



City of Flagstaff

June 30, 2009

Dear Mayor and City Council,

It is with considerable process and deliberation that I submit to you the Final FY2010 Budget. How we spend the public's money is our most important business. This has never been more true than when it shrinks by over \$19 million in just two short fiscal years. Flagstaff, Arizona, the United States and the world are experiencing staggering economic decline. The speed and the connectivity of the decline are unprecedented.

Flagstaff, for only the second time in 44 years, is experiencing a decline in its sales tax revenue. Moreover, this decline is 6 times worse than the 1978-1979 decline. Flagstaff unemployment has risen from 4.6% in February of last year to 7.0% this year. This translates into almost 2,000 people who have lost jobs in our community. Construction permits totaled 395 in 2008, off 23% from 2007 and 48% from our peaks in 2005 and 2006. Not surprisingly, unemployment in the construction industry is over 13.5%. This is troublesome as 15% of our General Fund sales tax comes from the construction sector (historically).

At the state level, their revenue declines are much worse as they are unable to cut fast enough to keep up with the reduction in revenue. Their FY2009 budget required a \$1.5 billion dollar cut at adoption. Since then, the economic conditions have continued to decline so there is another \$3 billion cut anticipated for next year. These are mind-numbing figures.

It is in this context that we were forced to reduce our base expenditures in the General Fund by \$11.5 million versus FY2009. In addition, \$4.5 million in expenditures were cut in FY2009 by implementing a hiring freeze and having all General Fund divisions reduce their operating budgets by 5%. To achieve the reductions for FY2010, we have reduced approximately 75 positions in the General Fund and over 90 positions city-wide. This is combined with reducing contractals and commodities (the line items that pay for non-personnel expenses) to the bare minimum. Together, this will definitely result in declines in service levels, some areas more than others. Despite this, there is no change in hours of operations for City Hall, any recreation center, Flagstaff libraries or parks. Staffing levels have been preserved for police patrol and fire suppression. The ratio of personnel to permits and plan submittals will remain the same in Community Development. We will actually see new programs in utilities as years of significant capital investments come on-line in this fiscal year.

Despite significant cuts the City is not shutting down. As community members read through the budget book, please examine the New Initiatives and Goals section associated with each Division and Section. While we may not be offering many new programs or services, we still have ambitious goals to accomplish with the personnel and budget remaining. It is easy to get caught up in all the things we "won't" be able to do in FY2010 and forget all the positive things we "can" do with the significant resources remaining.

Readers will also notice in this document, new performance measures. Flagstaff had a robust set of measures but they were heavily weighted toward "input-" and "output-type" measures rather than "outcomes." In short, input measures tell the community a lot about workload. They measure things such as how many people registered for a class or how many miles of road were swept.

Output measures tell the reader how efficiently a service was conducted, such as how many calls were handled per dispatcher or how much it cost to produce a million gallons of potable water. Outcome measures tell the community how effective we were in accomplishing the purpose of the program or service. For instance, the crime rate can tell us how effective we are at police services. The size of a forest fire can tell us how effective our wildland mitigation efforts are working. All of these measures are necessary to better determine if we are accomplishing community goals and spending the public's money wisely.

Another important part of this recommended budget is the ongoing conversation regarding compensation. In FY 2009, Council permitted funding of a compensation study. In that study it was found that Flagstaff positions are paid approximately 19.1% below the market average. This is concerning and somewhat worse than expected. Moreover, salaries and benefits are being decreased in order to reduce layoffs and preserve high priority programs and services. These are difficult choices, but necessary in order to balance the FY 2010 budget and preserve highly desired programs and services. Despite the 1.2% pay-cut, employees and I are very appreciative of your willingness to offset that with three paid floating holidays. Restoring the pay-cut and eliminating those floating holidays is a priority for the 2011 budget. Additionally, Leadership, in conjunction with the EAC and HR will be developing a compensation study implementation plan to identify how we achieve market salary wages over the long term.

The benefits of this pay-cut are that they save additional dollars to be used for services or personnel that would otherwise be cut. These "add-backs" include the following:

- ❖ Three (3) patrol officers dedicated to the Sunnyside neighborhood
- ❖ The Fire Training Officer
- ❖ A Information Technology position at the LEAF facility shared by City and County Police and Fire services
- ❖ Assignment pay to most positions in the Police Department.

Other significant budget add-backs that have other independent funding sources include:

- ❖ A Call-Taker position in dispatch
- ❖ \$70,000 associated with various recreation programs

The following table designates, by tiers, the detail of all budget "add-backs" and their funding source.

In summary, this has been, and will continue to be, a very challenging budget. While we have preserved numerous public safety functions and other Council goals, there are still significant cuts across the organization. The cooperation and creativity of the Council and staff has, to achieve this balanced budget, is a proud accomplishment. Thanks again for your ongoing support.

Sincerely,



Kevin Burke
City Manager

FY 2010
TIERED BUDGET "ADD-BACKS"

Tier 1: Ongoing	
General Fund	
Sources:	
Eliminate merit	\$ 1,000,000
Eliminate deferred compensation subsidy	500,000
Fund balance decrease from 15% to 12%	500,000
Increase user fees	500,000
Total Sources - Tier 1	\$ 2,500,000
Uses:	
Public Safety - Police - 13 patrol officers	\$ 942,500
Public Safety - Police - 1 Court officer	72,500
Public Safety - Police - 1 Animal control officer	59,005
Public Safety - Police - Retention pay	270,000
Public Safety - Police - Humane Shelter contract	175,000
Public Safety - Police - 1 Dispatcher	53,500
Public Safety - Fire - 3 Firefighters	90,000
Public Safety - Fire - Summer fuel crew	40,000
Public Safety - City Attorney - Full prosecution services	92,500
Public Safety - City Attorney - 0.25 City attorney admin	50,000
Public Safety - Court - Restore public defender contract	20,000
Public Safety - Court - 0.8 FTE Court Probation officer	47,332
Public Safety - Court - 1.0 FTE Court personnel	35,746
Basic Services - Streets - De-icer program	160,000
Basic Services - Administrative - League Dues	30,000
Basic Services - Administrative - Contributions	100,000
Basic Services - Administrative - Sales Tax Auditor	180,000
Basic Services - Administrative - Switchboard 0.5 FTE	22,295
Basic Services - Administrative - 1.0 HR Generalist	60,000
Basic Services - Fleet - 1.0 Mechanic	50,970
Total Uses - Tier 1	\$ 2,551,348

Tier II - Ongoing	
Sources:	
Reduce Arts & Science transfer	\$ 20,000
Reduce Library transfer	60,000
Reduce salary/planned deferral/other compensation 1.1%	440,000
Restore audit revenue	100,000
FLSA changes	25,000
Sick industrial changes	25,000
Total Sources - Tier II	<u>\$ 670,000</u>
Uses:	
Public Safety - Police - 3 Sunnyside officers	\$ 217,000
Public Safety - Police - LEAF Support contract	60,000
Public Safety - Police - Restore part of assignment pay	92,000
Public Safety - Fire - 1 Training Battalion Chief	10,000
Affordable Housing - Planning - Housing planning capacity through position transfer	-
Basic Services - Parks - Restored FUTS & Streetscape Maint	294,000
	<u>\$ 673,000</u>

Other various ongoing	
Sources:	
Public Safety - Fire - Eliminate assignment pay - arson	\$ 21,600
Public Safety - Fire - Eliminate other ongoing	38,400
	<u>\$ 60,000</u>
Uses:	
Public Safety - Fire - Information technology at LEAF	<u>\$ 60,000</u>

Sources:	
Public Safety - Police - Eliminate assignment pay - Motor	\$ 9,628
Public Safety - Police - Eliminate assignment pay - Accident	14,441
	<u>\$ 24,069</u>
Uses:	
Public Safety - Police - Restore balance of other assignment pay	<u>\$ 25,000</u>

Sources:	
Public Safety - Police - Revenue increase	\$ 50,000
Uses	
Public Safety - Police - 1.0 FTE Call Taker	\$ 45,000

Sources:	
Basic Services - Cemetery - User Fees	\$ 12,000
Uses	
Basic Services - Cemetery - Watering	\$ 12,000

Sources:	
Family, Youth - Recreation - Capital reduction	\$ 40,000
Family, Youth - Recreation - Aquaplex reductions	10,000
	\$ 50,000
Uses	
Family, Youth - Recreation - Other program restoration	\$ 50,000

General Fund - One time budget changes	
Sources:	
FY2010 Vacancy savings	\$ 200,000
Operating capital	271,000
Fleet	233,000
FY2009 reduction in library transfer	100,000
Fund balance from 18% to 15%	1,200,000
City contribution to state budget	400,000
Transfer from self insurance trust	40,000
	\$ 2,444,000
Uses:	
Basic Services - Streets - Restore street sweeping	\$ 13,000
Basic Services - Administrative - Video streaming for P&Z mtg	3,000
Basic Services - All - Fund FY2009 and FY2010 retirements	400,000
Basic Services - All - Fund minimal one time requests	50,000
Basic Services - All - Fund State contribution or DPS	1,200,000
Basic Services - All - Reserve for potential revenue decreases	500,000
Basic Services - Fiscal Health - Fund grant assistant 1 year	60,000
Economic Development - Auto sales tax rebate	100,000
Economic Development - Fund Cardinals	40,000
Public Safety - Fire - Partial restore Fire OT	100,000
	\$ 2,466,000

General Fund - Other revenue dependent	
Sources:	
Grant funding	\$ 217,500
Uses:	
Public Safety - Police - FBI & Marshall officers	
Public Safety - Police - Overtime	
Public Safety - Police - 1 DARE Officer	\$ 217,500

General Fund/Other fund	
Sources:	
Increased County funding for Flagstaff libraries	\$ 58,549
Uses:	
Family, Youth - Library - no 7 p.m. closure	\$ 52,149
Family, Youth - Library - Restore 0.25 Branch Clerk	6,400
	\$ 58,549



MISSION

The Mission of the City of Flagstaff is to enhance the quality of life of its citizens while protecting the values of our community.



VISION

The City of Flagstaff will be a sustainable, safe and vibrant community retaining the character, high quality of life and charm of a small town. Flagstaff will offer economic opportunities, educational choices, attainable housing, a protected environment and cultural and career opportunities to a diverse population.



VALUES

As employees we hold ourselves accountable to these values:

ACCOUNTABILITY

We value accountability.

RESPONSIVENESS

We value addressing our customers' concerns.

QUALITY

We provide high-quality customer service.

PROFESSIONALISM

We are honest, responsible, accountable, highly-trained, and cost conscious.

TEAMWORK

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

PROBLEM SOLVING

We solve problems in a creative, open-minded, and professional manner.

