

April 12, 2007

Honorable Mayor, City Council, and Citizens of Flagstaff:

I am pleased to present to you the proposed FY 2007 – 2008 budget for the City of Flagstaff.

Focus on the Future

On December 14 and 15, 2006, the Mayor and City Council held a “Focusing on the Future” retreat at Coconino Community College. The retreat had a number of objectives and expected results but one theme became clear. In the summary report, Dave Latshaw, the retreat facilitator, stated that it was evident that the “Council felt the need to assert themselves more affirmatively as a means of providing a higher level of elective leadership within the proper framework of the City Charter and the Council-manager form of government.”

The Council also expressed a desire to have the “opportunity to play a more active, substantive and up-front role in shaping the City’s annual budget and in the formulation of the City’s annual goals.”

As a result of this discussion, it was evident that we needed to immediately begin the 2007-08 Budget preparation process with a serious Council session to identify priorities for the up-coming fiscal year. The initial session was held as part of a review of the Focus on the Future Retreat on January 22, 2007.

The Council discussed the base budget and indicated a desire to continue Employee Compensation as an on-going, high priority. The Council also wanted to make sure that adequate funds for the construction, opening and operation of the Aquaplex, the City’s new, 50,000 square foot recreation center, are included in the Budget.

With these priorities identified, the Council listed some sixteen areas of emphasis and interest for the 2007-08 Fiscal Year. The Council Members were asked to vote on these priorities by giving each a vote ranging from 5 for high support to 1 for little support. The vote resulted in the following:

- Economic Development
- Police Services
- Housing
- Staffing to Meet Current Workload
- Legal Staffing
- Assure Public Works Has Adequate Funding for Community Assets
- Fire Services
- Airport Expansion
- CVB Marketing Campaign/Events
- Regional Water Issues
- Impact Fees
- Grant Assistance
- Transit Tax Election
- Education/ Cross Training
- Wireless Internet Connectivity

Following this session, the staff went to work to prepare reports on various programs and options that would implement the Council's policy guidance in the next fiscal year. Another retreat was held at the Kilted Kat on February 27 and 28 at which presentations and discussions were held on the areas identified in the January meeting. The result from this retreat has served as the basis for the 2007-08 Budget proposal and the key elements are described below.

Compensation

The proposed budget increases the personnel appropriation by \$5.4 million, a 10% increase from FY 2007. This increase is comprised of:

Compensation – 3.2% merit, 2% market, 5% assignment pay	\$2.0 million
Retirement – State, Public Safety, Elected Officials	\$0.7 million
Dependent Subsidy & Deferred Compensation	\$0.3 million
Medical and dental insurance	\$0.3 million
Additional positions and assignments	\$2.1 million

Aquaplex

The City of Flagstaff Aquaplex is currently scheduled to open on or around May 1, 2008. Staffing and operational costs have been included in the budget for this partial year. Total staffing addition included 1.0 FTE Recreation Leader in FY 2007. FY 2008 brings the addition of 24.2 temporaries and 4.0 FTE's maintenance and administrative support. Full year revenue and expenditures have been anticipated in the five year outlook to assure ongoing general fund support for this signature project as provided for in the 2004 bond election.

Economic Development

Recruitment and Retention

Creating new, high paying jobs through retention and expansion of existing businesses and attraction of new employers is the top priority of the City Council.

There are many initiatives underway such as the Incubator Project and the Science Park, a project that includes 200,000 square feet of high tech office and lab facilities. Both of these projects are on McMillan Mesa next to the U.S.G.S. Complex. They compliment other research efforts that are or will be occurring at facilities such as the T-Gen Building at the Airport Industrial Park and the Applied Research Building on the Northern Arizona University Campus. These projects will need considerable attention in the coming years as the high tech sector grows in Flagstaff.

We are recommending that a Business Attraction Specialist be added to the staff to increase our ability to work with our private, state and regional partners in bringing new high tech and other businesses to Flagstaff. The position will play a key role in increasing businesses on the McMillan Mesa, in the Airport Industrial Park and at other industrial properties in the community.

Flagstaff is fortunate to have local businesses that are expanding operations creating more jobs. Working with existing companies to identify and address problems they might be facing is critical to our economic future. We are proposing to strengthen our business retention and retention efforts through a performance contract with an outside agency.

Air Service

Improved air service through U. S. Airways or other providers is essential to our future economic development. With the \$18.9 million project to add 1800 feet to the existing runway under construction, we need to begin our discussions with air carriers to expand service to Flagstaff Pulliam Airport. Companies and institutions such as Gore, Ralston Purina, Northern Arizona University, Flagstaff Medical Center and the numerous federal and state agencies located in Flagstaff rely heavily on air service and frequently find it necessary to send employees to Phoenix for air service.

More frequent flights and direct flights to another major airport would greatly improve service and aid the City's economic development. The budget includes funds to hire a consultant familiar with the airline industry to assist with this effort.

A Major Investment in Public Safety

Police

Another top priority is providing for the safety of the community. A recent survey of cities that compete with Flagstaff for new businesses demonstrated that Flagstaff has a higher incidence of crime than Bend, Oregon, Boulder, Colorado, Prescott, Arizona and Missoula, Montana.

A disproportionate number of these crimes are occurring in the Sunnyside neighborhood / 4th Street business corridor. While this area has approximately 9% of the population, in all categories of crime except robbery, the incidence exceeded 9% in 2006.

To address this situation, we are recommending that 6 officers be added to the Patrol Section to greatly increase police presence in this part of Flagstaff. The officers will work out of a police substation that will provide residents and businesses with better access to police services. As a result of these additional positions, minimum manning for the Patrol Section, on Tuesday through Sunday, will increase from 9 to 10, including the supervisor, to the benefit of the entire City.

Flagstaff has twice the number of thefts per 100,000 residents compared to the state and the nation. Business owners, customers, visitors and residents of this community suffer from this criminal activity. Additional resources are needed to investigate these crimes. The Police Department is requesting and we are recommending a Detective position that would investigate property crimes. The Detective can provide educational programs on target hardening, increase crime analysis, identify trends and create a more pro active enforcement program. Pawn tracking, monitoring recycling operations and second hand stores will be an important part of this effort. A "pawn fee" could offset the cost of this position.

Fire

A Fire Station Relocation Analysis was completed in January, 2004. This study identified the best locations of fire stations to serve the community now and into the future. Consistent with the recommendations of this plan, the Fire Department is implementing a \$16.7 million capital improve program to replace 4 of the 6 fire stations. Two do not need to be moved. Station# 1 is nearing completion and the contractor for Station # 5 will be given the Notice to Proceed in April. The General Fund is supplementing the funds for new station construction by providing \$100,000 for furniture, fixtures and equipment for the two stations. In addition there is \$150,000 for the lease purchase of fire apparatus.

The budget includes 2 additional paramedic assignments to increase our medical response capability and a Fire Prevention Code position to enhance our plan check services. Three firefighter positions added in FY 2007 will be used to support growing back fill needs in the attempt to control escalating overtime costs.

Dispatch

The Flagstaff 911 Center serves three law enforcement agencies, five fire departments, and one ground EMS Group and is the primary answering point for Coconino County. This coming fiscal year, the Center will be implementing Emergency Medical Dispatch (EMD). In order to have a successful program of EMD, 2 new positions are being added. An Emergency Communications Leadworker will be coordinating the training of dispatchers. A more formal program will allow dispatchers to develop the skills needed to handle the multiple agencies served by the Center. It will also enable the Center to implement and maintain the EMD program and meet the goal of having a fully trained staff in this area. A Dispatch Call Taker will answer non-emergency calls during the busy, daytime hours. This additional support will allow the Dispatchers to focus more on the 911 calls and increase the time available for EMS calls with EMD.

Housing

Finding affordable housing continues to be a challenge for individuals moving into the community or attempting to move from a rental to home ownership. Providing affordable housing, especially for the workforce, is a high priority. A Project

Coordinator and an Administrative Specialist are being proposed to be added to the Housing Section of Community development. These positions will enable affordable units to be created in a more timely manner and allow more time for planning and policy development. Some of the expected outcomes in the coming year include:

- Continue to write and obtain approval from the U.S. Department of Housing and Urban Development of the Annual Action Plan and the Consolidated Annual Performance Evaluation and Report (CAPER), as well as collect and report all the data required to be in compliance with the performance measurement system.
- Utilize results from Nexus Study to educate the community on job/housing linkage.
- Complete a Housing Element for the Regional Plan.
- Continue to participate in the Development Services processes to ensure workforce housing is included in developments as appropriate.
- Work with developers to incorporate workforce housing units into upcoming developments in the City of Flagstaff where appropriate.
- Research avenues to expand housing opportunities.
- Write, obtain Council approval and implement a Workforce Housing Incentive Ordinance (fka: Set-Aside Policy).
- Continue the implementation of Housing Policy Task Force recommendations.
- Incorporate sustainability benchmarks into projects.
- Integrate Smart Growth concepts where appropriate.
- Completion of Housing Policy to be included with the Housing Element for the Regional Plan.
- Complete the Rio Homes project, resulting in a total of 30 units being sold and owner occupied.
- Complete the Izabel Homes subdivision, resulting in 16 Community Land Trust Program homes.
- Issue 2 SOQ/RFP for Community Land Trust Program construction.
- Continue to work with the development community to promote workforce housing efforts and opportunities.
- Administer of Community Development Block Grant program and subrecipient contracts in federally compliant manner.
- Complete Mt. Elden Estates project.
- Develop post-purchase support program for permanently affordable homes.
- Implement outreach and community building efforts.
- Administer the Community Homebuyer Assistance Program (CHAP).

Meeting Current Workload

While the budget proposes significant increases in public safety, housing, legal services and economic development, we are recommending a number of positions to maintain the current level of internal and external customer service. These positions are:

Internal Control:

- Fleet Parts Specialist
- Streets Equipment Operator
- Airport Maintenance Worker

Community Growth

- Water Maintenance Service Worker
- Customer Service Representative
- Building Reviewer

Budgetary Growth

- Accountant
- Buyer
- Warehouse Technician

Public Safety

- Police Property Control Coordinator
- Police Dispatch Call Taker
- Magistrate Pro Tem
- Fire Prevention Code Supervisor

Legal Services

The City Attorney's Office is currently facing two challenges. There has been significant growth in the number of DUI cases that require Prosecution. In 2006, the number of cases increased 4%. Perhaps more important is the fact that the Supreme Court is implementing requirements to speed the processing of these cases. This program will require increased staffing in the City Attorney's Office and increased Magistrate time in the Municipal Court. The Budget includes the addition of a full time Prosecutor and 520 hours annually of a pro-tem magistrate in the Municipal Court.

The City Attorney's Office is experiencing an increased workload in legal work. Contracts, development and redevelopment projects with development agreements, IGA's, coordination with outside counsel, planning and zoning issues are all increasing. In order to address this workload, an additional Senior Assistant City Attorney is included in the budget proposal.

The City through an agreement with Coconino County is also adding weekend and holiday pre-trial services through an IGA with the Coconino County Adult Probation Department. Pre-trial services are important and help judges make educated decisions regarding release of potentially dangerous individuals as well as evaluate those who may take flight. It is hoped by having this staff available, costs will decrease holding as fewer individuals will be held over weekends and holidays.

Sustainability

Compliance with the U. S. Mayors Climate protection Agreement signed by the Mayor in September 2006, presents a real challenge to the Flagstaff community. The Kyoto Protocol target of a 7% greenhouse gas emission reduction by 2012 is aggressive and will require local, state and federal action to meet. The Sustainability Manager will be working to implement a Sustainability Program for the City of Flagstaff organization and for the community as a whole. The first phase is the preparation of a five year plan and that work is underway. Examples of the types of strategies that will be important include

Energy efficiency

- Increase residential, commercial, and industrial energy efficiency
- Create residential, commercial and industrial incentives program
- Strengthen and adopt energy efficiency codes and standards
- Decrease Community Water Usage
- Renewable Energy and Emissions Offset Strategies
- Support and develop green power purchasing
- Installation of renewable energy systems on City facilities
- Contribute to emission offset funds
- Create low interest loan program for residential solar energy systems

Transportation

- Increase the average fuel efficiency of municipal fleet
- Reduce vehicle miles traveled by all municipal departments
- Expand viable transportation alternatives for Flagstaff residents
- Promote smart growth development strategies

Waste Reduction & Recycling

- Mandatory residential and commercial recycling program
- Glass recycling and composting program development
- Expand construction and demolition debris recycling
- All sector waste diversion increase

A more detailed description of the elements of a plan is included in the Issue Paper prepared by the Sustainability Manager.

Other Programs

Land Development Update

The proposed budget includes \$250,000 to update of the Land Development Code. This code is over thirty years old and has been amended a number of times. It has caused problems because it is not consistent with state law in some cases. For example, the City is currently rehearing the proposal for a historic district because of this inconsistency. The development and construction industry as well as staff have difficulty interpreting the code and disputes can arise. A legal review is underway as the first step in the process.

Increased Park Maintenance

The City Council discussed the need to adequately maintain parks and roadway landscaping. We have added \$150,000 to the existing budget of \$135,000 to bring the total amount available to \$285,000. These funds will be used for “safety” related park capital improvement projects.

Facilities

Considerable progress has been made in the maintenance of city buildings and facilities. However, much more needs to be done. The Facilities budget has been increased by \$400,000 to \$600,000 to specifically address maintenance needs. An additional \$500,000 has been added to address overall space needs for the City.

De-icing Program

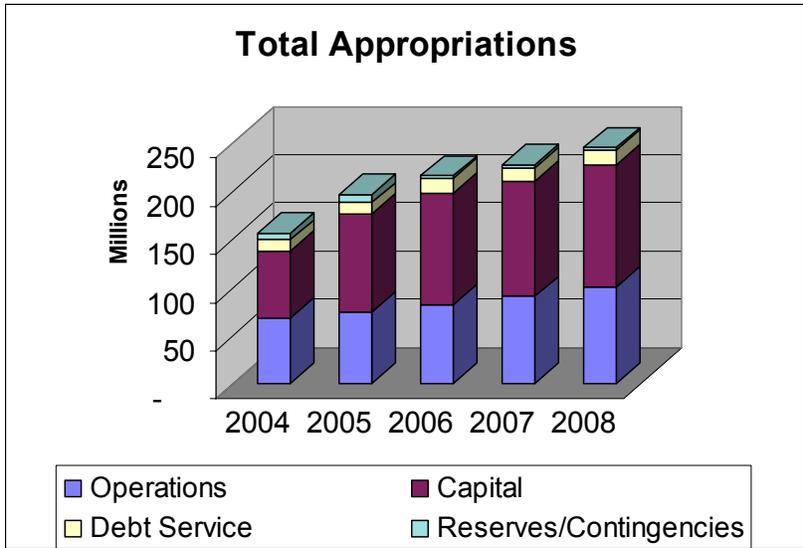
The Council has discussed the pros and cons of the use of the use of chemical de-icer on certain roads in Flagstaff and decided it would be appropriate to conduct a test. Funds in the amount of \$150,000 have been included in the proposed budget for this purpose.

Stormwater Drainage Maintenance

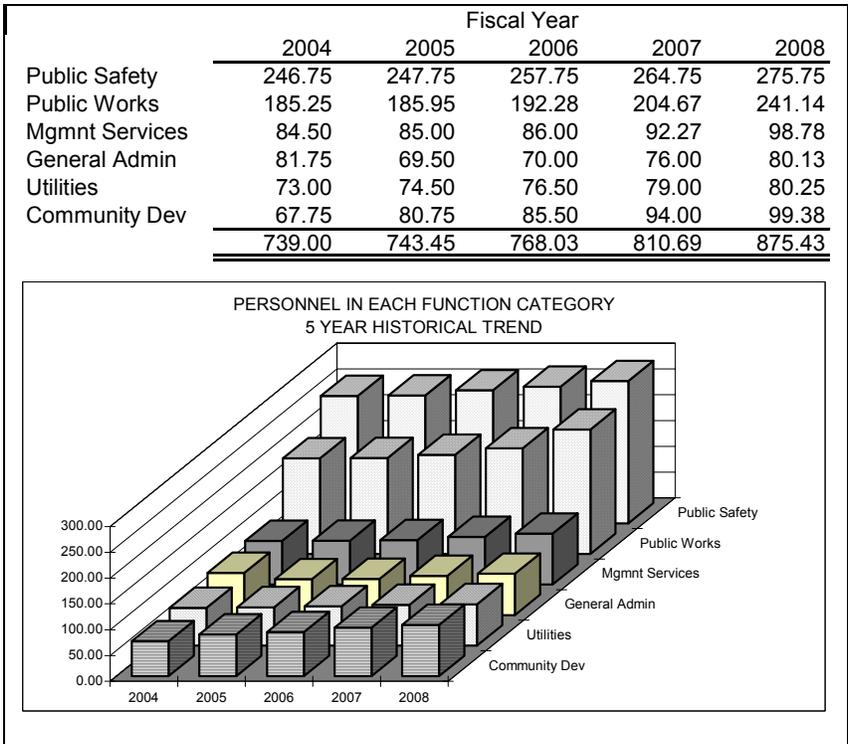
In addition to the existing maintenance provided for drainage ways, the City will be addressing fire related issues along with flooding concerns due to litter and vegetation overgrowth that is left in drainage channels. The City has 26 miles of main channel within the city limits and another 10 miles of collector channels. A new program will begin in the spring of 2008 to clean approximately 2 – 4 miles annually in these channels depending on the overgrowth. This work is funded through the assessed stormwater fee and is provided by the city Streets division.

Summary

Overall the City has 7.7% budgetary growth as shown in the following chart:



In addition, staffing has grown by 64.7 FTE's (8.0%) with the majority in growth in Public Works (Recreation) for the Aquaplex, followed by Public Safety.



As you can tell by reviewing the Council's priorities and the recommendations we have made to support those priorities, this budget cannot be interpreted as a "caretaker" proposal. This budget will allow the City to progress in the coming year and grow in its reputation as one of the finest places to live, work and recreate in the United States!

Respectfully Submitted,

John Holmes
Acting City Manager

City of Flagstaff ***Mission Statement***

The mission of the City of Flagstaff is to enhance the quality of life to its citizens while supporting the values of its community.

Our Values Are:

ACCOUNTABILITY

We are accountable to the community and each other

RESPONSIVENESS

We value addressing our customer's concerns

QUALITY

We provide high-quality customer service

PROFESSIONALISM

We are honest, responsible, fair, highly-trained, and cost conscious

TEAMWORK

We are a team in partnership with citizens, other agencies, and each other for a better Flagstaff

PROBLEM SOLVING

We solve problems creatively, open-mindedly, and professionally

“Service at a Higher Elevation”