

## **ISSUES AND UPDATES**

### **PERSONAL SERVICE COSTS**

#### **PAY PLAN**

The FY 2005 budget includes a market adjustment of 3% to the City's pay plan for classified employees. The cost of the market adjustment is approximately \$872,687 to all funds. This adjustment is based on a market analysis, which included the same markets as identified in previous survey. The market data includes local, private and public sector information. This recommendation has been presented to EAC.

The pay plan for the Administrative/Technical/Professional (ATP) employees has not changed; it is still open range that means ATP employees do not receive an automatic market adjustment; and any pay increase is based on performance. ATP employees in ranges 7 through 16 will be eligible to receive on average a 6.2% merit increase and ATP employees in Range 17 and above a 5.2% merit increase. The total salary cost for merit increases for ATP employees is estimated to be \$372,179 to all funds.

In addition, the average merit that classified staff will be eligible for is 3.2% costing approximately \$252,982.

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.

Skill base pay was successfully implemented in Collections and Distribution in the Utilities Department. The Wildcat and Rio Plants have been under the skill base pay for the last two years. 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 2005 begins the twelfth 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 is 4.5%. This is well below national trend for plans similar to the City's, which is approximately 14%. The main reason the City is below trend is that employees are educated on how to use the plan; they are utilizing disease management programs, and using physicians in network. However, costs will continue to increase in the future due to prescriptions, technology, cost shifting based on government regulations, as well as plan utilization (claims).

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. There are two plan design changes this year. One is to eliminate Avesis, a discount eye care, and add VSP, and second to increase the lifetime maximum from \$2,000,000 to \$3,000,000.

The FY 2005 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 2005 the total budget for employee only health insurance is \$3,164,283. The total cost of the dependent subsidy to the City is \$1,087,873 that is approximately the same as FY 2004. The increased cost to employees for dependent health insurance will be approximately \$23.76 per month.

Dental insurance premiums, both employee only and dependent, resulted in a rate increase of approximately 10%. The City pays 100% of employee coverage and employees pay 100% for dependent coverage. No plan design changes were made for the FY 2005.

#### **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 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 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 2005 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, 2004.

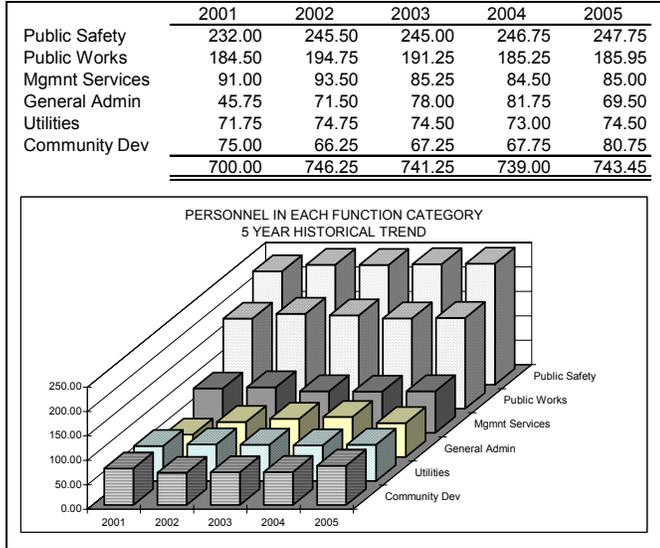
Human Resources received a total of 19 requests for reclassification and 8 requests for rezones. The following shows those positions that were approved:

<b>RECLASSES</b>				
Old Position Classification	Old Range	New Title	New Range	No. of Employees Effected
Library Clerk	3	Library Assistant I	5	1
Library Assistant I	5	Library Assistant II	8	1
Admin Assistant (Utilities)	BBA1	Admin Specialist	BBB2	1
<b>RERANGES</b>				
Old Position Classification	Old Range	New Title	New Range	No. of Employees Effected
City Clerk	11	No Change	12	1
Risk Management Assistant	7	Risk Management Specialist	9	1
Finance/Budget Manager	15	No Change	16	1
Customer Service Manager	12	No Change	13	1
Cemetery Specialist	7	No Change	8	1
Program Assistant	7	Utilities Program Assistant	8	1
CVB Manager	15	CVB Director	16	1
Public Relations Associate	8	Public Relations Manager	12	1
Airport Service Worker I	4	No Change	6	3
Airport Service Worker II	6	No Change	7	3
<b>RETITLES</b>				
Old Position Classification	Old Range	New Title	New Range	No. of Employees Effected
Accounts Payable Clerk/Switchboard Operator	4	Account Clerk I	No Change	
<b>REZONES</b>				
Current Job Title	Old Zone	New Job Title	New Zone	No. of Employees Effected
Administrative Specialist	2	No Change	3	7
Plant Specialist	2	No Change	3	1

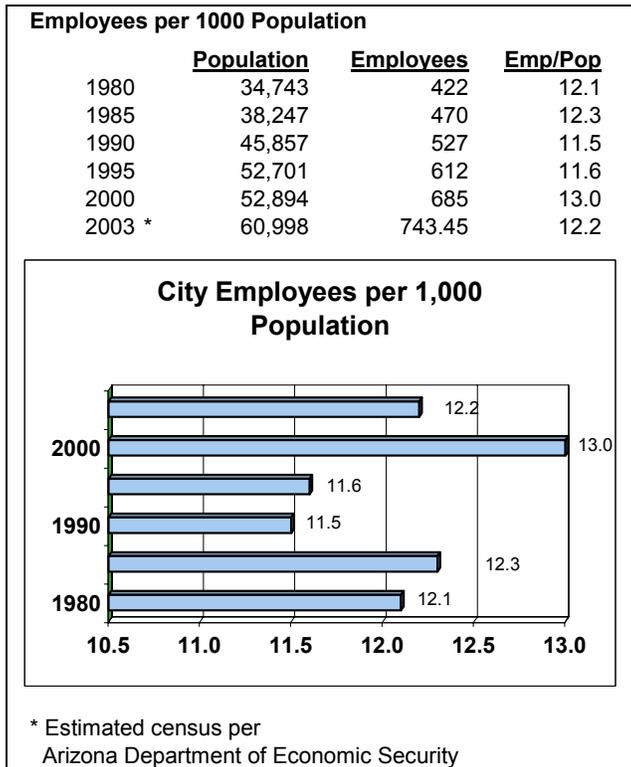
**POSITION ADDITIONS/DELETIONS**

In preparing budget requests for FY 2005, departments were informed that new position requests would not be considered except for:

- 1) Those that could identify a funding source
- 2) Those that are an inappropriate use of temporary positions.



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.



As part of the budget reduction efforts, a Vacancy Review Committee (VRC) was established in FY 2003 to

review open positions. A total of 7.50 FTE's were reduced in FY 2003 through the VRC process. These efforts continued in FY 2004 with a workforce reduction program. The goal was to reduce 20 to 30 positions via the elimination or reduction of City programs. The City set aside dollars for staff training as staff was reassigned to other areas within the City. At the end of this review, a total of 22 positions were identified for elimination, sixteen in the first year by June 30, 2004 and four more by June 30, 2005. To date, the City has not had to effect lay offs; all employment reductions were achieved through retirement, reassignment, or resignation.

**Increased Service Levels:**

As part of ongoing budget reduction efforts, the City completed a programmatic review that identified low priority service areas and resulted in a reduction of 16 FTE's. All permanent staff members were moved to other positions within the City so there was no direct lay off of staff. There are further reductions that may need to occur in following fiscal years and will be assessed throughout the coming year. All staffing increases and reductions that impact FY2005 are detailed below.

**Human Resources (1.25)** The City is facing a number of retirements in the coming five years and it is imperative to begin succession planning now. Additionally, the City needs to have greater organizational development coordination to facilitate current reorganization efforts. Human Resources will take on these tasks through staff increases, additions, and reassignments of duties within the division.

**Library (1.0)** The east Flagstaff library will increase daily operations from five days per week to seven days per week to accommodate Department of Justice, Americans with Disability Act requirements.

**Building Inspection (1.0)** One full time Building Inspector was added to accommodate the Mall expansion project. This position will be funded through the building permit revenue increases generated by the Mall.

**Planning (1.0)** Affordable housing needs continue to grow within the community and the work program is expanding to offer better service to the community. A Housing Manager position will fill gaps in the current program milieu.

**Environmental Services (4.0)** The City will be entering into an IGA with the County to handle the Waste Tire program rather than the County continues to provide this service through an independent contractor. The City will add a Landfill Equipment Operator to accommodate, and the position will be 100% funded through the IGA. Additionally, an Operations Manager position was added to accommodate workload responsibilities within the division. Two positions were added to implement a brownfield program for the City.

**Utilities (1.0)** A GIS analyst position has been added to the Utility department to maintain the GIS systems.

**Tourism (2.0)** Two positions are being added to administer advertisement development and placement. The cost is 100% offset through a reduction in the contract previously held to provide those services.

**Maintaining Service Levels:**

**Information Systems (1.0)** Due to ongoing growth in the number of users and the complexity of information technology maintenance, one Computer Tech is being added to facilitate the work program. The position will be funded through an offset in the annual set aside for MIS acquisitions.

**Police (4.0)** Staffing needs are focused toward maintaining adequate police response during peak times and responding to greater numbers of calls. The Police Department added 3.0 FTE police officers (2 of which are grant funded) and one Police Lieutenant position.

**Parks (2.0)** Inventory in streetscape beautification projects, right of way projects, and FUTS trails have all increased necessitating additional temporary maintenance time to sustain the overall effort. The position costs will be offset through revenue transfers from the BBB tax and the HURF fund.

**Environmental Services (2.0)** The Environmental Service division received authorization in FY2004 for 2 Equipment Operators, however it was required that those positions be attempted to be filled through other staff reductions in the City. Those positions have now been filled and added to the staffing base of environmental services.

**Decreased Service Levels:**

**Management Services (1.0)** Through the service priority evaluation it was determined to not fill an Administrative Specialist position. Duties have been transferred to other personnel throughout the department.

**Library (0.5)** Through the service priority evaluation, the Library decreased Library Page temporary hours.

**Engineering (2.75)** The Survey Party Chief and the Survey Mapping Supervisor positions were eliminated through attrition as part of the budget reduction process. These functions will be replaced through both a reassignment of duties within the division and a decrease in the survey service offered to City departments. Additionally, an administrative assistant position was reassigned within the City.

**Planning (1.0)** A Planning Technician position was eliminated through the budget reduction process. Service reductions to be accommodated through the review and reprioritization of work program needs.

**Police (3.0)** The Police Caseworker position was eliminated and was assumed within the Police Officer FTE count as part of the budget reduction process. Additionally, information systems within the police department at the LEAF will be contracted for through Coconino County eliminating the two Police Information System Technician positions.

**Facilities (2.0)** The Facilities division decreased by 2.0 FTE in response to the budget reduction process. The impact to the City is delayed and decreased internal customer service.

**Recreation (5.80)** The Recreation program evaluated all service provision and eliminated or reduced those services that had low participation, (5.05 temporary FTE's). Additionally, 0.75 Administrative Assistant time was reduced within the division and the person was moved to another position within the City.

**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, 2003. 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.

**CITY OF FLAGSTAFF**  
**Cost Allocation**  
**For Fiscal Year 2005**

<b>CENTRAL SERVICE</b>	<b>GENERAL 001</b>	<b>LIBRARY 030</b>	<b>HURF 040-044</b>	<b>UTILITIES 201</b>	<b>STORMWTR 210</b>	<b>AIRPORT 270</b>	<b>ENVIRON. SERVICES 280</b>	<b>TOTAL</b>	<b>TOTAL CHARGED OUT - GF</b>
<b>GENERAL FUND SERVICES</b>									
Non-Departmental	\$ 2,462,099	33,990	112,704	204,988	10,767	48,192	125,714	2,998,454	536,355
Council & Commissions	126,137	10,504	27,416	38,169	1,408	6,319	24,892	234,845	108,708
City Manager	344,580	37,564	65,148	101,547	4,409	14,980	69,151	637,379	292,799
City Clerk	80,881	2,912	7,342	12,503	392	1,611	6,908	112,549	31,668
City Attorney	324,356	17,281	43,566	61,566	2,327	9,562	40,994	499,652	175,296
Human Resources	206,506	17,843	14,746	30,445	2,640	4,614	22,311	299,105	92,599
Risk Management	67,236	6,295	9,641	15,148	888	2,318	10,342	111,868	44,632
Management Services	281,159	23,371	123,979	172,074	1,172	14,540	45,073	661,368	380,209
Information Systems	386,905	15,567	49,493	165,617	11,514	17,002	80,259	726,357	339,452
Finance	351,573	52,292	41,078	120,184	242	34,275	44,150	643,794	292,221
Sales Tax & Licensing	485,828	14,715	921	20,632	-	23,839	35,205	581,140	95,312
Public Works Admin.	62,899	-	46,010	-	-	58,540	39,480	206,929	144,030
Public Facilities Maintenance	440,988	68,572	35,902	21,801	6,184	14,231	52,104	639,782	198,794
Fleet Services	84,870	606	66,779	23,048	-	3,403	102,602	281,308	196,438
Engineering	508,369	-	698,847	508,123	-	-	-	1,715,339	1,206,970
Planning	636,297	45,594	114,944	162,435	6,139	25,226	108,158	1,098,793	462,496
Contributions	176,784	10,436	42,273	60,987	1,221	20,564	23,852	336,117	159,333
	<u>\$ 7,027,467</u>	<u>357,542</u>	<u>1,500,789</u>	<u>1,719,267</u>	<u>49,303</u>	<u>299,216</u>	<u>831,195</u>	<u>11,784,779</u>	<u>4,757,312</u>
<b>BY DEPARTMENT</b>									
General Administration	\$ 1,023,559	81,895	140,443	221,209	10,656	33,085	149,706	1,660,553	636,994
Community Development	1,144,666	45,594	813,791	670,558	6,139	25,226	108,158	2,814,132	1,669,466
Management Services	1,505,465	105,945	215,471	478,507	12,928	89,656	204,687	2,612,659	1,107,194
Public Works	588,757	69,178	148,691	44,849	6,184	76,174	194,186	1,128,019	539,262
Non-Departmental	2,765,020	54,930	182,393	304,144	13,396	75,075	174,458	3,569,416	804,396
	<u>\$ 7,027,467</u>	<u>357,542</u>	<u>1,500,789</u>	<u>1,719,267</u>	<u>49,303</u>	<u>299,216</u>	<u>831,195</u>	<u>11,784,779</u>	<u>4,757,312</u>
<b>UTILITIES FUND SERVICES</b>									
Customer Services	\$ 37,878	901	1,818	(151,540)	7,315	401	103,227	-	

**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 2003; 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 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 for their consideration.

The replacement of all equipment is evaluated by 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.

<b>FLEET FY 2005</b>	
<b>DIVISION</b>	<b>AMOUNT</b>
16 ENGINEERING	
TRUCK-1/2 TON EXT. CAB	\$ 20,000
21 FIRE	
TYPE I ENGINE	404,500
22 POLICE	
POLICE SEDANS (6)	141,000
ADMIN SEDANS (2)	28,000
PRISONER TRANSPORT VAN	37,500
26 PARKS	
TRASH TRAILERS (2)	14,000
66 NON-DEPARTMENTAL	
MID SIZE SEDAN	15,500
<b>TOTAL GENERAL FUND FLEET</b>	<b>660,500</b>
11 LIBRARY	
PALS BOOKMOBILE	50,000
<b>TOTAL LIBRARY FLEET</b>	<b>50,000</b>
32 STREET MAINT. & REPA	
DUMP TRUCK-10 WHEEL	135,000
PICK UP TRUCK-1 TON DUAL	25,000 a
WATER TENDER TRUCK	25,000
<b>TOTAL HURF FLEET</b>	<b>185,000</b>
38 AIRPORT	
ARFF VEHICLE	585,607 a
<b>TOTAL AIRPORT FLEET</b>	<b>585,607</b>
41 ENVIRONMENTAL SERVIC	
RESIDENTIAL SIDE LOADER	185,400
TUB GRINDER	522,720
TRUCK	20,000
RESIDENTIAL SIDE LOADERS (2)	352,000 a
<b>TOTAL ENVIRONMENTAL SERVICES FLEET</b>	<b>1,080,120</b>
42 UTILITIES ADMIN	
4X4 TRUCK-BLUESTAKE	16,500
49 WATER DISTRIBUTION	
1 1/2 TON SERVICE TRUCK	45,800
54 WASTEWATER COLLECTION	
CAMEL HYDRO-VAC	255,000 a
<b>TOTAL UTILITIES FLEET</b>	<b>317,300</b>
<b>TOTAL FLEET</b>	<b>\$ 2,878,527</b>

*a-Indicates carryover funding.*

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

- Performed the second overall fleet utilization review. Reduced the fleet by eight vehicles.
- Fuel Conservation and Engine Idling policies, which were approved, are currently being implemented. The Fleet Committee members are training city staff to comply with these policies.
- Reviewed vehicle evaluations, rotated older vehicles to better utilize equipment and removed older units.

- Updated the Surplus Property and Vehicle Disposal policies to better identify users and improve accounting of disposed units.
- Performed orientation and training sessions for the new Fleet Review Committee members.
- Performed the annual vehicle replacement and reviewed requests for 29 replacement vehicles, 12 replacements were approved along with two additional new units, a new plow truck for streets and an AARF rescue unit for the Airport.
- Reviewed and denied a request by Parks and Recreation to replace the ice rink engines and chillers under the Fleet Replacement Fund.

**Proposed Objectives for FY 2005:**

- 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.
- Perform a life cycle costing analysis on hybrid vehicles.

**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 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.
- Timely 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, etc
- Acceptance of Credit/Debit cards as a form of payment
- Data sharing with other public and private agencies
- Establishment of digital data standards for submittals to the City of Flagstaff.
- Establishment of a comprehensive Information Security Policy
- Planning for the next Census appeal. Identification of data resources, collection of data, etc.

**FY2005 Acquisitions**

The majority of the MIS acquisition funds for fiscal year 2005 will be expended on replacing existing computer related hardware. Replacements will encompass all

aspects of the City's computer network infrastructure ranging from the AS400 to basic network switches.

**Replacements \$292,000**

- Laser Printers \$15,000 – Continuation of existing laser printer replacement program
- Personal computers \$80,000 – Allocation will allow for the purchase 50 to 60 PC's during FY2004. 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. Purchases will be limited to 20 to 25 units a time.
- CAD PC Replacements \$20,000 – Allocation for replacement of existing PC's located within CID and Engineering.
- GIS plotter replacement \$12,000 – Existing plotter was purchased during the June of FY1999. Plotter is primary printer for all GIS products and is utilized by other departments. Existing plotter is no longer cover under a maintenance contract; all maintenance is performed on as-needed basis.
- GIS Workstations (PC's) and laptop \$15,000 – Allocation will allow for the replacement of aging workstations (PC's) and laptop computer. Workstations are used for day-to-day related tasks, application development, development of special projects, etc. Laptop is used for data collection in the field, other related off-site tasks, and product demonstration.
- Network switches \$10,000 – Allocation for replacement of network switches as needed.
- Upgrade of AS400 \$140,000 – This is a carryover item from FY 2004. Current installed AS400 was purchased during the first quarter of calendar year 1999. IBM has indicated that no additional upgrades will be available for this AS400 model/series. Based on past experience, the City anticipates IBM will remove this model from support in the near future. Current model will be replaced with AS400 i5 Series

**Local & Wide Area Network \$200,000 – Tentative Acquisitions**

- Security related software and hardware as needed
- Work order application for Information Systems Division
- Tape backup software
- Servers for cluster server environment
- Conversion of network operating system from Novell to Microsoft
- Conversion of e-mail application from Novell GroupWise to Microsoft Outlook

**GIS \$10,000**

- GPS Unit with ARCpad (sub meter) \$5,000 – For the collection of GIS related data
- Software upgrades / new licenses of various ESRI products

**E-Gov \$30,000 – tentative acquisitions**

- Permit Tracking E-Gov module
- RecTrac E-Gov module

**New Hardware/Software \$109,176 – Tentative Acquisitions**

- Imaging \$5,000– Hardware or software acquisitions as needed
- Navaline \$70,000 – Windows module for H T E applications
- 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 \$9,176 – i.e. - AutoCAD LT, Microsoft Project Management, Microsoft Visio, Pavement Mgmt, etc

**Public Safety \$382,000**

- Intergraph \$27,000 – Upgrade to Intergraph.
- Console \$78,300 – Upgrades at the police facility.
- Radio \$37,605 – Centrome consoles, repeaters, and base station at the police facility.
- Software \$9,750 – For I/PLOT software and PROQA/AMD licenses.
- Un-programmed \$229,345

<b>MIS Five Year Projections</b>	<b>Budget</b>				
	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>
<b>Replacement Programs</b>					
Laser Printers - Replacement	\$ 15,000	15,000	25,000	20,000	15,000
Replacement PC's	80,000	50,000	120,000	85,000	60,000
GIS Plotter	12,000	-	-	-	-
GIS Workstations	15,000	-	15,000	-	15,000
Network Switches	10,000	5,000	5,000	40,000	5,000
Network Core Switch	-	-	-	-	230,000
Wide Area Network	-	100,000	-	-	-
Upgrade of AS400	140,000	-	-	180,000	-
CD CAD PC Replacements	20,000	10,000	10,000	20,000	-
<b>Total - Replacement Programs</b>	<b>292,000</b>	<b>180,000</b>	<b>175,000</b>	<b>345,000</b>	<b>325,000</b>
<b>Local &amp; Wide Area Network</b>					
City Hall - LAN - Cabling & Equip	90,000	30,000	50,000	60,000	30,000
Novell/Microsoft Conversion	110,000	45,000	-	-	-
<b>Total - Local &amp; Wide Area Network</b>	<b>200,000</b>	<b>75,000</b>	<b>50,000</b>	<b>60,000</b>	<b>30,000</b>
<b>GIS</b>					
Hardware upgrades/replacement	5,000	5,000	5,000	10,000	5,000
Software upgrades	5,000	5,000	5,000	10,000	5,000
<b>Total GIS</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>20,000</b>	<b>10,000</b>
<b>E-Gov</b>					
	<b>30,000</b>	<b>35,000</b>	<b>40,000</b>	<b>40,000</b>	<b>20,000</b>
<b>Software Upgrades</b>					
Office (Word,Excel,Access,Power Point)	-	200,000	-	-	-
<b>Total Software Upgrades</b>	<b>-</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>New Hardware &amp; Software Purchases</b>					
Imaging	5,000	10,000	-	10,000	-
Laser Printers-Color	-	-	-	30,000	-
Navaline	70,000	-	-	-	-
311	-	-	225,000	-	-
Work Order Management	25,000	-	-	-	-
Other Hardware & Software Purchases	9,176	16,235	52,547	75,174	4,183
<b>Total New Hardware &amp; Software</b>	<b>109,176</b>	<b>26,235</b>	<b>277,547</b>	<b>115,174</b>	<b>4,183</b>
<b>Public Safety</b>					
Police Upgrades	162,000	109,000	109,000	149,000	149,000
Police Laptops	220,000	105,000	105,000	125,000	125,000
<b>Total Public Safety</b>	<b>382,000</b>	<b>214,000</b>	<b>214,000</b>	<b>274,000</b>	<b>274,000</b>
<b>Total Expenditures</b>					
	<b>\$ 1,023,176</b>	<b>740,235</b>	<b>766,547</b>	<b>854,174</b>	<b>663,183</b>
<b>Funding</b>					
General Fund MIS allocation	\$ 724,356	760,574	798,603	838,533	880,460
<b>Excess/(deficit) Funding over Expenditures</b>	<b>(298,820)</b>	<b>20,339</b>	<b>32,056</b>	<b>(15,641)</b>	<b>217,277</b>
<b>Prior Year Balance-Carryforward</b>	<b>867,397</b>	<b>568,577</b>	<b>588,916</b>	<b>620,972</b>	<b>605,331</b>
<b>Cumulative Excess/(deficit)</b>	<b>\$ 568,577</b>	<b>588,916</b>	<b>620,972</b>	<b>605,331</b>	<b>822,608</b>

## 2004 UPDATES

### ***Acceptance of Debit and Credit Cards and Internet Payments***

Due to increasing customer requests, the City is interested in expanding payment options to include the acceptance of debit and credit cards. This service will enhance the current practice of bank drafting which is utilized by 10% of the customer base.

Due to current budget constraints the City is pursuing the acceptance of credit cards through a third party vendor who would accept payments on our behalf over the telephone, Internet, through a Kiosk or wireless technology as an off-site solution available on a 24/7 basis. The vendor would charge a fee between \$2 - \$6 per transaction that would be paid by the customer in addition to their bill amount. Outsourcing is currently utilized by two other local utilities.

The cost to implement third party processing is anticipated to be minimal. However there are costs associated with the development of an Internet interface, totaling \$26,500 plus maintenance.

Utilities will test credit card acceptance for the City and as procedures are determined, credit card acceptance will be extended to other appropriate divisions throughout the City.

### ***Fuel Management and Forest Health***

Fuel management continues to be a primary threat to the Flagstaff community. Three factors influence the spread of wildfire: fuel, weather, and topography. Of these, the City can only manage fuel to reduce intensity and spread of wildfire.

The City of Flagstaff has had an active fuel management program since 1997. The program focuses on four main areas: Land use planning, public education, hazard mitigation, and response training.

To achieve the goal of a "Firewise Community", the City actively engages a number of partners including:

- Individual home and property owners
- Private business
- Flagstaff Unified School District
- Coconino County - Rural Environment Corps
- Ponderosa Fire Advisory Council
- Greater Flagstaff Forests Partnership
- Northern AZ University: School of Forestry Ecological Restoration Institute
- Arizona:
  - State Land Department
  - Dept of Transportation
  - Dept of Corrections
- Army National Guard – Camp Navajo

- Federal: US Forest Service
- US Naval Observatory

Future success in this program is dependent upon continued funding at the Federal level to ensure professional planning, an increased level of forest treatment implementation, and to continue cost share programs that pay for suppression actions.

### ***Homeland Defense and Its Impact on the Flagstaff Police Department***

The way law enforcement conducts business in this country was forever changed as a result of the terrorist attacks of September 11th. While the community of Flagstaff is considered relatively safe from such an attack, public safety agencies in the area cannot afford to remain complacent since Flagstaff is a regional hub.

The mission of the police in regards to homeland defense is extremely complex and requires considerable resources as the expectation is to both prevent and also to respond to such an event. Increased efforts in providing additional training, equipment, planning, gathering and sharing intelligence information, along with providing high profile patrols have been made a priority for the Flagstaff Police Department.

The following is a more detailed description of some of the tasks being conducted:

- One officer is assigned full time to work within the Joint Terrorism Task Force (J.T.T.F.) that is based out of the Flagstaff FBI Office. This task force tracks intelligence information on possible terrorist activity and following up on investigative leads. They also coordinate this information with other task forces in the state and across the nation.
- Officers spend additional time on security duties at many community functions including:
  - A more visible presence at City Council meetings
  - Conducting security sweeps of City Hall, City Court, and the Police Department on a routine basis.
- Additional training has been conducted in order to improve first responder capabilities.
- Considerable effort is being spent on regional emergency planning and preparation.
- Intensified patrols are being conducted at locations critical to the infrastructure of the community, including the City's Water Treatment Plants, major utility junctions, and the Airport.
- Public education on the topic of homeland defense and emergency preparation has increased.

## ***Drug Cases and Probation at the Flagstaff Municipal Court***

Last fiscal year the Flagstaff Municipal Court expanded their probation division with the addition of a probation officer. The need for this additional position was based upon three identified trends:

- Steadily increasing caseloads.
- Increased efficiency in filings
- Proposition 302 and changes in A.R.S. § 13-901.01.

The impact of adding the additional probation officer has been that the court has been able to maintain the ability to provide probation services that meet the expectations of legal requirements, defendants and judges. As case loads increased over the past year the Court has been able to handle the changes. While there are always changes in the law and the nature of the cases that the court sees, the Court has been able to handle those changes as they occur.

While no immediate changes appear to be on the horizon at this point, the Court finds that the overall increase in cases continues to be an issue.

Initial numbers from 2004 indicate that there is no lessening of the pressure for probation at the court and that the current level of services will need to be maintained.

## ***Flagstaff Runway Extension Issues***

As the City of Flagstaff looked to complete airport improvements cited in the 1991 Master Plan, the airline industry moved to the use of Regional Jet (RJ) aircraft as they are quiet and fuel efficient. They are the aircraft of choice to serve the link from small city to large hub, however due to weight and design considerations these aircraft, though smaller, require more runway for takeoff than the DC-9, 737 series of larger aircraft. America West and other airlines interested in serving the Flagstaff airport must have RJ aircraft capability.

The City needs to complete the required upgrades to accommodate the RJ aircraft that may expand the service area from Flagstaff to Phoenix and possibly also Denver, Salt Lake City and Los Angeles.

The City of Flagstaff has initiated two studies for the runway extension.

- A Cost/Benefit analysis
- An Environmental Assessment (EA)

Both the cost benefit analysis and the preliminary EA have had positive results. It is hoped to get the EA approved by the FAA this fall so the City can pursue grant funding that would allow the runway extension to start in the spring of 2005.

## ***Parks and Recreation Program Reductions***

The City Parks & Recreation program has experienced budget cuts starting with the FY2004 budget and the Murdock closure. One-time funding was provided for some of the primary weeklong programs during the summer of 2003. Provision of these programs last summer allowed for the Parks and Recreation division to give parents and guardians advanced notice of future elimination of the programs without creating an immediate hardship as they planned for the summer recess.

The FY05 budget reflects additional expense and revenue reductions related to the elimination of summer programs, the discontinuation of use of the McPherson Recreation Center for Parks and Recreation programming, and other program reductions.

The Therapeutic Recreation after-school and Special Olympics programs have been transferred to the Cogdill Recreation Center. Leisure learning programs, the teen night program, and other Therapeutic Recreation activities and events has been eliminated. The softball program has transitioned from using two officials per game to one per game.

## ***Revenue Growth Strategies***

For the last two years, the City has been evaluating areas to either implement new user fees or increase current user fees based on cost.

Changes made in FY 2004 include:

- Increased the Fire subscription service rate
- Increased some Parks & Recreation equipment and use fees
- Implemented the Stormwater Utility
- Increased easement and open/close fees at the Cemetery
- Implemented an indirect cost recovery rate for applicable federal grants
- Increased the square footage valuation for residential structures
- Implemented a DRB review fee
- Approved fees for Liquor license applications

Future considerations:

- City use tax
- Increase of the cable franchise fee
- Implementation of either an annual sales tax or business license fee

The City continues efforts to balance fee increases among various community sectors.

## ***Visitor Center***

In March of 2003 the Convention and Visitors Bureau assumed management of the Flagstaff Visitor Center. In

May, a Visitor Center Supervisor was hired and the transition has progressed smoothly. The renovation of the Visitor Center commenced at the beginning of the year and will be completed in May 2004. Visitation to the Center has risen and plans for the future include inviting the public to receptions for various events and spreading the word about the Visitor Center to businesses in Flagstaff and beyond!

## **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 04 and into FY 05.

Water resource development progress includes:

- Short-term – Evaluate the new water well drilled during FY 04 as water production is below expected levels. Productivity enhancement is being evaluated to determine if the well should be equipped. Additional water wells were approved as part of the 2004 bond program that went to the voters in May.
- Long-term – The Utilities Department continues to work with stakeholders and partners to evaluate opportunities for long-range water resource development such as groundwater and surface water importation. The 2004 City bond program received approval to sell up to \$15,000,000 in bonds for the procurement of water resources for future growth.

Water conservation efforts include:

- The plumbing fixture rebate program has been modified to include waterless urinals and dual flush toilets.
- The Water Commission has approved a turf reduction program
- The 2004 City bond program approved an upgrade of the Wildcat Hill Treatment Plant to enable it to produce class A+ reclaimed water. This will permit it to be connected to the Rio de Flag Plant reclaimed water system and provide additional integrity and supply to the City's reclaimed water system.
- SCA Tissue started testing their operation with reclaimed water the beginning of 2004. SCA Tissue is the City's second largest water customer and uses approximately 250,000 gallons per day year round.

## **Workforce Reduction and Development**

Due to reduced revenues the City developed a workforce reduction and development program in an effort to provide sound financial management over the next two years by reducing or eliminating programs, minimizing the need to hire additional employees, and providing workforce development for current employees.

The goal was to reduce 20-30 positions over a two-year period without laying off employees and without implementing a traditional hiring freeze. Also \$50,000 was budgeted to fund training for individuals who were moving into new positions due to the elimination of their current position.

Through an extensive review process of all programs and positions, a list of 30 positions was identified for elimination. These positions were broken down into two priorities. Priority One list identified 22 positions for elimination and four of the 22 were identified to go in the second year. Priority Two positions were jobs that would not be eliminated unless financial conditions became even more critical.

Sixteen positions have been eliminated. Employees in those positions have either resigned or have been placed in other positions through workforce development. No employee has been laid off, and two administrative support positions and one facilities position have been restored.

## **2005 ISSUES**

### ***Brownfield Program***

In 2002, President Bush signed the Small Business Liability Relief and Brownfields Revitalization Act defining a "brownfield site" as real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant. This legislation strengthens the Environmental Protection Agency's Brownfields Program and empowers states, communities, and other stakeholders in economic redevelopment to work together to prevent, assess, safely clean up, and sustainably reuse brownfields. The EPA Program provides grant opportunities to assist in the redevelopment process and offers revolving loan fund grants to local communities. Numerous tax incentives are also available to qualifying entities.

Flagstaff has multiple properties that qualify as brownfield sites. Redevelopment of these properties is sometimes delayed because of fear of contamination or the costs of clean up. The City could provide clean up assistance by researching and applying for grants through EPA's program or by providing technical assistance and serving as a liaison between the owner or developer and city departments. Cities across the state have developed their own Brownfield Programs to take full advantage of federal and state assistance and grant funding.

The Brownfield Program has been approved for FY 2005 and will be funded through the current Environmental Management Program fee. The Brownfield Program includes two new full-time employees: a program coordinator and a technician. The Brownfield Program Coordinator would work very closely with other City

programs, including the Redevelopment Planning, Housing, Real Estate, and Development Review. The main goal of the Brownfield Program would be to identify qualifying parcels and get them cleaned up and ready for redevelopment, either by applying for grants and cleaning the property up ourselves, or by assisting property owners or developers in applying for their own grants.

### **Waste Tire Collection Program**

The Coconino County Highway Department manages a waste tire collection program, which is funded through the Arizona Department of Environmental Quality's Waste Tire Recycling Fund. Tires from throughout the County are collected and stored at the County's tire collection yard. The County contracts with a private hauler to transport the tires to Phoenix for a variety of recycling processes. The majority of the funds provided for this program, approximately \$220,000 per year, are for the expenses of transportation and processing.

Due to increasing costs for transportation and waste tire processing, the funds available to the County for operations has been limited. Operating hours for the collection yard have been reduced to one day per week resulting in increased illegal dumping in the forest and at the Cinder Lake Landfill.

The Environmental Services Division has been researching the use of tire shreds as an alternative daily cover at the Landfill for several years and has received approval in the Landfill's operating permit for this process. The use of alternative daily cover has been very successful in conserving soil for long-term needs at the Landfill.

Environmental Services staff has had preliminary discussions with County representatives on the possibility of transferring the Waste Tire Collection Program to the Cinder Lake Landfill.

Landfill staff is in the process of evaluating the replacement of the Landfill's industrial wood waste grinder. This unit is now ten years old and has proven to be inadequate in dealing with large volumes of materials and stumps. There are units available that are capable of grinding wood waste and shredding tires.

The Landfill currently operates on a seven-day-a-week schedule and could offer waste tire disposal service on a more frequent basis. Through the formation of an IGA with the County, the funds collected by the County from the tire recycling fund would be passed through to the Environmental Services Division to cover the costs of operations and the lease/purchase of the machine.

### **Stormwater Management**

In July 2003, the City began a stormwater utility as an enterprise-fund. With the assistance of the Stormwater Advisory Committee, program priorities have been identified and a comprehensive program has been developed to address these priorities and compliance with the National Pollutant Discharge Elimination System (NPDES) Phase II stormwater water quality mandate.

The next primary program priority is to conduct a stormwater master planning effort for the City. This effort would identify the components of the existing storm sewer system, as well as the status of these components. The effort would identify the needs for improvements or additions to the existing system. These needs would be communicated to the citizens of Flagstaff through public meetings and subsequently prioritized on a cost-benefit basis. During the effort, any outfalls to the public storm sewer system could be identified and mapped. This is a specific requirement of the NPDES permit. Additionally, observations of any illicit discharges could be recorded and remedied which is also a specific requirement within the NPDES permit.

An additional priority is to respond to the development community's request to bill undeveloped land within the City, as well as their request to establish a sliding stormwater utility fee schedule in lieu of the currently proposed system of credits. The City does not currently have all the data necessary, or in an accessible format to successfully implement a sliding fee schedule. There is also a legal question regarding this proposal as it would be very difficult to relate a sliding fee schedule to the cost of service provided. There are also problems regarding the idea of billing undeveloped land.

The focus in the short-term for the Stormwater Program will therefore be:

1. A stormwater master plan for the City with an estimated cost of \$350,000,
2. Resolution of the development community's request to bill undeveloped land as well as establishment of a sliding fee schedule,
3. Drafting two ordinances required by the NPDES permit, including public meetings on the draft ordinances.

### **Intergovernmental Agreement for Technology Services at the LEAF**

The City of Flagstaff is looking to enter into an Intergovernmental Agreement (IGA) with Coconino County through the Sheriffs Office to provide Technology Services at the LEAF. A centralization of technology services better suits the needs of each agency as the County is handling the overall management of the system.

In 2002 the Police Department moved the supervision of two IS technicians to the Network Systems Manager for the Sheriffs Office, even though they remained City

employees. Additional examination led to the conclusion that the technology needs of the Police Department were much greater than the contribution of resources. Further discussions determined that centralized technology services better suited both agencies, as it would more fairly distribute the cost basis for all users. Additionally, this separation of duties allowed the Communication Manager to focus efforts within the dispatch center to improve overall customer service.

The proposed IGA provides for these services:

- Managing and supporting Network Systems, Law Enforcement Software and other software for CCSO, FPD, Jail, Williams P.D., and NAUPD.
- Managing and supporting Radio Systems for CCSO, FPD, Jail, and NAUPD.
- Managing and supporting Telephone Systems for CCSO, Jail, and FPD.

The IGA calls for the two current City FTE's to be transferred to the County. The IGA also calls for the addition of a CAD/MAP System Specialist to maintaining the CAD and Map, giving additional relief to the Communication Manager. This will eventually eliminate support from Intergraph Public Service for map rolls and upgrades.

The total cost to the City is approximately \$293,000, which is offset by approximately \$102,000 due to the transfer of the two IS staff members to the County. The total new cost for this IGA is approximately \$191,000.

### **Coconino County Library District**

In order to improve library funding distribution methods, the Coconino County Board of Supervisors hired Corbus Library Consultants in 1996 to provide a library tax allocation study. Based on the recommendations received in that report, the Coconino Library Council was formed as a means to maintain active communication in the varied facets of Library management including fund distribution. The Council allows the County libraries a measure of self-direction in deciding the best means of providing service to the citizens of Coconino County.

The Library Council has representation from 12 library locale's throughout Coconino County, including the reservation.

The Library Council has established a formula in order to keep funding equitable. Funds are currently distributed based on statistics concerning:

- # circulated materials
- # reference questions
- # people entering the building
- # people with library cards
- # population of the community

In addition, the Ashfork Public Library receives \$10,000 per year, as almost 40% of their patrons are Coconino County residents.

Most of the libraries in the County are quite small, with staffs of one or two people so the Flagstaff City – Coconino County Public Library provides assistance in a variety of ways including purchasing various operating supplies and library materials in a variety of formats; providing a leadership role by supplying assistance and guidance in the operation of library services and policy issues; and, providing opportunities for training and to attend meetings and workshops.

In 1997, a centralized information services position was created to provide training and technical support to all libraries in the County for automation. The Library Council has set aside \$300,000 for automation replacement and will continue to accumulate \$80,000 a year. Each library has identified automation needs.

It is anticipated to renew the Memorandum of Understanding among the Coconino County libraries in 2006 to continue to foster a very successful partnership.

### **East Flagstaff Community Library and Americans with Disabilities Act Compliance**

The Federal Department of Justice requires that the City of Flagstaff operate each program, service, or activity so that, when viewed in its entirety, it is readily accessible to and usable by individuals with disabilities.

During its program access review, staff from the Department of Justice determined that the public restrooms in the main branch of the Flagstaff City – Coconino County Public Library are not in compliance with current ADA regulations. Although remodeling of these restrooms is scheduled to begin in the summer of 2004, there is not enough space to make them completely ADA compliant without displacing the circulation workroom.

The East Flagstaff Community Library, which is a newer facility, does meet ADA regulations. It was determined by the Department of Justice that if both libraries were open to the public a similar number of hours, that would be an acceptable compliance for accessibility standards.

In order to meet these ADA standards, the East Flagstaff Community Library, which is currently closed two days a week, will be open all day on Fridays and Saturdays beginning July 1, 2004. The estimated cost to do this is approximately \$42,000 per year. The hours at the main library will not change.

### **Housing – Proposed Work Program Expansion**

The Flagstaff City Council created the Housing Section in 1993 and is currently staffed with two full time positions.

The current work program includes:

- Administration of the CDBG program
- Technical assistance
- Design and/or implementation of affordable housing programs within available funding
- Providing information to the community and City Council as requested on affordable housing issues
- Facilitating public participation in the creation of numerous community planning documents.

With the addition of staff, programs could be expanded and enhanced to include:

- Creation of housing options for Flagstaff's working population (middle income), thereby ensuring the economic viability of the community
- Special projects including the creation of new housing programs to address issues related to:
  - Land Trust
  - Employer Assisted Housing
  - Senior housing programs
  - Transitional housing development
- Cultivation of private/public partnership opportunities
- Staffing of city-wide housing programs incorporation study
- Additional funding identification and diversification
- Promotion of the existing City of Flagstaff set-aside policy to the private development community
- Housing Policy analysis, development and implementation
- Intergovernmental relations and new community collaborations
- Publicity and community education

Through Council support the City's participation in affordable housing efforts could be enhanced with a staff addition. This direction has been supported and will be pursued in FY 2005.

### ***Judicial Work Load at the Flagstaff Municipal Court***

During the last several years judicial work load and accompanying paperwork has increased as evidenced by:

- In 1995 the case load was at 17,856 filed, in 2003 21,004 cases filed, an 18% increase.
- In 1995 DUI filings totaled 1,086 and in 2003 there were 2,396, a 120% increase.
- In 1995 a total of 202 domestic violence petitions were filed for injunctions prohibiting harassment and orders of protection combined. In 2003 a total of 645 petitions were filed along with an increase in the number of hearings that accompany them, an increase of 319%.

It is anticipated that the trend will continue and may accelerate due to these recent events:

- The legislature increased DUI fines by \$500 to \$1500 that will cause more of these cases to go to trial rather than be settled by plea agreement.

- A 30% increase in serious felony case filings at the County accelerates the number of felony cases referred to the Municipal Court as misdemeanors. Due to the serious nature of these offenses a trial generally results.

To date, these increases have been managed by applying modern case management procedures, modifying operations where appropriate, and using automation when available. Also, all parties in the criminal justice system strive to streamline the entire process. These joint efforts include consolidation of operations (warrants, administration, training, automation, interpreters, etc.) and ongoing efforts to streamline the process, most notably with the current efforts in disposition reporting and integration of computer systems allowing for direct transfer of criminal justice data

These efficiencies have taken the Court a long way however at some point the Court must increase their overall capacity to deal with case loads and be able to maintain legally required processes within appropriate time lines.

Some solutions include:

- Creating specialized courts including a joint DV court with other courts in the area and a City/Courty DUI court that would work with the current drug court program by focusing specifically on DUIs in limited jurisdiction courts.
- Work with all members of the criminal justice community in an analysis and re-engineering of various aspects regarding the flow of criminal cases in the system with a focus on limited jurisdiction courts.
- Expanding Court operations with the addition of a full time magistrate and support staff to handle the increase in the criminal caseload.

The Court would like to plan proactively to handle the expanding workload. Longer term solutions will need to be an ongoing part of the court's planning for the future and near term we will continue with the efforts to make the criminal justice system in our community the most effective and efficient possible.

### ***Human Resources Reorganization***

Human Resources will need to restructure in order to address and assist the City with new challenges, specifically, succession planning/transition, service consolidation, reorganization, and meet and confer.

The two new functions that emerge out of these issues are organizational development and meet and confer.

Approximately 20% of City management and supervisors will be retiring within the next five years requiring succession planning, reorganizing, and the development of transition plans. This transition requires workforce

planning and enhanced communication so that remaining employees do not feel they will be burdened with extra work. At the same time, there is the opportunity to determine which functions and/or services can be consolidated within or outside the City in an effort to be more efficient and cost effective.

Due to Council mandate the City is developing a meet and confer ordinance. Human Resources will manage the process to ensure all parties are complying with the ordinance, complete cost analyses, participate in negotiations, complete Memorandums of Understanding (MOUs), ensure all parties comply with the MOUs, and assist in the election process for those individuals that want to organize by determining who may or may not participate.

The envisioned restructuring would redirect the efforts of the Human Resources Director to become responsible for the leadership of the workforce planning process and provide leadership to the meet and confer process, including participation in the negotiations. This position would continue to be responsible for providing leadership to the Human Resources Division as well as serving as the Affirmative Action Officer (EEO/AA), chair to the Customer Service Committee, member of the Budget Committee, and liaison to the EAC and Diversity Awareness Commission. When needed will also serve as the liaison to the Disabilities Awareness Commission.

The Human Resource Analyst position would increase to 1.00 FTE from 0.75 with a title change to Human Resources Operational Manager. This position would become responsible for the many of the day-to-day operations of Human Resources and supervisory responsibility for several positions.

One FTE would be added to support the meet and confer process, the OD or workforce planning process, employee relations, and support various classification and compensation analyses.

## **Organization Review**

Over the last several years, the City, as an organization, has added various programs to meet new and changing goals of the Council and community. Examples of this are: recycling, conservation education, redevelopment, housing, CDBG entitlement administration, large-scale capital improvements projects, City-County collaborations, and water conservation. As an organization, there has not been a comprehensive examination on how these programs align with departmental responsibilities and Council goals. Through the organization review process, a comprehensive review with employees will be accomplished.

Additionally, the City will be experiencing a large number of retirements in critical positions. A key component of organization review will be working with the Human

Resources Division to: 1) develop plans that will ensure a seamless transition as personnel change; and 2) assure the community that department functions are met.

Given new programs and changes to existing programs, along with the need to prepare succession plans, a comprehensive review of the current organizational structure is warranted.

During FY 03-04, a framework for organizational structure changes was outlined to Council and employees. The focus of the effort this next fiscal year (FY 04-05) will be establishing processes to make further recommendations to the City Manager. Separate employee transition teams will be established to perform two basic functions. The first is to work with employees and supervisors in the affected divisions to develop a process to gather and distill employee input into proposed changes where review indicates changes are warranted. The second main function is to develop and implement a communications plan so that employees are constantly informed as to the status of various organizational analysis and proposals. This step is critical since organizational changes can create uncertainty, and through constant communication, this can be minimized.

Additional benefits to this process may include improved communication between departments, the ability to create more diversity, and the ability to strengthen programs with a high community value including development services and housing and neighborhood planning.

The City will establish the necessary transition teams to create a process to review and make organizational structural changes per Council direction.

## **Succession Planning**

Succession planning or workforce planning refers to making provisions for a continuing supply of talent to meet the organizational needs as well as community goals. As approximately 20% of City management and supervisors will be retiring within the next five years, the City is initiating succession planning, reorganizing and developing transition plans in an effort to capitalize on the talents and skills of current employees who are not leaving, retaining the institutional history of employees that are planning to retire, and determining when new employees need to be hired. This type of transition requires workforce planning and more communication so that remaining employees do not feel they will be burdened with extra work. It is also important to ensure that those retiring do feel they are being pushed out since we cannot assume that everyone will retire when they become eligible. At the same time, there is the opportunity to determine which functions and/or services can be consolidated within or outside the City in an effort to be more efficient and cost effective. Again, all this

requires a concerted effort to communicate with all employees.

In order to address these new challenges the U.S. General Accounting Office (GAO) identifies five essential elements for a successful workforce planning effort that will benefit the City:

1. Involve top management and employees in developing, communicating and implementing a strategic workforce plan.
2. Determine the critical skills and competencies that will be needed to achieve future programmatic results.
3. Develop strategies tailored to address gaps and human capital conditions in critical skills and competencies that need attention.
4. Build the capability needed to address administrative and educational requirements to support workforce planning.
5. Monitor and evaluate progress toward human capital goals and the contribution that human capital results have made.

Workforce planning will not be easy or painless, but is necessary to address the challenges of the future.

### ***Rural Policy Institute***

Many rural areas share concerns related to high poverty, low-income levels, poor access to quality health care, inadequate transportation infrastructure, and limited high-technology communication capability. Further, rural interests often are fragmented and unprepared to analyze and significantly influence policies being discussed at state or national levels that will affect the quality of life and well-being of rural people and local public and private institutions.

Rural Arizona shares in these problems. The state is one of the most urbanized in the country and the rural population is dispersed widely over an extensive geographic area. The provision of social services is difficult, economic development strategies are challenging, and articulating the rural position on issues is daunting.

A new set of institutions is emerging across the country in response to these problems. They are centers that focus on the rural setting but gather information, conduct research and provide policy analysis across the full range of issues confronting rural America.

A Rural Policy Institute (RPI) for Arizona is proposed to meet this need. The proposed Institute would focus exclusively on rural Arizona (including its tribal lands) with a scope that would encompass all relevant subject matter areas. Its mission would be to assist in improving the quality of life in rural Arizona by conducting policy analysis and research that are of interest and concern to rural Arizonans.

The proposed RPI would be hosted by a university, providing access to the expertise of faculty from a range of disciplines to address policy-related issues. The RPI will be staffed partly by full-time professionals and support staff, and partly by others assigned to work with the institute on a part-time basis. Also, an Advisory Board should be established to guide the RPI in addressing important policy issues and to help secure needed support from various sources.

The budget for the proposed RPI is projected to total approximately \$292,000 in the Institute's first year, growing to nearly \$475,000 by Year 5 as the RPI's work expands. In addition, the RPI would take on policy-related research projects on a fee-for-service basis, with such fees covering the costs of those studies as well as contributing to the overall operation of the Institute. Several organizations have been identified as potential sources of operating funds for the RPI. These include various government agencies and programs, charitable foundations, and sponsorships by private firms.

It is recommended the Mayor and Council, as members of the Alliance of the Second Century, continue to actively support and pursue the establishment of the Rural Policy Institute at Northern Arizona University.