a competency-based model for succession planning because clearly defined competencies promote and communicate an organization's strategy and assists employees in understanding and fulfilling that strategy.
2. It was decided that the title "Succession Planning" be changed to "Leadership Talent Development Program," since we want to develop and enhance leadership competencies in the City for today and in the future.
3. The Leadership Talent Development Program will consist of the following:
 - Goal – Establish a systematic transfer of knowledge and development of talent from current leaders to potential leaders.
 - Purpose – Evaluate potential leaders, provide training and development, and career opportunities.
 - Expected Results – Provide a consistent basis for employee evaluation, recruitment, development, and retention of top performers, improve entry level skills and compete with other industries and municipalities for talent.
4. The leadership competencies for talent development are tied to the City's mission and values statement as described below:
 - Accountability
 - Responsiveness
 - Quality
 - Professionalism
 - Teamwork
 - Problem Solving
 - Leadership
 - Change Management Skill
5. The next step is "setting a climate for development." Management Services will be the pilot program and will be the first to go through this process. The second department will be Public Works. Once these two departments go through the process, it will be taken out to the rest of the departments.

East Flagstaff Community Library and Americans with Disabilities Act Compliance

As of Fall 2004, the East Flagstaff Library is open seven days a week. Branch Manager Bill Landau and staff have made this a very popular library and are enjoying great community support. Approximately 15,000 people are using the library every month.

Coconino County Library District

Staff from the Flagstaff City – Coconino County Public Library continues to provide support and assistance to

the public libraries throughout Coconino County. New computers and software have been distributed, and numerous site visits have been made. Sedona Public Library and Tuba City Public Library have completed the State Library's "Planning for Results" program, and Grand Canyon Community Library has begun the process. Using funds from the Coconino County Library District, Fredonia Public Library has made dramatic improvements to the building and grounds. Also, the Page Public Library was named one of the five best small libraries in the nation by Library Journal.

Community Investment Division

Mission

The Community Investment Division prepares plans and implements programs and projects for the City's future growth and development in a manner that preserves our region's livability, sense of community and the natural environment. The Division works to ensure that Flagstaff has a compact land use pattern that provides for: Open Space; Land Use and Growth Management; Housing and Neighborhoods; Historic Preservation; Commercial Development; Industry and Employment; and Infill and Reinvestment.

The Community Investment Division's work program for the coming year will focus on projects and programs that directly address the underlying principles of the Regional Plan. The Division will collaborate with a number of other divisions and departments to accomplish this work program including: Development Services; Community Improvements; FMPO; and Environmental Services.

Compact Land Use Pattern

Community Investment staff will be reviewing the Land Development Code to ensure that it is in synch with the adopted Regional Plan. Staff will be recommending to Council the proposed changes during the coming year along with reevaluating the current Land Development Code in its entirety to ensure that this 1991 Code is compatible with the current community goals. This will include the examination of Smart Code options to replace the current Land Development Code with a comprehensive Smart Code.

Greater Opportunities for Affordable Housing

Workforce housing is an ongoing issue for the community. The community has seen double digit increases in housing values, pricing the average family out of the home buying market. Work force housing and the affordability of the community can have a tremendous impact on the community's ability to sustain an economy. Employees without access to affordable housing will leave the market, jeopardizing the community's economic viability.

The Housing Section, once a staff of one, will now be staffed with four housing professionals early in the next fiscal year. This expanded program will allow the City to address affordability and community services including:

Community Development Block Grants

The City will be distributing almost \$1 million in funding this year. Programs to be funded include:

- Owner Occupied Housing Rehabilitation
- Construction of New Homes for Sale to Low Income Households
- Acquisition and Rehabilitation
- Home Buyer Assistance Loans for Down Payment and Closing Costs
- Community Homebuyer Assistance Program
- Sharon Manor Transitional Housing
- Eviction and Mortgage foreclosure program
- Youth Crisis Intervention and Stabilization
- Community Land Trust Program

Other Housing activities to be undertaken during the fiscal year include:

- Creation of a new Consolidated Plan. This plan is submitted to HUD once every five years and describes the housing, economic, social and human development needs of low-income persons in Flagstaff and prescribes a five-year strategy to address them.
- An analysis of the impediments to fair housing.
- Completion of the Annual Action Plan, which is submitted to HUD in the spring and is essentially the "grant application" for the City. It details the decision of the City Council on how CDBG funds for the next fiscal year will be spent.
- The Consolidated Annual Performance Evaluation Report (CAPER) submitted to HUD in the fall details how the funding from the previous fiscal year was spent and what the funded programs accomplished.

Other Housing Planning Efforts

Staff will continue with their participation in the Community Planning with the Northern Arizona Homeless Network and the Resource Action Network of Northern Arizona. Housing staff will also be working on neighborhood planning and opportunities for the use of various programs in targeted neighborhoods.

Community Land Trust Program

The Flagstaff City Council, in an effort to provide a new option in homeownership for the residents of Flagstaff, has taken the lead in the creation of a Community Land Trust Program for affordable housing in our community.

In many communities today, including Flagstaff, population growth and economic investment are driving up real estate prices so that fewer and fewer working people can afford to live in the communities where they work. Fewer still can afford to buy homes in those communities. To address this problem, community land trusts have been developed in a growing number of communities - in expanding metropolitan areas from Cleveland, Ohio to Portland, Oregon; in university communities from State College, Pennsylvania, to Boulder, Colorado; in resort communities from the

Florida Keys to the San Juan Islands of Washington State. Community Land Trusts control housing costs by permanently limiting land costs and "locking in" subsidies that enables the creation of long term affordability for one homeowner after another.

The Land Trust Program Manager, in cooperation with an outside consultant, has been working with a number of community-supported committees to deal with many concerns including legal issues, outreach, and program structure. It is anticipated that the Land Trust Program will be operational by the end of 2005.

Workforce Housing Initiatives

Under the leadership of the new Housing Manager, and in cooperation with the Housing Planner, the Division will be working with local employers to address ways to create additional workforce housing opportunities. Programs to be explored include Employer Downtown Payment Assistance in cooperation with other agencies like Fannie Mae. This would allow an employer to provide a second mortgage to retain existing employees and to attract new recruits. The employee would repay the down payment assistance upon termination or refinancing.

Neighborhood and District Planning

Good ideas, planned and built in the optimum locations of the region, and at the right time, can occur on a regular basis only if the city continues to take a leadership role and supports neighborhood, district planning and urban design efforts to foster and accommodate those good ideas throughout various areas of the city. Because of proactive planning, we will be able to develop an inventory of reinvestment sites, corridors and neighborhoods, all of which can offer viable choices for quality public and private reinvestment, and respond to the individual market forces and opportunities of those areas.

The purpose of ongoing planning is to develop and publicly discuss some very specific concepts and strategies that are grounded in economics, marketing, and quality urban design while achieving support from the neighborhood or district, the City Council, and all levels of potential private investors and developers.

Plaza Vieja

This neighborhood is one of Flagstaff's oldest and has been pressured on many sides by encroachment of new development and is literally surrounded by transportation corridors: Milton/Route 66, Clay Avenue and the BNSF Railway.

The neighborhood association has requested a similar effort to the one that the City recently completed on the Southside. The effort would be executed by City staff and include a neighborhood plan, educational outreach, promotion of available housing programs, transportation, and capital infrastructure analysis.

The final product will include a comprehensive neighborhood plan that could include the adoption of a citywide Property Maintenance Ordinance, an examination of our current enforcement efforts and changes to the Land Development Code.

Route 66

After a preliminary visioning process as part of the Flagstaff Image Program, a more thorough analysis of the Route 66 inventory will be completed along with identification of reinvestment sites and strategies. This could include partial National Register of Historic Places Listing of certain properties as part of a National Register Thematic District, rehabilitation, demolition, and infill. Treatment of the streetscape along Route 66 will also be examined in concert with the Historic Preservation Commission.

Since Route 66 is a national icon, this area could potentially become a major asset to the community. The majority of the corridor was identified for redevelopment and infill in the Regional Plan. The corridor, if not addressed, could develop into a major liability for the community as existing motels and businesses continue to decline and inappropriate infill occurs. Proper planning will also allow for a more logical redevelopment rather than the haphazard demolitions and abandonment that have been seen to date. The Route 66 Corridor has been nominated as part of a national Route 66 corridor, which may also make the area available for some federal funding for renovation.

Milton Road

Milton Road is one of the major gateways into the community and is also the first impression of our community when arriving from the south. Today, it is a conglomeration of signs, architecture, access points, driveways, and is filled with congestion and potentially dangerous areas for vehicles, pedestrians and bicyclists. Growth in the community will only make these matters worse. Also, this is an area of tremendous increase in property values since it is perceived as one of Flagstaff's main commercial corridors. The current conditions have identified this corridor as an area that needs to be addressed from many angles including first impressions, safety, and ultimate redevelopment.

Staff will be working with the Flagstaff Metropolitan Planning Organization on the implementation of portions of the recommendations from the Urban Mobility Study for Milton Road. This includes working with stakeholders and users on a median plan, access management control, landscaping, and design and signage standards. The final work product may include prototypical sections, preservation of view corridors, overall character, and the creation of gateways into the community. The project will address immediate opportunities along with a longer-term implementation strategy.

Southside

Staff will also continue working with the Southside Community Association on the implementation of the Southside 2005 Master Plan.

Implementation of the Regional Plan requires the City to be proactive and prepare neighborhoods such as the Southside for stabilization and to be attractive for quality reinvestment. The Southside 2005 Plan has a complex strategy for implementation of the revitalization and stabilization of the neighborhood. We will begin implementing the following strategies during the year:

- Streetscape and traffic improvements on Beaver and San Francisco streets including traffic calming measures.
- Pedestrian and bike connections along Humphreys Street in cooperation with NAU.
- Examination of an Urban Conservation Zone, Historic Overlay or other methods to preserve the critical character of the neighborhood.
- Exploring other options including use of a Property Maintenance Ordinance.

Annexation Policy

The City will take a proactive role in annexation policy development. This will include the retention of a consultant to look at ways to better measure the community impact of annexations as well as developing a streamlined process where the City believes annexations will have a positive community impact by consolidating County islands within the City limits or where City services could logically be extended. This analysis is designed to determine the best approach to proceed with a petition and discuss alternatives with property owners, other stakeholders and the City Council. The Regional Plan will serve as a guide to where annexations may occur.

Redevelopment and Reinvestment

The Flagstaff City Council adopted its first Redevelopment Ordinance and Redevelopment Area Plan in 1992. The Regional Plan calls for extensive redevelopment and reinvestment throughout the community with more than 2890 acres designated for reinvestment and infill.

Reinvestment and Infill Programs

During the past several years, Flagstaff has become known as an area willing to explore partnerships and outstanding private developments.

The community has also come under greater scrutiny as the private investment community weighs long term investment options in Flagstaff.

In order for the community to remain attractive to outside investment, we need to continue to improve the overall image of the community. Even the Grand Canyon realizes the need to add attractions and improve its customer experience. Since the early 1900's, the Park Service and others have added to or improved the visitor

experience. El Tovar, the Hopi House, and Lookout Tower were all added to enable a visitor to stay longer at the Canyon. The recent \$4 million renovation of El Tovar was designed to improve and enhance the visitor experience.

Using the Regional Plan as a guide, the Community Investment Division proposes improving the community's character to reflect and enhance the community's unique history, culture, and natural and built environments. This includes the promotion of Districts and Neighborhoods that contain a mix of land uses, both vertically and horizontally.

Infill Incentive Districts

Arizona Statute §9-499.10 allows governing bodies of a city or town to designate infill incentive districts in an area in the city that meets at least three of the following requirements:

1. There is a large number of vacant older or dilapidated buildings or structures
2. There is a large number of vacant or underused parcels of property, obsolete or inappropriate lot or parcel sizes or environmentally contaminated sites
3. There is a large number of buildings or other places where nuisances exist or occur
4. There is an absence of development and investment activity compared to other areas in the city or town
5. There is a high occurrence of crime
6. There is a continuing decline in population.

If the governing body establishes an infill incentive district, it shall adopt an infill incentive plan to encourage redevelopment in the district. The plan may include:

1. Expedited zoning or rezoning procedures
2. Expedited processing of plans and proposals
3. Waivers of municipal fees for development activities as long as the waivers are not funded by other development fees
4. Relief from development standards.

Incentive Policy

Staff will be reviewing the current infrastructure incentive policy and will be completing a policy white paper for Council on incentive use for redevelopment and business attraction and retention.

Downtown Gateway East

This area, previously slated for a proposed Conference Center and Hotel, will have new proposals solicited for housing, retail and office space. Current office space demands from certain parties may drive the office component. This is a critical site within the Downtown area that could serve as both the termination of the Aspen Corridor and as the gateway into Downtown. Since a large portion also impacts Route 66, there are additional opportunities to impact the character and feel of Route 66. The project would also incorporate the existing Downtown Post Office. City participation in the project could include City contributions towards a public

parking garage that was identified through the Conference Center process as a major need in Downtown. The City may also financially assist in the relocation of the Post Office to allow for a greater density in Downtown. The goal is to create a development that complements the scale and character of the existing historic Downtown that will bring new users to support the existing businesses and also provide additional community amenities such as parking.

Downtown Parking District

Public parking has been identified as a major problem in the Downtown area for almost ten years. Staff will work with the Downtown businesses and property owners to update the Main Street Parking Plan. New technologies may allow for an aesthetic parking control system that is also highly reliable, energy efficient and user friendly. Without a management district, it is unlikely that new public parking will be successful.

East Flagstaff Gateway

Staff will continue to work with the Lease Transfer Company, the Auto Park and with Westcor on tenancing issues. The goal is to have an Auto Park and Marketplace that are seamless in design theme. Staff will also be working the proposed mixed-use parcel adjacent to the Mall to ensure that there is continuity between the two projects. Staff will also be working on the disposition of property adjacent to the new Empire Extension to promote redevelopment in the area.

USGS

The USGS Campus Master Plan has been completed. The General Services Administration (GSA) is working with the Survey to begin the Campus redevelopment sometime in 2006.

A Request for Proposals has been issued for the USGS Science and Technology Park. It is anticipated that a developer will be recommended to Council by the end of 2005. Development teams will include an architect, contractor, developer, lender and potential tenants. The City will be seeking a team with substantial science and technology park experience.

GSA

The City has developed a relationship with the General Services Administration staff through the USGS and FBI process. The GSA's goal is to relocate/expand existing and new federal programs to Flagstaff. The City's goal is to relocate non-security related programs and agencies into the Central Business District.

Fourth Street/Route 66

Staff will be marketing these properties for redevelopment. They are residual parcels from the Fourth Street Overpass. Redevelopment proposers will be required to complete the connection of the FUTS trail through the area.

Urban Design Studio

Staff is recommending that surplus City space, either in the Hunter House or at APS, be used as a studio space where consultants and staff can meet with the public to discuss the large number of design projects that will be underway this next fiscal year. Also, NAU's Planning students and professors have expressed interest in working with consultants and City staff on a number of design and planning projects. A recent NAU class completed an use inventory of the Southside. The Studio would provide better public access to project information and allow additional opportunity for student interaction.

Historic Preservation

Staff will be working on the necessary changes to the Historic Preservation Ordinance to include signage in the program. Changes would require a Certificate of Appropriateness from the Commission to accompany any sign permit application within the Historic Design Review District.

- The Historic Facade and Sign program will continue with the available remaining funding. Projects completed in the last year include:
- Western Hills Motel sign restoration
- Frisco Street Grille sign
- Starlite Lanes dark skies compliance and retro sign
- Single-family house restoration in Southside
- Monte Vista window sill and masonry repairs
- Hong Kong Diner/Margarita Cafe tile replacement

Public Art

Staff will be working with the Public Art Committee for the integration of new public art into the community.

Staff will coordinate the start of the installation of the proposed neon art corridor along East Route 66. It is anticipated that at least three pieces will be installed this year.

Economic Development Opportunities

Staff has been working with the proposed Flagstaff Auto Park dealers on a proposed mechanic training facility. The Coconino Community College has expressed interest in operating such a facility. Staff is working with the dealers on the feasibility of possible funding from manufacturers for a new building and the necessary equipment. The City will work on a possible facility location. This program could be a model training facility that would attract students, not only from Flagstaff, but also the entire region. The facility would address a critical shortage of trained mechanics. It could also serve as an additional training facility for automotive manufacturers for new products.

Staff is also working on addressing several other areas for professional training that have been identified by users in the community.

Marketing

Staff began a national marketing campaign two years ago promoting Flagstaff as a business and retail destination for companies seeking a regional retail economic base and for those businesses seeking a higher quality of life for their employees. Typically, it takes two to three years to begin to influence decision-makers regarding a market's viability. Currently, we are seeing activity from a number of retailers that would not have considered Flagstaff, even a year ago. Staff proposes to continue this program and also include marketing our Requests for Proposals to a wider audience. Staff will be attending the Urban Land Institute Fall National Conference, ICSC Western Regional Conference and ICSC International Conference.

Development Fees

The City of Flagstaff commissioned a review of Development Fees in 2002 by Maximus. That study showed that the City did not recover the majority of costs associated with the review of development projects except for those fees associated with building permits. Since that time, the number and size of new development cases has increased substantially.

Based on the Maximus Study, items like Tentative Plats recovered only approximately 10 percent of their costs in 2002. Fees associated with rezoning cases recovered only about 20 percent of their costs. On some of the larger projects currently being proposed, the cost recovery would be substantially less.

Staff is recommending to Council that during the next fiscal year, fees are reviewed and that the existing fee schedule be updated to provide for a greater cost recovery on the majority of existing fees. Staff is asking that Council consider a policy where new development pays for itself.

Staff is currently updating the other cities fees that Flagstaff was compared to and will present Council with a comparable list, along with proposed stages of cost recovery for the Council to review and discuss. Staff will also be asking Council to consider adopting some fees that were not even considered during the Maximus Study. This would include fees for Home Occupation Permits, Minor Land Divisions, Lot Splits, requests for extensions by an applicant, Temporary Use Permits, revisions to site plans and comprehensive sign plans.

Staff plans to bring forward to Council proposed fees for consideration before the end of 2005.

Fuel Management Update

Recognizing that catastrophic wildfire and the degradation of the ponderosa pine ecosystem is a community quality of life issue, the City is analyzing how to best fund this ongoing effort as grant funds are drying up.

In the late 1990's, grants became available for on-the-ground fuels treatments and Flagstaff pursued these dollars resulting in approximately \$1.3 million in grant awards over the past few years to fund activities. As other communities caught up with Flagstaff's efforts, grant competition increased.

In addition, the Greater Flagstaff Forest Partnership (GFFP) has passed through more than \$1.3 million in the past seven years to fund major scientific studies to stimulate interest in private industry locating in Flagstaff. This is important, as it will take the private sector to stimulate tree removal as one aspect of economic development.

The following points illustrate the nature of this being a community issue that needs ongoing community support.

- Major landscape-level projects are underway and others are planned, but it will take a thriving small products industry to cause treatments to be expedited before the ecosystem is lost.
- Community and neighborhood actions are also necessary through engineering new subdivisions, educating the population, and enforcing action in older at-risk neighborhoods.
- The Community Wildfire Protection Plan development and oversight, the Multi-Jurisdictional Hazard Mitigation Plan development and oversight, the Governors Advisory and Oversight participation, and participation in the Greater Flagstaff Forests Partnership place increased demands on existing Fire Department capacity.
- Additional demands for service will require increased capacity.
- Funding mechanisms beyond fuels treatment grants must be explored.

The Flagstaff Fire Department recognizes the competing demands for financial resources and appreciates the support shown for Fuel Management funding to date.

Homeland Defense Update

Homeland defense efforts continue to be a high priority for the Department. Being the regional hub of Northern Arizona places additional responsibilities on our personnel having a special obligation to be prepared and vigilant. All of these efforts, which are labor intensive, have to be performed utilizing existing personnel. In addition, they must be conducted over and above providing all the other normal police services devoted to community. The following are brief descriptions of the different tasks being performed related to homeland defense:

- As part of a U.S. Department of Justice program, over a hundred volunteers from the community have been selected to participate in Citizen Emergency Response Teams (C.E.R.T.).

- One officer has been assigned full time to the F.B.I.'s Joint Terrorism Task Force (J.T.T.F.) for the Flagstaff region.
- Additional security is being provided by officers at and around the critical infrastructures in the community.
- Additional training for personnel in homeland defense related topics continues to be performed.
- Considerable effort is being spent participating in a variety of committees at the regional and state level.
- The Department is in the process of developing a Crime Free Hotel/Motel Program
- Members of the Department have been working diligently on different grants associated with homeland defense.

Intergovernmental Agreement for Technology Services at the LEAF

In late 2004, the City of Flagstaff entered into an Inter-Governmental Agreement (IGA) with Coconino County for the Sheriffs Office to provide technology services. This occurred as an outgrowth of the Flagstaff Police Department and Coconino County Sheriff's Office co-location. Shared services have been refined and adjusted as needs were identified. Each agency initially handled much of its own technology needs with all agencies being on the Coconino County computer network. It became quickly evident that a centralization of technology services would better suit the needs of each agency. Since the County was handling the management of the system, the obvious course of action was for the Sheriffs Department to assume all technology services.

The approved IGA outlines the following services to be provided:

- Managing and supporting Network Systems, Law Enforcement Software and other software for CCSO and the Jail, and Flagstaff, Williams and NAU Police Departments.
- Managing and supporting Radio Systems for CCSO, FPD, Jail and NAUPD.
- Managing and supporting Telephone Systems for CCSO, Jail and FPD.

The two City IT Technician positions were transferred to the County in January. In addition, the Sheriff's Office filled a new position of CAD Mapping Programmer that is responsible for maintaining the CAD Map. These positions report to the Sheriffs Office Network Systems at the direction of the County Network Systems Manager.

In summary, the centralization of services called for under this IGA has led to a more equal cost for all users, as well as provide services that have been sourced out or performed by staff that was not in the best interest of either department.

Brownfield Program

The City Council approved the implementation of a new Brownfield Program within the Environmental Services Division in fiscal year 2004-05. Since July, the Division has gone through a reorganization to accommodate this new program within the Conservation Program and the position was filled effective February 2005.

With the recent hiring of the Brownfield Specialist, the Brownfield Program has quickly become a productive one. The first action was to rename the program the Brownfield Land Recycling Program with the intent of providing better insight into the purpose of the program as soon as people see the name. In addition, the Specialist has spent considerable time researching brownfield issues, funding sources, and other municipal and regional brownfield efforts. The City is working to identify a pilot project that will serve as a tool for future brownfield projects.

The program is also moving toward creating a full work program that includes identifying and completing proper training for staff, meeting with other City departments and the public, and completing an inventory of potential brownfield sites. Once the Brownfield Technician position is filled, additional duties will include the application for available grant funding early in the upcoming fiscal year, to increase public outreach and community education of the program, and establish goals for funding and projects.

Waste Tire Program

The Environmental Services Division received notice from the County Highway Department that they were not interested in pursuing an Inter-governmental Agreement (IGA) for waste tire services at this time. The original concept was to use funds received by the County for waste tire disposal to purchase a waste tire/wood waste grinder and use the tire shreds for alternative daily cover at the landfill.

The County previously expressed concerns regarding the use of tire shreds as daily cover. After being notified of this decision regarding the waste tire program, Environmental Services will now focus on purchasing a new wood waste grinder to continue with our wood waste diversion program. In addition, the Waste Tire Operator position for the Landfill approved by Council last year is no longer necessary.

Water Policy Development and Conservation

The City Council has identified water resource development and water conservation as priority issues. Addressing these Council concerns has continued through FY 05 and into FY 06.

Water resource development progress includes:

- Short-term – With City Council approval the new water well drilled along Babbitt Way will be equipped during FY 06. Testing has been done for several new well locations in the immediate Flagstaff vicinity. Test holes will be drilled during CY 05 to determine the viability of the proposed sites. Funding is available to drill four additional water wells from the May 2004 Bond Program.
- Long-term – The Utilities Department evaluated the Red Gap Ranch proposal during FY 04 and recommended the City of Flagstaff not make the purchase at that time. A similar proposal was submitted to the Water Commission on March 17, 2005 and will continue to be evaluated as additional hydrologic information becomes available on the area from the Bureau of Reclamation. Discussions have taken place with the Navajo and Hopi regarding the possibility of a regional water management consortium and continue to take place. The 2004 Bond Program has made available \$15,000,000 to procure water resources for future growth.

Water conservation efforts include:

- Waterless urinals were installed in all public schools with the help of a Bureau of Reclamation water conservation grant.
- Permanent infrastructure is in the process of being installed for SCA Tissue's conversion to reclaimed water. SCA was the City of Flagstaff's second largest potable water user.
- The Department has budgeted for and is in the process of initiating a low-water use rinse-spray project for restaurants.
- Rebates are budgeted for and will be offered for low-water use washing machines in FY 06.
- With the assistance of the Building Division, requirements for gray water systems were relaxed to provide additional incentive for their installation by private residences.
- The upgrading of the Wildcat Hill Wastewater Plant to enable production of Class A+ reclaimed water continues. Construction should begin the summer of 2006.
- Reclaimed water was extended to Christensen School.

Judicial Work Load at the Flagstaff Municipal Court

During the last several years the number of cases handled by the court has continued to increase. In 1995 the caseload was at 17,856 filed, in 2004 21,795 cases filed. This increase in workload is due to increases in population, more officers on the street, and changes in law. An increase in cases means an increase in files, paperwork, events and court hearings that we must handle. We have experienced an even sharper increase in criminal case filings. In 1995 we had a DUI filings of

1,086 and in 2004 we had 2,508. This represents an increase of 131% in the past ten years. During the past ten years we have not added to our judicial staff, but have been able to handle the increases through modification of processes and other efficiencies.

It is anticipated that the trend will continue or may even due to continued changes that have an impact on court operations. Efficiencies can only go so far before the court must deal with the case load and be able to maintain the legally required process within the appropriate time lines.

Some alternatives include:

- The application of modern case management procedures
- Continued work with all parties in the criminal justice system to streamline the process.
- The implementation of Specialized Courts, including a Mental Health court, a Domestic Violence Court, and a DUI/Drug Court.
- Work with all members of the criminal justice community in key areas to connect the various aspects of the criminal process into an overall plan to improve efficiency.
- Expanding court operations through the addition of a full time magistrate and support staff and by moving to a staggered day schedule, requiring the court to have an “evening court” calendar keeping the courthouse open until 8:00 p.m. on weekdays.

For the court to continue to handle the expanding workload, the court is asking the City to be proactive before the situation reaches a crisis stage.

2006 ISSUES

Revenue Enhancements

The City of Flagstaff continues to look for ways to balance future budget through revenue enhancement both for external and internal demands.

Successful prior efforts include:

- The completion of a user fee study in 2001 that resulted in subsequent increases in fire subscription rates, parks and recreation equipment and user fees, cemetery fees, building fees, development and review fees, and facility rental fees.
- Implementation of a Stormwater utility
- Implementation of indirect cost recovery for grants

Future efforts are directed toward two goals. The first is to grow ongoing revenue through a combination of user fee increases, a reduction in sales tax exemptions, and property tax increases. The second is to bring permanence to the city sales tax, BBB tax, and transit tax revenues.

To address the revenue growth goal, the City is:

- Reviewing exemptions currently granted in the city sales tax code
- Evaluating an increase in primary property tax either through a tax increase or through a shift from secondary property tax levy
- Increase various Community Development fees to recover costs

To address the sales tax permanence goal, the City is:

- Proposing to voters to eliminate the 10-year sunset clause on the city sales tax
- Proposing to enact the BBB tax on a permanent basis. It is currently set to expire in 2013
- Separate the transit portion of the transportation tax and designate it as permanent

To accomplish any revenue increase, the City will work with our community partners as well as build in appropriate educational channels for the public.

Sustainability Programs

The City of Flagstaff proposes that the design for the USGS Campus and subsequent construction of the buildings meet basic Leadership in Energy and Environmental Design (LEED) certification.

There are several levels of LEED certification; Basic certification requires 26 points; Silver requires 33 points; Gold certification requires 39 points and Platinum certification requires 52 points, out of a total of 69 points. LEED certification is broken down into six categories with different points assigned to each: Sustainable Site (14 points), water efficiency (5 points), energy and atmosphere (17 points), materials and resources (13 points), indoor environmental quality (15 points), and innovation and design process (5 points).

The cost for basic LEED certification is expected to add between five and eight percent to the cost of construction

Additional information includes:

The U.S. Green Building Council (USGBC), Construction Specifications Institute (CSI) and the Sustainable Design principles movement in the United States and Europe back the LEED certifications.

Coconino County, Coconino Community College and NAU educators have pushed forward a resolution to recommend and support green buildings and sustainable designs within Coconino County.

The “Whole Building Design” Guide has teamed up with U.S. Green Buildings to facilitate the sharing of resources and best practices between private, public, and federal sectors.

Despite adding a small percentage to the initial cost of the facility, the savings in long term use and sustainability of the facilities should provide great

benefits. The opportunity to build structures right the first time and have them last will realize a financial benefit to the community and the users of the facilities.

ISO Rating

In August 2004, the Insurance Service Organization (ISO) conducted a review of the cities fire insurance classification. Areas of evaluation included Receiving and Handling Alarms, Fire Department, and Water Supply. This is a process that occurs every ten years.

In October 2004, the ISO issued its preliminary findings regarding its 2004 Public Fire Protection evaluation for the City of Flagstaff. The findings are generally favorable, however the proposed ISO rating would have resulted in a reduction in our municipal class rating from a Class 2/8B to a Class 3/8B. Though a reduction in our class rating will have no impact on residential insurance premiums, this rate change may impact a number of commercial properties by increasing their annual premiums up to 1.5%.

The City subsequently sent a letter to the ISO containing recommendations to maintain the City's current Class #2 rating.

The City recommendations are:

- Increase Dispatch staffing levels from an average of 4.17 to 6.00 operators.
- Add an additional aerial truck to the Fire Department fleet. (Bond)

In February 2005, the ISO responded to the City indicating that if the changes recommended are implemented, then no reclassification action will take place and the City will maintain the existing Class #2 rating. The City is implementing these changes.

Municipal Compost Program

The City's next step in sustainable planning is to develop a large-scale organic recycling or compost program which will allow the City to manage waste more responsibly and will help maintain the value of our natural resources.

Previous efforts have included workshops for the public, in-class school composting programs, tours of the New Start Compost Demonstration Site, and a backyard composting program for both city and county residents.

Moving to a large-scale compost program would enable the City to substantially affect the remaining waste stream, while creating a marketable product. The potential exists to compost up to 60% of remaining municipal solid waste (MSW) reducing what is landfilled. Other benefits of composting include the potential to compost the City's sewage sludge and manage other organic feedstock such as small diameter wood from

forest thinning projects. Municipal composting is a proven economically feasible option once avoided costs are factored in and the resulting compost product is sold.

The Cinder Lake Landfill is a viable candidate for a large scale composting operation. The existing 110 acre footprint has an estimated closure date of 2019 and the development of MSW Composting would delay the closure, create a marketable product, reduce or eliminate the need to inject biosolids, make use of the moisture in sewage sludge, and add to our existing sustainable waste management plan. In addition, the new compost facility could make use of alternative energy (wind and solar) for operation and be constructed sustainably.

Staff has identified numerous phases of a municipal compost program and a full-scale compost program would be several years away. There are potential immediate costs that would have to be incurred to move beyond the conception phase. Most notably, a marketing analysis would be needed from an outside consulting firm at a cost of approximately \$15,000 to \$25,000. This analysis is included in the FY 2006 budget.

Further development of the Municipal Compost Program is the best option in order for more sustainable MSW management to occur. Grant funds might support smaller attempts to manage the organic portion of waste, but we would have to rely on drop off of material or a change in the waste collection program.

The recommendation is to continue research into the viability of a Municipal Compost Program in order to provide further recommendations. With the opportunity to transform 60% of all MSW currently being landfilled into compost, while making beneficial use of biosolids, the program has the ability to become the most substantial waste management program in Flagstaff's history. With a goal of diverting a majority of the remaining waste, the City of Flagstaff could become an example for other municipalities.

Wind Power Projects

Abundant and renewable, wind power is one of the world's fastest growing electrical generation technology. By installing wind turbines where power is consumed on-site, municipalities can realize energy savings over a relatively short period of investment. The Environmental Services Division has been researching the possibility of energy from wind at the Cinder Lake Landfill for the past several months, and has concluded through preliminary data collection that there is a substantial resource available to warrant the installation of a wind turbine on site.

Preliminary wind data has been collected at the Landfill and supports the premise that the City should see immediate benefits from a small-scale demonstration

turbine project at Cinder Lake Landfill. A two-phased program is proposed for FY 2006 that will run concurrently.

First, a proposed on-site turbine will be installed to provide approximately half of the current power needs at both the Landfill Administration building as well as the Household Hazardous Products Collection Center (HHPCC).

The second component includes the installation of an anemometer (provided by NAU's Sustainable Energy Solutions Program) at the landfill to accurately measure the current wind resources in the area. This type of data is necessary to determine the scale of the potential future wind projects at the Landfill.

Staff has concluded that a conservative payback time for turbine expenses will be approximately 4-6 years, based on power output and actual utility history at the Landfill facilities.

The future for wind power projects at City facilities can be determined through the information gathered with a wind power pilot project at Cinder Lake Landfill. Not only will valuable wind data be collected with the loan anemometer, it will be possible to determine the true benefits of municipal wind projects as well as the communities' response to renewable projects.

Telecommunications

Flagstaff is challenged to have sufficient infrastructure within the city to meet the telecommunication needs. Redundant systems for Internet infrastructure will alleviate some risk, with fiber optic cable as the preferred alternative for a community solution. There is no map of where fiber optic cable resides in our community and future development is reliant on having a better understanding of where this infrastructure resides.

The City's current wireless system was designed several years ago and has been plagued a number of issues which has caused reliability problems for outlying locations. This lack of service in these locations hampers their ability to perform their day-to-day work. In addition the Utilities department has contracted for software that will utilize laptops with mobile wireless capability. The City is evaluating proposals that will provide a 99.9% service delivery to city facilities.

To address economic development needs, many communities have created wireless communication networks (hot spots) in key areas of their cities. There are many reasons for creating such networks including: providing tourists a convenient method to access the internet; providing citizens internet accessible areas of the community that may not be otherwise served; educational opportunities for students; and possible enhancement to businesses.

There are many models of establishing such communication systems, depending on needs, current communication infrastructure, goals, and resources of the community. One strategy includes waiting until the private sector creates a communication infrastructure that encompasses the entire community, including creating "hot spots. Another is by the City taking the lead and creating a wireless network, which is usually accomplished through an RFP. By the City taking on the task, the community does not need to wait for the private sector, and accessibility may be granted to parts of the community that may not otherwise have been served by the private sector. The greatest disadvantage is the City is assuming the responsibility for the operation and maintenance of the system, even though there may be certain cost recovery methods that cities can implement (i.e. subscription fee) to offset the costs of developing and maintaining the system.

A third model is the community partnering in any number of ways with the private sector to develop, build, and run a network, again, accessible to either a very narrow or large geographical area depending on the community. Obviously, this model shares the risk (cost) as well as the return on revenue.

Staff will continue to work on all fronts to assure the City can meet both the internal and external demands for stability and availability of a telecommunication network.

Stormwater Program and Rates

In the coming fiscal year, the Stormwater program is proposing additional staff and resources related to the mandated NPDES Permit activities, a proposed drainage spot improvement program and an increase in funding to cover the cost of the existing program. A summary of the Program requests and changes are as follows:

- The addition of a Floodplain Inspector
- The addition of a one-half time Intern
- Funding for a drainage spot improvement program
- Increase the funding level to cover the cost of the existing program.

The current utility rate of \$0.53 does not adequately fund the Stormwater program. Staff has run the rate model with the existing program elements and determined the appropriate rate to cover the existing program is \$0.75.

The rate model was also updated to include the proposed program additions previously listed, increasing the rate to \$1.30 per ERU.

Staff is recommending that the Stormwater utility fee be raised to cover the program additions as well as initiating a fee for the Construction Site BMP Program amounting to a one-time permit fee of \$400. It should be expected that the program fee should generate about \$12,000 per year.

The staff will reinstate the Stormwater Advisory committee to see if all or portions of the program expansion are to be pursued and effect a rate increase to occur in January 2006.

Rio de Flag Flood Control Project

The Rio de Flag flood control project agreement was signed by the City Council in August 2004 in conjunction with the U.S. Army Corps of Engineers. The agreement recognizes that it is necessary to abate this flooding danger and to include the following project features:

- Clay Avenue Wash Detention Basin,
- Clay Avenue Wash channel modifications,
- Bridges replacements and/or modifications from BNSF north to Beal Road,
- Rio de Flag flood control wall between Thorpe Road and Beal Road, and
- Rio de Flag channel modifications through Flagstaff's historic Downtown and Southside areas.

The Federal funding limit for this project is approximately \$33 million dollars. In addition, the City's share is \$21,000,000. As the Non-Federal Sponsor, the City of Flagstaff is responsible for all Lands, Easements, Rights-of-way, Relocations, and Disposals (LERRDs) required for the project including land and easement acquisition, utility relocations, and construction of new bridges.

The Clay Avenue Detention Basin Construction Plans are complete and the USACE is planning to start construction on the basin in the summer of 2005. Construction of the Main Stem Channel Improvements is scheduled to begin in the Spring of 2006. The USACE has developed the Main Stem Channel Improvements 30% Construction Plans. A Value Engineering Study of these plans will be conducted to determine the most cost efficient design. After the Value Engineering Study has been completed, the City and the USACE will determine a revised scope of improvements for the project. Then design of the construction plans will continue and be completed by the end of 2005. Major changes to the project may require changes to the Environmental Impact Statement.

The Flagstaff area will realize many long-term benefits in addition to the primary goal of flood damage reduction. These benefits include the elimination of mandatory flood insurance and restrictive floodplain management regulations, construction costs within areas removed from the floodplain will be decreased, and many redevelopment opportunities in Flagstaff's historic neighborhoods would then be viable.

As federal funding is appropriated annually, it is imperative that the City's interests be protected in maintaining the required Federal and Local funding streams. Funding shortfalls will result in delays in the construction schedule that will be detrimental to the project's implementation (100-year flood protection) and the City's redevelopment initiatives.

