



City of Flagstaff

June 29, 2012

Mayor and Council,

How we spend the public's money is our most important business. For five years I have started the budget transmittal with this statement. This year will be particularly true as it is the first year where we are actually seeing some growth in revenue. However, with that growth comes some significant challenges. We have come to realize that core services such as infrastructure, equipment, facilities, personnel and public safety for the level of service we provide are unsustainable. This is compounded by deferred maintenance in these areas which occurred during the recession. Consequently, we are forced to make re-allocation decisions that lower service in one place only to maintain it (as opposed to increase it) in another place.

Any proposal to reduce service levels is always understandably resisted by those who use that service. Reducing a core service, which is used by a broader population (either directly or indirectly), evoke even greater resistance. However, **if we don't take care of what we have there will be little to have in the future.** To not address these problems now is a disservice to current and future Flagstaff citizens. Being sustainable is about taking care of the house now so those resources are available in the future.

When faced with cuts in service levels, the obvious place to look is increases in efficiency. How can we provide the same level of service with less revenue? This has been the effort the last several years. We have seen a 20% decrease in the General Fund, a 13% decrease in personnel and decreases in every other fund except the Library since FY 2009. However, there have been few visible decreases in service levels. Employees, who provide these services daily and are very close to the customers, probably see the difference in service levels more than most, but strive to make the visible impact as minimal as possible. Looking at an IBM White Paper issued in February of 2011, it compared the average number of employees and the average cost per capita to provide core services in the 100 largest cities in the United States. Using those parameters, the average number of employees for a town of 65,000 is 657 employees. Flagstaff is over that benchmark with 675 employees (2.7%).

		Cost per Capita
IBM STUDY	Employees	
National Average	657	\$ 702
Flagstaff	675	\$ 623
	2.7%	-11.3%

However, Flagstaff's cost per capita, is at \$623 when the national average is \$702(-11.3%). This is quite surprising considering our cost of living is roughly 20% higher than the national average. But it does explain to some degree why our salary survey indicated that wages for city employees averaged approximately 19% below their counterparts in the state. While there will always be efficiencies to gain, I believe we are nearing the limit of substantial savings that can be gained by efficiencies relative to service provisions.

One example of efficiencies can be seen in our Police Department (both wanted and unwanted). In calendar year 2011 there were 5,000 fewer patrol hours than in calendar year 2010. However, violent crime remained flat, property crime dropped, but so did traffic citations. Most significantly, there was not a single homicide. Unfortunately our average response time increased, but it is still significantly (28%) less than the national benchmark. The reduction in resources forced us to use tools that focused on the greatest need. The primary tool was COMPSTAT, where resource allocation is data driven. Now it's easy to look at this and declare an efficiency success, but there are two important factors to keep in mind. First, there is a degree of luck/chaos/uncontrollability in all police work. We are getting smarter and being proactive, but a lot of the work is still reactive. So we can't depend on these trends as circumstances beyond our control will continue to heavily influence police work. Second, 16 of our police positions are funded by outside resources. This is evidence that we are providing service at a level that is not sustainable.

Therefore, how do we make these difficult decisions regarding changes to service levels? Through extensive brainstorming by Extended Leadership, three budget retreats, and public vetting of ideas and proposals since November, Council has provided, weighed these decisions, and made thoughtful re-allocation decisions. **This document serves as the Budget for Fiscal Year 2013** (July 1, 2012 – June 30, 2013). As such, I will seek to highlight in this transmittal letter some of the larger fiscal changes from FY 2012.

Reminders

Before reviewing this Budget, it is important to remember that a budget is the most optimistic scenario contemplated. Arizona law does not allow for budget expenditures to be amended upward during the fiscal year. Therefore, if the municipality receives a grant or a federal earmark, it cannot be expended if there is not spending capacity already in the budget. If voters pass a bond issue, it cannot be spent that year unless appropriated. If the City sells a piece of property, it cannot be spent for its designated purpose unless previously anticipated. Therefore, there are some revenues and some expenditures that are place-holders "in-case" of unanticipated events. Conversely, if the grant, earmark, bond, etc. is not received, the City simply does not make the expenditure. This is because we must also live within a state law that requires a balanced budget.

This leads to the next reminder. A balanced budget considers all revenue and expenditures. Cities maintain fund balances and carryover unspent dollars from previous years. This can offset unexpected decreases in revenue, delays in capital projects, and one-time expenditures. So budgets are really a multi-year proposition even though we focus on the immediate upcoming year. If you look through the

budget, you will see that we actually budget for the next five years. This allows us to understand the longer term ramifications of expenditure decisions made today or revenue trends currently seen.

Lastly, remember that the Flagstaff budget is governed by fund accounting. Different funds have different rules that affect how money can be used. Enterprise Funds, such as trash collection and water service, cannot be used for public safety purposes. They must be used for the purpose they were collected including purchasing a service needed by the enterprise. We often refer to this environment as the “color of money.” So while the City budget may look like one pot of money, there are many funds with various rules that restrict how the dollars may be allocated.

General Fund, Highway Users Revenue Fund (HURF) & Self Insurance Trust Fund (SIT)

The good news: General Fund revenues are increasing. This is not something we have seen since the false indications of revenue growth in FY 2009, which turned out to require mid-year cuts that continued through FY 2012. In terms of growth, we there will be revenue growth in State Shared Income Tax (because it was already collected) for approximately \$1.1 million. Unfortunately, growth in fixed costs is occurring at almost an equal pace. Growth in mandatory contributions to pensions, utilities, and health insurance will leave us only \$150,000 versus this revenue growth.

Items Funded with State Shared Income Tax Increase	
Est Revenue Increase	\$ 1,161,900
ASRS Increase	(99,850)
PSRS Increase-Police	(317,500)
PSRS Increase-Fire	(288,550)
Electric Increase	(50,000)
Natural Gas Increase	(30,000)
Health Insurance Increase	(226,000)
	<u>\$ 150,000</u>

At the February retreat, guidance was given on how to reduce service levels in some areas to pay for many maintenance and operational shortfalls. Some of the changes in service include: reducing snow plowing, reducing street sweeping, improved efficiencies in Public Works and Utilities, moving deicer subsidy from General Fund to Stormwater, redirect expenditures to Solid Waste and SEMS, reduce purchasing new materials at the Library, repurposing Cogdill, increasing revenues at the ice rink, increase PFC revenues and reduction of staff in Community Development. These changes allow for \$860,000 being re-allocated.

Council also agreed to re-allocate dollars to add \$200,000 to streets operation and maintenance; \$100,000 to parks maintenance (an additional \$100,000 was authorized at the April retreat with funding coming from BBB Recreation), \$100,000 to facility maintenance, \$150,000 to vehicle replacement; \$450,000 to restore pay cuts; \$145,000 to maintain 2 police officers when grant dollars expire; \$100,000 to offset outside legal fees and \$50,000 to restore some training and uniform allowances.

February Retreat Re-Allocation Recipients	
Street Maintenance	\$ 200,000
Parks Maintenance	100,000
Facility Maintenance	100,000
Vehicle Replacement Fund	150,000
Restore Pay Cut 1.2%	450,000
Restore Training	28,000
Restore Uniform Allowance	22,000
Maintain 2 COPS Officers	145,000
Increase Outside Legal	100,000
	<u>\$ 1,295,000</u>

Back to the good news: Sales tax, both local and state shared sales tax, is growing beyond expectations. We continue to remain guarded about their continued growth trajectory, but even if they can remain flat in FY 2013, we will see an approximately \$525,000 increase in local sales tax and another \$525,000 in state shared sales tax over FY 2012. We must temper some of this good news with the lessons learned of the Great Recession (and just good budgeting). We don't know for certain how much of this growth will be sustained in an "on-going" manner versus a "one-time" infusion of revenue. For example, we have two notable construction projects occurring: The Grove (Sawmill) and Elevations (at the Mall). Will there be an equally sizeable construction project next year? Maybe, maybe not. Moreover, we have seen the volatility of auto sales over the recession. Auto sales and construction make up 17.9 % of the FY 2012 sales tax projections but were 23.44% of sales tax in FY 2008. They are extremely unpredictable. Therefore, we will only count a small percentage of revenue from construction and auto as on-going dollars but leave a larger portion for one-time expenditures. In the end, if we add in the reallocation dollars to the "on-going" pot, we have \$978,000 to work with beyond the re-allocations we looked at in the retreats. Good news!

Some bad news: We continue to have to increase the subsidy from the General Fund to the HURF (which pays for street operations and maintenance) because that revenue source--gas tax-- continues to shrink, but more importantly, the State continues to divert revenues previously allocated to cities to the State General Fund to pay for Department of Public Safety among other expenses. This Flagstaff General Fund subsidy will need to increase by \$300,000 just to offset the decrease in revenues allocated to Flagstaff by the State in FY 2012 and again in FY 2013. This brings our available ongoing funds to \$678,000.

Also based upon our February retreat we have taken \$145,000 in ongoing revenue and allocated this to retaining 2 more police officers whose funding expires in 2014 when the COPS grant expires (this funds 4 of the 6 COPS grant positions on an on-going basis after the grant). Another \$50,000 was re-allocated to HURF to help with the operations and maintenance of arterial and collector streets.

This leaves \$483,000 to address other on-going needs. In terms of need, we had approximately \$1.5 million in requests from General Fund Divisions not including property and liability insurance. Almost all of these were for increases in gas prices, utilities, maintenance, training or inflation. The next table shows how we allocated approximately half of the amount to these requests and the other half to insurance rate increases.

From a personnel standpoint, there are four areas in the General Fund with staffing change discussions—Courts, Legal, Human Resources, and Fire.

Administrative Assistant-Legal .25FTE	\$	8,000
HR Generalist		63,000
Wildland Specialist		54,000
Reclassifications and OT		72,000
Maintenance		6,060
Insurance		209,500
Training		7,500
Gas and Oil for PD		20,070
Grants Management Service		10,000
LEAF Contract Increase-IT		12,300
PD Shared Radio Service		10,360
Various \$5,000 and Less		10,210
	\$	<u>483,000</u>

The Courts have seen tremendous growth in citations during the first three years of the recession and then a decline in FY 2012. However, the ratio of citations to employees has still grown to a rate where processing delays are extending. Unfortunately, our focus needs to continue to be on both the capital construction and the on-going maintenance of a new facility. We are currently requesting a proposal for a Public-Private Partnership (P3) for an adequate facility far below the Bond Issue request of \$23 million in 2010. This Budget uses available court revenue for this project in combination with a new bond request in November 2012. We don't know what that request will be until we see the proposals. In the absence of that request or the failure of that bond issue, the budget redirects the court revenue to staffing.

This Budget increases personnel in Human Resources (HR). We are an organization of 800 Full Time Equivalent (FTE) employees or a head count of over 1000 (the difference meaning we have 1,000 employees on the payroll, but if you add all the people who are part-time and temporary together to total a full time employee, we have the equivalent of 800). Human Resources consists of 6 people. They handle all benefits, employee hiring, orientation, complaints, employment law cases, etc. In good times, they spend a lot of time on recruitment. In bad times, they spend more time on benefits (because they are being reduced) and complaints. A staff of six people just cannot keep up with the workload for the entire organization and needs help. A sum of \$63,000 in on-going money is allocated toward an HR Generalist.

There are two changes to personnel in Legal. First, part (0.25FTE) of an Administrative Assistant position in Legal has been funded with one time money the last two years. This position has proven necessary to the operations. Therefore, this Budget converts that position to funding with ongoing dollars. This does not change the head count, just the funding source. Further, at the City Attorney's request, the currently vacant prosecutor's position will be reclassified to a Senior Assistant City Attorney on the Civil side. This requires approximately \$15,000. Again, the total head count remains flat, but the attorney is relocated from prosecution to civil.

Lastly, we have two positions in Fire dedicated to wildland fire prevention that are currently funded with grant dollars. That grant funding will run-out during FY 2013. This Budget will take \$54,000 to maintain Wildland Specialist position with General Fund dollars. The other position we will seek to maintain with new grant funds. In that absence, we will look to relocate one of the employees to operations/suppression as we have three vacancies occurring in that area.

These personnel recommendations will add 1 FTE to the General Fund head count (and shift the cost of .25 from one-time to ongoing and a Fire FTE from grant dollars to other revenues sources), but for FY 2013, we actually are decreasing 10 employees or 9.9 FTE (1 Economic Vitality, 1 Police, 5.2 Recreation, 1 Community Development and 1.70 Public Works). Further details are included in Personnel Section and the Authorized Personnel section in the Appendix. The Court positions will be based upon the fate of the proposed fall bond election (if Council agrees) and will be funded with Court Improvement fees.

Aside from personnel changes, new allocations of ongoing dollars include \$6,000 to maintenance across the various divisions, \$20,000 to PD fuel, \$7,500 to training, \$72,000 to reclassifications and overtime,

\$32,600 for contracts, \$10,000 in various items under \$5,000, and the remaining \$209,500 will be a transfer from the General Fund to the Self Insurance Trust Fund (SIT) to pay property and liability insurance (a more detailed breakdown can be seen on page xxii). It's unfortunate when we have to put so much towards something that does not add value to our services, but the insurance protection has been critical such as when we saw the collapse of the J. Lively Ice Rink due to a snowstorm a few years back. This still does not erase the total increase in premiums we have seen over the last two years. Luckily we have a healthy balance in the SIT and can use that for the time being. We also know that we have some reductions in insurance premiums in future years as some bad experiences drop off the calculation formula. However, the SIT will remain a central focus in upcoming budgets as we address its structural deficit.

On the one-time (1X) front, we have \$734,223 to work with. This is a sizeable amount, although in FY 2012 we had just under \$2 million due to the Sawmill sale. The idea of one-time dollars is that it comes from unsteady revenue sources and should be allocated to things that don't have an ongoing expense. We've made some exceptions to this parameter in the past in order to avoid layoffs or address some maintenance issues.

A full detail of one time expenditures can be found on the next table. Of note, there is a \$50,000 line item to address increases in fuel costs. Fuel prices are escalating quite quickly. While they tend to come down slow, they do tend to come down. So rather than make on-going increases to division budgets, we will create a one-time account to offset shortfalls around the General Fund.

There is \$75,000 for a new set of aerial photos. This is the base of our GIS maps which are used for planning and construction by Planning, Engineering, Capital, Water, Wastewater, Stormwater and certainly Real Estate. It's time to update these photos.

Another item of note is \$90,000 to remodel a portion of City Hall to accommodate the offices that will transfer from the "Chasement." We currently lease the basement of the Chase Bank Building on the corner of Birch and Humphrey's. This costs approximately \$115,000 per year. With staffing reductions over the past few years we can accommodate most of the employees

from that building into City Hall. Unfortunately not all. Moreover, we are looking for efficiencies between Utilities and Public Works. Therefore, these dollars will be used to create a new entrance and

City Manager One-Time Allocations	
City Hall Remodel	\$ 90,000
Aerial Photography	75,000
Retirements	74,684
United Way	71,000
Elections	65,000
Public Defender Contract Increase	60,000
Fuel Price Increase	50,000
Fire Academy	40,000
Equipment for New COPS positions	38,516
Citizen's Survey	30,000
Chase Lease	30,000
Regional Plan	25,669
Training Expense	20,550
Miscellaneous Items	15,600
PPA Power Cost at Aquaplex	12,000
Council Travel	10,000
Open Space Maintenance	10,000
Recreation Facility Maintenance	7,204
City Scope	5,000
Neighborhood Intern	2,500
Agency Sponsorship Tables	1,500
	<u>\$ 734,223</u>

some offices using the area in the second floor west hallway. While this one-time cost is close to the one-years rent on the Chasement, it is a longer term solution that eliminates the on-going expense of renting space.

There is approximately \$40,000 to outfit the four new police officers associated with the Southside COPS grant.

We are also creating “catastrophic” line items as a transition tool from “unfunded” to “pay-as-you-go” on facilities and equipment. The philosophy is that we have facilities that need more ongoing maintenance than our budget can currently afford. We are making re-allocations to this need, but it is still not adequate. The idea of a catastrophic line item is really a contingency fund. We try to stretch the life of a vehicle or a furnace longer, but set aside dollars to fix it/replace it if it fails during the year. Referencing the reminders, remember that we have to appropriate the expenditure in the budget because state law does not give us flexibility to increase expenditures mid-year.

The last item that I want to bring your attention to is the use of two new revenue triggers. A trigger is a tool that I introduced that says, “If certain revenues exceed projections, we will use 50% of that money for a pre-approved purpose related to personnel.” In FY 2012 we used the trigger to restore the 1.2% pay cut the employees took in FY 2008. A salary survey earlier in FY 2008 indicated that our employees were an average of 19% below the market. This means there were some positions more than 19% below the market. Additionally, there is not been a salary increase since FY 2009. This makes sense, but the freezing of salaries has some unintended consequences. Chief among them is compaction among the newer employees. If you were hired in December of 2008 at the entry pay level, you have never seen a pay raise above that hiring amount. However, you now have three years worth of experience. Someone hired in March 2012 will also be paid at the same entry level rate. So now, people with three plus years of experience make the same as those with no experience in the position. This is compaction and it is starting to create some equity issues.

Council provided direction at the April retreat to apply the following triggers. 1) We would offer an across the board 0.6% pay increase; and 2) We would address those the farthest below the market (in that order). This will not effectively address the compaction issue at this time.

In summary, while we saw some notable revenue growth in the General Fund, we are directing those dollars toward on-going and one-time expenditures that sustain the services, infrastructure, facilities, and personnel we have. The General Fund also will increase its subsidy of the HURF as the State decreases its revenue transfers. Lastly, we start to address the premium increase associated with property and liability insurance. Not perfect, but going in the right direction.

Bed, Board, and Beverage (BBB)

Like General Fund sales tax revenue, we expect to see BBB revenue increase in FY 2013. The budget projection is approximately a 4% increase. This is very positive news and reflects the continued rebound in our tourism. BBB revenue is distributed across five areas—Tourism (30%), Recreation (33%), Beautification (20%), Economic Development (9.5%) and Arts & Sciences (7.5%). This does not mean

that the **expenditures** increased in all funds by this same amount. There are other revenues sources in each fund and they have a significant effect. For example, in Recreation, there is the \$1.1 million in bond funds from a 1996 bond issue that are scheduled to be spent in FY 2013 that significantly increase expenditures. There is a decrease in Intergovernmental Revenue to Beautification associated with two grants that were completed in FY 2012 resulting in a significant decrease in expenditures for FY 2013.

Where ongoing increases are possible, they have gone to similar expenditures of maintenance and training. In Tourism, we did increase the advertising and added a tradeshow to our sales operation. In Economic Vitality, we are initializing the annual maintenance fee on the Buxton data (\$17,000) that has become so useful in our business attraction, expansion and retention efforts.

Utilities

The upgrade of the Wildcat Wastewater Treatment Plant in 2008 took a big toll on Water/Wastewater reserves. Additionally, the recession decreased revenues significantly for these two utilities. As a result, there were significant cuts in operations, maintenance and capital over the last four years. With the initiation of a rate increase which took effect on January 1, 2011 and its phase-in over the next five years, there are resources to address many of these issues in a part.

The first focus is capital replacement of infrastructure. The most significant project is the replacement of the water line from Route 66 to Cedar along Switzer Canyon. This has been the source of numerous waterline breaks that have had significant effects on adjoining properties, notably the medical clinics. A second phase associated with replacing that water line will run from Cedar to the Elk's Lodge and occur in FY 2014. We have also budgeted for the replacement of a pipeline in the Lake Mary Wellfield; replacement of a waterline associated with the West and Arrowhead street improvements; a sewer-line replacement on Elm and Dale; and a waterline replacement as part of the Bow & Arrow street improvements. Some of these projects are in conjunction with the \$16.5 million Streets and Utilities Bond issue voters approved in November of 2010.

Other notable increases focus on fuel and energy. Fuel costs and natural gas costs are expected to be notably higher in FY 2013 versus FY 2012. Additionally, while rates for electricity will also be higher, our consumption is also likely to be substantially greater. Specifically, the Inner Basin will remain off-line for all of the summer of 2012. This supplies 20% of our water during peak summer months and is a gravity line requiring very little energy to deliver. This, combined with the lower water level in Lake Mary, will mean greater dependence upon wells. While the water level in the wells has been rising due to less use over the last couple of years, it does still require a great deal of energy to pump. Greater pumping, which is our expectation, will mean greater expenditures on energy.

A third notable is increase in maintenance. Of particular interest is the restoration of funds to maintain some sewer lines. One of the biggest maintenance issues for sewer lines are tree roots that find their way into pipes. We had to reduce this expenditure during the last few years due to minimal resources. We are increasing this maintenance in FY 2013.

The last note on increase expenditures for Water and Wastewater Utilities is in the area of technology. We will be upgrading or replacing outdated SCADA equipment that allows us to electronically monitor Lake Mary, individual wells, treatment equipment, etc., from a central location. We also need to resume payment on some maintenance of software as well as purchase or upgrade some software that has been critical in our operations.

For Stormwater we continue to focus upon smaller drainage improvement projects, but are also hoping to see a new bridge at Thorpe Street associated with the Rio de Flag Flood Control Project. A Congressional earmark from many years ago associated with this project but limited to bridges, was transferred from Federal Highway Administration (FHWA) to the Army Corps of Engineers in FY 2012. Design is underway and construction is expected in FY 2013. Additionally, there is a one-time allocation for the STREAM TEAM watercourse clean-ups for FY 2013 in the amount of \$10,000.

Environmental Services

The Environmental Services Fund has two primary services associated with it—Solid Waste and Sustainability and Environmental Management (SEMS). In the past, these two functions have been intertwined within this fund. We are moving to greater distinctions in both funding and expenditures. A major component of that in the FY 2013 budget is the increase in the environmental management fee and decrease in the solid waste fees by an equivalent amount. From a fee payer standpoint, this is a wash. There is no increase. However, this does provide more transparent accounting of what revenue sources are being used for what expenditures. The proposal is to increase the Environmental Services fee, found on our monthly utilities bill, from \$2.00 per month to \$4.00 per month with an equivalent reduction to the solid waste fee. Based upon the feedback from Council at the February budget retreat, we have set the process required by state law for changing a fee in motion so that it will run parallel to this budget process.

Elsewhere in Environmental Services in FY 2013 is our resumption of a study on large scale composting at the landfill. Any and all efforts to increase diversion from the landfill are efforts that extend the life of a highly difficult resource to replace. This was originally in our work plan for FY 2012, but had to be superseded by our flood protection efforts associated with the Schultz Fire stormwater run-off that was threatening the landfill. A berm was completed in July/August of 2011 in addition to several groundwater monitoring wells. Continued monitoring and research of the movement of subsurface water in this area will require additional expenses this fiscal year.

SEMS has proposed an alternative to the ECO Pass bus passes that were cut in FY 2012. Obviously alternative forms of transportation to and from work are a positive impact on our goal to reduce or hold steady greenhouse gases. Therefore, SEMS will reduce expenditures on the outreach associated Energy Efficiency Kits and use it to purchase up to 20 monthly bus passes from NAIPTA. We then resell those bus passes to employees at 50% on a first come first served basis. The subsidy is approximately \$4,800.

Capital Improvement Program

Capital improvement projects are projects over \$25,000. We spent part of the April retreat examining these expenditures in detail. You can find the proposed list of expenditures for FY 2013 and the next five years in the Capital Improvement Section of your final budget document.

I would like to call your attention to some capital items that are related to recent actions. First, we had two bond items that were passed in November of 2010—the Public Safety Radio System and the Streets & Utility Improvement bonds. The radio system has been almost completely installed and is in use. The bond was for \$4.72 million. It came in at less than \$4.4 million. While police is fully integrated, Fire is still making the transition. The ability to switch between VHF and digital is a marked improvement for Fire and offers a great deal of flexibility and clarity in communication. A big thank you to the public for approving this important tool!

On the Streets & Utility Bonds, we have 10 projects underway or planned between FY 2012 and FY 2013. This includes the overlay of Fourth Street, utility and street improvements on Cherry, Franklin/Mohawk, Izabel, Sunnyside Phase V-B, South Beaver/South Leroux, Dodge Avenue, Rose Avenue, Coconino/Eldon/Humphreys, and La Plaza Vieja. These projects are addressing places where both our pavement and our utility infrastructure are at their combined worst. Capital has been hustling to get these projects designed and bid to take advantage of the lower construction costs we have been experiencing. We still have \$1.75 million unallocated from the project. Right now this is a good contingency for all the projects that are underway. Once closer to completion we will program that remaining amount. In short though, I believe this to be a strong showing of responsibility with taxpayers' dollars for needed projects. It's that old, "promises made, promises kept" idea.

Second, I would like to call attention to the result of the re-allocation discussion. You will see that the \$250,000 in re-allocated dollars we discussed at the February retreat has increased our Street Improvement Program from \$893,000 to \$1,143,000 (compared to a high of \$2.9 million when we had full HURF funds). This program addresses crack sealing, chip sealing, and overlays (collectively know as pavement preservation). The exact programming of streets with these dollars for FY 2013 has not been completed, but is close.

This Budget also provides framework for possible November 2012 bond questions. The issues of an undersized and outdated Court House and Maintenance Facility have not gone away. I recognize the price tag and timing were very difficult for voters. Staff has been working on alternatives over the past year and would like to discuss those with Council and initiate consideration of Bond questions for this November at substantially lower price points.

Additionally, this budget allows Council to consider a bond question associated with forest restoration in two critical areas to the City. The Four Forest Restoration Initiative (4FRI) is a large scale effort to restore our national forests to health through various treatments. We have seen the devastating effects of wildfire in our area in the last decade with most notable impacts from the Schultz Fire of 2010. We have further seen that when the forest has been treated, such as outside Little America during the

Hardy Fire, the minimal impacts a wildfire will have. In fact, the impacts are often positive in those areas.

If the Schultz fire were to happen on the west side of the peaks, most notably in an area called Dry Lake Hills, the flood flows on the Rio de Flag would significantly compound an already damaging 100 that we are currently trying to mitigate. This is a huge danger to the community. Likewise, a similar fire and subsequent flooding around Upper Lake Mary would render our surface water source useless for a significant number of years (due to all the soil, ash and debris running into the lake). Restoration of the forests around these two areas is part of 4FRI. However, where in that queue has not been determined and funding for 4FRI is not enough to guarantee full treatment in the next ten years. Therefore, in conjunction with a long term management plan that would likely include a maintenance fee on our utilities bill in the future, I would like to initiate consideration by Council of placing a \$10 million bond issue on the November ballot to treat these areas.

Summary

Again, this is a very positive year in that we are seeing increased revenue in most of our funds. However, the maintenance demands of our existing infrastructure, equipment, facilities, personnel and services is not sustainable. I believe this recommended budget re-allocates and prioritizes expenditures in the direction of maintaining “what we have.” We are a long ways from a sustainable position, but with these difficult budget decisions, we are on the right path.

Respectfully submitted,



Kevin Burke

City Manager



The City of Flagstaff Service At A Higher Elevation

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

Our 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.