

# ISSUES AND UPDATES

## PERSONNEL SERVICE COSTS

### COMPENSATION

The City's Maintenance Workers and Equipment Operators salary structure was updated on April 1, 2014 as part of the first revenue trigger set for fiscal year 2014 in order to improve market competitiveness of these positions. The other two revenue triggers (1) Library Reorganization and (2) Commissioned Police Structure Phase 2 were not met, but funding was allocated in the fiscal year 2014-2015 budget. The remaining phases of the Library reorganization will be completed effective July 1, 2014. The Commission Police Structure will be updated to include a cadet pay range; however, the \$200,000 will be utilized to address retention of the Commissioned Police personnel that have five or more years of service as of December 31, 2014 rather than implementing the entire Phase 2 of the salary structure. The City's pay plan will be updated on July 1, 2014 with the removal of steps within non-exempt pay ranges.

The compensation study was updated by Human Resources to capture changes in the City municipal organization and in the benchmark organizations. As a result the City is an average of 7.36% below market. There will not be a market increase to the pay plan or to skill based pay during fiscal year 2014-2015.

Hazardous Assignment Pay is paid to employees who perform demanding duties or duties with an unusual degree of responsibility, a heightened level of physical risk that is above the norm for the job, and where additional certification and/or continuing education is needed that is above and beyond the minimum requirements for the position. Assignment pay will not be adjusted; however, the City has added two new types of Assignment Pay (1) Field Training Officer and (2) Communication Training Officer. The Paramedic Assignment Pay will also be eliminated effective October 1, 2014 and will become a classification within the Fire Department pay plan.

City employees will receive a merit increase this year based on their years of service. Employees will receive a 0.4% increase for each year the employee received a proficient performance review rating for the past five years. Employees with 1 year of service will receive a 0.4% increase, 2 years a 0.8% increase, 3 years a 1.2% increase, 4 years a 1.6% increase and 5 or more years a 2% increase. For any years the employee did not receive a proficient

performance review rating 0.4% will be reduced from the total amount of the increase for that year.

In addition City employees will receive lump sum longevity pay compensation in December of 2014. The longevity pay will be based on the employee's years of service as of July 1, 2015. Those employees with 1 year of service will receive \$100, 2 years \$150, 3 years \$250, 4 years \$350 and five or more years \$450.

The total amount of compensation is approximately \$30,852,000 in the general fund.

### BENEFITS

Fiscal year 2015 begins the 22nd year the City has participated in the joint purchasing of health insurance through Northern Arizona Public Employees Benefit Trust (NAPEBT). NAPEBT includes four voting members: Coconino County, Flagstaff Unified School District, Coconino Community College, and the City of Flagstaff and two non-voting members: NAIPTA and the Accommodation School.

NAPEBT continues to fund a wellness program in an effort to improve employee wellness and control health care costs. NAPEBT continues to expand the wellness program by adding fitness and nutrition classes and the introduction of wellness week for employees to focus on wellness related education and activities with their co-workers. NAPEBT held its sixth annual health fair. Employees were able to receive flu shots, mammography and prostate exams and wellness screenings free of charge. These wellness assessments have been included in a Wellness Incentive Program including an online Health Risk Assessment (HRA). In addition NAPEBT added the participation of health and wellness activities and preventative health care to the Wellness Incentive Program. The Wellness Incentive Program was expanded this year to include three levels.

Level 1: The employee completes the Biometric Screening and Health Risk Assessment to receive 7 points worth a \$120 per year discount on insurance premiums.

Level 2: The employee completes level 1 and earns an additional 8 points to receive 15 points total worth a \$240 per year discount on insurance premiums.

Level 3: The employee completes level 1 and 2 and earns an additional 10 points to receive 25 points total worth a \$240 per year discount on insurance premiums and \$120 cash incentive. The cash incentive may be paid as compensation or deferred

into the employee's Flexible Spending Account, Health Savings Account, or 457 deferred compensation account.

The overall premium increase for health insurance was 7% and 6% for prescription drugs based on national trend. The Trustees voted to mitigate the increases through the use of Trust surplus funds. NAPEBT has seen positive impacts of the Wellness Incentive Program on claims and actual claims trend is about 2%. The health insurance premiums will not increase this fiscal year. The overall employer contribution has decreased by \$34,000 in the general fund.

All in-network cost sharing will accumulate toward the annual out-of-pocket maximum in order to comply with the Affordable Care Act. Thus, NAPEBT has increased the out-of-pocket maximums in order to keep the plan cost neutral. The Base Plan will increase to \$4,250 per year and the Buy Up Plan to \$4,000 per year. NAPEBT will continue to allow an opt-out provision for employees with proof of group health insurance outside of the Trust. This provision will provide savings to the City, but will not provide an incentive to the employee to opt-out.

The Trust's decision to become self insured in 2007 has led to the lower premium increases experienced over the last five years. The overall increase for health insurance is still below the national trend of approximately 7%.

The City will pay the full premium for employees participating in the Base Plan and \$254 per month for dependent subsidy. However, if the employee does not participate in the Wellness Incentive and has not authorized a payroll deduction the employee will be defaulted into the HDHP and there will be no contribution to the Health Savings Account (H.S.A.) or Flexible Spending Account (F.S.A.). The dependent subsidy was reduced effective July 1, 2009 and this will continue fiscal year 2015. The total budget for employee only health insurance is \$3.9 million dollars. The total cost of the dependent subsidy to the City is \$770,400.

City employees who do not elect dependent health insurance coverage normally receive \$60 per month in deferred compensation, but this benefit was suspended beginning July 1, 2009 and will continue through fiscal year 2015. The savings to all funds is approximately \$322,000.

NAPEBT completed a request for proposal for both the dental and vision insurance benefits. The dental insurance premiums were slightly decreased for fiscal year 2015. The City pays 100% of employee coverage and employees pay 100% for dependent

coverage. The cost to all funds is approximately \$283,000.

There was a slight increase to the vision insurance benefits. The City provides a basic vision benefit for the employee and dependents. The employee does have a buy up option for employee and dependent coverage. The cost to all funds is approximately \$12,085

The City provides a basic life and accidental death & dismemberment benefit in the amount of one times the employee's annual salary to a maximum of \$150,000. The cost of this benefit is \$88,418.

The Public Safety Personnel Retirement System (PSPRS) employer contribution will be 35.16% for Police an increase of 8.7% and 49.26% for Fire an increase of 5.4%. The PSPRS employee contribution will increase by 1% to 11.05% for the employee. The ASRS employer and employee contribution will be 11.6%. The ASRS pension and health insurance benefit will be 11.48% and the ASRS long-term disability benefit will be 0.12%, which is an overall increase of 2.9%. The cost to all funds is approximately \$4.7 million for PSPRS and \$3.1 million for ASRS.

#### **SUPPLEMENTAL BENEFITS**

The City provides supplemental benefits to employees including the Employee Assistance Program and Repetitive Motion Therapy.

All benefit-eligible employees are eligible to participate in the Employee Assistance Program (EAP). The program provides six sessions at no cost to the employee.

There are two methods by which an employee may be referred to the City's EAP. The first is self-referral when the employee voluntarily calls or contacts the EAP. The second is a referral done by the supervisor when there is a documented performance problem. The EAP also provides mediation services, responds to critical incidents, is the City's DOT Substance Abuse Counselor and may provide training on topics such as Dealing with Difficult Customers, Preventing Violence in the Workplace and Drug & Alcohol Training for Supervisors.

The total amount budgeted for the Employee Assistance Program is \$34,000 for the FY2015 budget.

The City provides a Repetitive Motion Therapy (RMT) benefit to all employees. The RMT sessions are for those employees who have previous, current,

or are susceptible to a repetitive motion injury. Thus, priority for appointments is given in the following order.

- All employees with current workman's compensation claims or claims closed for less than one year have first priority when scheduling an appointment. However, employees with current workman's comp claims who do not follow their prescribed course of treatments will not have priority when scheduling an appointment.
- All other employees who are susceptible to a repetitive motion therapy are eligible for one therapy session per week.

The total amount budgeted for Repetitive Motion Therapy was reduced to \$12,000 fiscal year 2010-2011 and this will continue to be the budgeted amount this fiscal year.

### ***VOLUNTARY BENEFITS***

The City offers three voluntary benefits for the employee. These benefits include Voluntary Life insurance, Short Term Disability and Long Term Disability. There is no direct cost to the City for offering these voluntary benefits, but the City does utilize City resources for administration purposes.

Employees may purchase additional life insurance at their own expense through payroll deductions. The cost of coverage is age rated and there is a guaranteed maximum amount of \$100,000. Coverage is also available for eligible dependents.

Short term disability is available to all employees and Long term disability is available to commissioned employees since it is not part of the Public Safety Personnel Retirement System. This is also an age rated benefit with a weekly maximum of \$1,150 for Short term and monthly maximum of \$5,000 for Long term.

### ***CLASSIFICATION***

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 Division Director 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 an adjustment needs to be made, 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.

Requests may be made during the budget process or any time during the fiscal year, if the division has ongoing funding available. The following requests have been approved between June 30, 2013 and July 1, 2014.

RECLASSIFICATIONS/RERANGES				
Old Title	Old Range	New Title	New Range	No. of Employees Effected
Stormwater Analyst	112	Utilities Management Analyst	113	1
Library Assistant I	5	Librarian	9	1
Landfill Supervisor	10	Public Works Supervisor	11	1
Solid Waste Supervisor	10	Public Works Supervisor	11	2
Housing Manager	15	Deputy Housing Director	16	1
IT Specialist - GIS	R8	IT Analyst - GIS	R12	1
IT Technician – GIS	R6	IT Specialist – GIS	R8	1
IT Administrator – GIS	R113	IT Technician	R6	1
IT Technician – ITAC	R6	IT Specialist – ITAC	R8	1
Assistant City Manager – Communications	113	Same	114	1
Executive Assistant	8	Assistant to City Manager	112	5
Administrative Specialist Zone 2	B22	Billing Specialist	7	1
Auditor I	9	Auditor II	112	1
Payroll Assistant	7	Payroll Specialist	8	1
Administrative Specialist Zone 3	B23	Administrative Specialist Leadworker	9	1
Police Officer	P09	Police Corporal/Detective	P11	2
Police Corporal/Detective	P11	Police Sergeant	P13	2
Police Emergency Communications Specialist	7	911 Coordinator	10	1
Library Assistant I	5	Library Specialist	B61	15
Librarian	109	Library Supervisor	110	1
Library Cataloging Assistant	7	Library Specialist	B62	1
Library Clerk I	3	Library Clerk	4	7
Library Page	1	Library Page	2	4
Mechanic Leadworker	9	Mechanic Supervisor	11	1
Program Assistant	7	Customer Relations Manager	Pending	1
Administrative Assistant Zone 3	B13	Solid Waste Dispatcher	Pending	1
Bin Maintenance Leadworker	7	Pending	Pending	1
Administrative Assistant Zone 2	B12	Administrative Specialist Zone 1	Pending	2

REZONE			
Current Job Title	Old Zone	New Zone	No. of Employees Effected
Administrative Assistant	1	2	1
Administrative Specialist	1	2	1
Administrative Specialist	2	3	1
Maintenance Worker	1	2	3
Maintenance Worker	2	3	1
Equipment Operator	1	2	3
Equipment Operator	2	3	2
Procurement Specialist	1	2	1
Accountant (1-Pending)	1	2	2
Accountant	2	3	1
Planning Development Manager (Pending)	1	2	1
Recreation Supervisor	1	2	6
Airport Operations/ARFF Specialist (Pending)	2	3	2

RETITLE		
Old Title	New Title	Range
Engineering Inspector	Construction Inspector	10
Inspection Supervisor	Senior Construction Inspector	11
Welder	Welder/Technician	7

**NEW CLASSIFICATIONS**

The following classifications have been added to the City Pay Plan:

1. Police Crime Analyst was classified as a range 8.
2. Wildland Fire Crew Member – Senior was added to the temporary pay plan.
3. Administrative Assistant – Customer Service was added to the temporary pay plan.
4. Additional Building Plans Examiner in range 10.
5. Creative Services Lead Worker classified as range 9.

6. Additional IT Technician in range R6 pending changes with Court IGA.
7. Additional Meter Technician in range 4 for one year.
8. Additional Library Specialist for the East Branch Library in zone 1.
9. Fire Training Coordinator upon approval of an IGA classified as range 10.
10. Regulatory Compliance Manager classified as range 117.
11. Water Production Maintenance Workers added to the temporary pay plan.
12. Finance Intern added to the temporary pay plan for one year.

- Water Bike Cops added to the temporary pay plan.

**PAY PLAN CHANGES**

The following changes have been made to the City Pay Plan:

- All non-exempt steps were removed from each pay range within the structure.
- The broad band for Maintenance Worker and Equipment Operator was updated from ranges 4-8 to ranges 5-8.
- The Library Specialist broad band was created.

**REORGANIZATIONS**

The following reorganizations have been completed:

- Utilities Reorganization Phase I: At the Wildcat Wastewater Treatment Plant 1.5 FTEs for temporary Equipment Operators were changed to 2 benefit-eligible Multi-Skilled Workers – Plant Technicians and the Stormwater Analyst was also reclassified to a Utilities Management Analyst.
- Information Technology: The IT Administrator, Specialist and Technician in the GIS work program were reclassified along with the IT Technician in the ITAC work program.
- The Flagstaff Police Department will be transitioning to a higher number of squads, so there will be two more Police Sergeants and Corporal/Detectives. The first phase (of four) of the Library Reorganization was implemented to include adjusting positions to provide equal work for equal pay. In addition, a Library Specialist broad band was created.
- Library Reorganization: The Library Page and Library Clerk positions were reclassified, the Library Assistant were reclassified to Library Specialists and a broad band pay structure was created and temporary pay was set at 5% below the minimum of the pay range for each classification.

**ORGANIZATIONAL STUDIES**

The Human Resources division has received additional requests for Utilities and Fleet.

**TURNOVER**

City's turnover rate for calendar year 2013 is 11.16%. This is 5.74% lower than the government rate according to the Bureau of Labor Statistics.

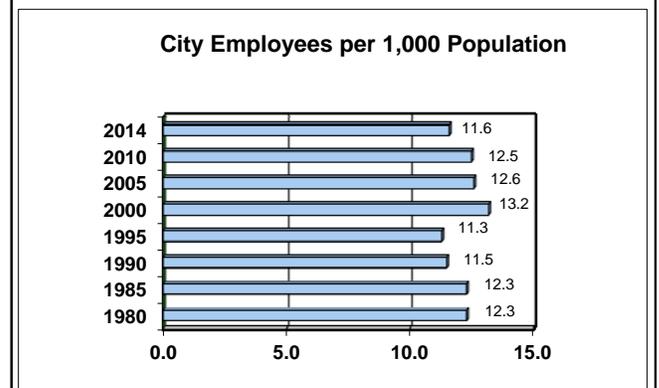
**POSITION ADDITIONS/DELETIONS**

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.

There is a net increase of 2.61 FTE's across all funds for FY 2015. The following detail highlights the five year historical staffing trend as well as the City's calculation of City staff in comparison to population.

	Fiscal Year				
	2011	2012	2013	2014	2015
Public Safety	260.00	257.00	256.00	254.00	255.00
Public Works	153.59	149.87	148.16	201.98	200.21
Comm Enrich	110.43	112.75	107.59	0.00	0.00
General Admin	72.68	71.48	70.93	72.10	73.10
Utilities	68.50	67.50	67.50	67.50	68.50
Community Dev	61.88	57.08	56.08	58.38	57.86
Housing Authority	23.50	23.50	24.00	22.00	22.00
Mgmt Services	39.00	38.25	38.25	89.65	90.55
Econ Vitality	35.75	34.99	33.99	33.43	34.43
	<b>825.33</b>	<b>812.42</b>	<b>802.50</b>	<b>799.04</b>	<b>801.65</b>

Census Year	Population	Budget Year	Employees	Emp/Pop
1980 *	34,743	1981	427.75	12.3
1985	38,247	1986	470.25	12.3
1990 *	45,857	1991	527.25	11.5
1995	52,701	1996	593.00	11.3
2000 *	52,894	2001	700.00	13.2
2005	61,185	2006	768.03	12.6
2010 *	65,870	2011	825.33	12.5
2014 **	69,353	2015	801.65	11.6



\* Census Figures per United States Census Bureau  
 All Other Populations per Arizona Department of Economic Security Estimates  
 \*\*Estimated Population

CITY OF FLAGSTAFF  
 COST ALLOCATION  
 FOR FISCAL YEAR 2015

PROVIDING SECTIONS	GENERAL 001	LIBRARY 030	HURF 40	TRANSPOR- TATION 041-044	UTILITY 201	STORMWATER 210	AIRPORT 270	ENVIRON. SERVICES 280	SEMS 282	TOTAL	CHARGES TO OTHER FUNDS
<b>General Fund Services</b>											
City Manager	\$ 687,239	63,574	43,519	-	81,177	8,253	18,480	71,243	15,975	989,460	302,221
City Clerk	207,658	15,204	12,779	1,651	40,967	2,022	2,916	25,411	3,214	311,822	104,164
Human Resources	348,924	41,112	29,751	-	55,783	5,578	8,832	43,371	10,087	543,438	194,514
Risk Management	89,827	10,491	8,434	879	22,018	1,356	1,995	15,749	2,217	152,966	63,139
Law	316,672	33,308	32,385	36,709	110,874	4,877	6,578	76,070	7,051	624,524	307,852
Information Systems	561,798	12,396	24,792	-	333,551	16,528	16,528	92,681	37,188	1,095,462	533,664
Management Services	356,973	32,585	31,963	20,072	192,147	17,289	14,147	59,587	7,195	731,958	374,985
Customer Services	141,980	9,693	6,567	1,062	624,382	17,440	23,378	166,423	8,408	999,333	857,353
Sales Tax	299,812	6,650	11,969	218,769	33,248	0	3,990	35,908	3,990	614,336	314,524
Finance	596,436	70,452	40,351	25,415	116,940	7,622	39,414	71,917	14,944	983,491	387,055
Community Dev Admin	446,926	-	-	-	-	-	-	-	-	446,926	-
Engineering	1,360,028	0	392,001	-	-	-	-	-	-	1,752,029	392,001
Community Investments	137,013	14,909	14,496	2,952	49,629	2,183	2,944	34,050	3,156	261,332	124,319
Public Works Administration	2,956	0	94,986	-	-	-	13,302	32,674	16,337	160,255	157,299
Mechanical Shop	28,575	1,229	45,451	12,822	0	257	1,736	98,924	126	189,120	160,545
Facilities Maintenance	508,738	67,736	0	-	36,925	11,406	37,108	31,124	2,712	695,749	187,011
Council & Commissions	179,198	15,748	13,224	4,303	57,885	6,553	3,491	35,355	7,173	322,930	143,732
Non-Departmental	2,487,589	62,042	103,654	10,640	313,080	11,879	41,568	228,759	13,029	3,272,240	784,651
<b>Total General Fund</b>	<b>\$ 8,758,342</b>	<b>457,129</b>	<b>906,322</b>	<b>335,274</b>	<b>2,068,606</b>	<b>113,243</b>	<b>236,407</b>	<b>1,119,246</b>	<b>152,802</b>	<b>14,147,371</b>	<b>5,389,029</b>
General Administration	\$ 2,212,118	176,085	151,660	39,239	644,370	38,614	55,329	324,525	75,732	3,717,672	1,505,554
Community Development	1,806,954	-	392,001	-	-	-	-	-	-	2,198,955	392,001
Management Services	1,395,201	119,380	90,850	265,318	966,717	42,351	80,929	333,835	34,537	3,329,118	1,933,917
Public Works	540,269	68,965	140,437	12,822	36,925	11,663	52,146	162,722	19,175	1,045,124	504,855
Economic Vitality	137,013	14,909	14,496	2,952	49,629	2,183	2,944	34,050	3,156	261,332	124,319
Non-Departmental	2,666,787	77,790	116,878	14,943	370,965	18,432	45,059	264,114	20,202	3,595,170	928,383
<b>Total</b>	<b>\$ 8,758,342</b>	<b>457,129</b>	<b>906,322</b>	<b>335,274</b>	<b>2,068,606</b>	<b>113,243</b>	<b>236,407</b>	<b>1,119,246</b>	<b>152,802</b>	<b>14,147,371</b>	<b>5,389,029</b>

## **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, 2012. The City utilized the services of a consultant to prepare this year's plan. The City also utilizes the cost allocation plan to calculate an indirect cost rate that is allowable in accordance with OMB A-87. The City will annually update the indirect cost rate based on actual expenditures, as required by OMB A-87.

## **METHODOLOGY**

A multiple allocation base methodology has been utilized to prepare the Plan. This methodology acknowledges that the utilization of central administration and support (indirect) services by users varies by type of service. The cost of each indirect service or activity of a service is allocated to users based on an appropriate allocation base related to the service performed. For example, general accounting has been allocated to users based on total budgeted expenditures; accounts payable activities have been allocated on the number of accounts payable transactions processed during FY 2012; 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**

To provide a comprehensive fleet management program dedicated to health, safety, resource conservation and fiscal responsibility in selecting and supplying the most efficient state of the art vehicles and equipment to support City divisions and employees in the delivery of municipal services.

Fleet management has set the following FY 2015 goals:

- Continue to track fuel usage to decrease fuel consumption by 2.5%.
- Create a tracking and funding mechanism for newly created equipment pool.
- Re-Audit vehicle/equipment utilization. Goal to eliminate additional underutilized vehicles and reducing vehicle/equipment replacement costs. The goal is to remove 12 light duty and 6 heavy duty vehicles/equipment.
- Initiate an employee education campaign to increase vehicle miles per gallon efficiency through efficient driving practices and vehicle maintenance practices.
- Draft a Sustainable Purchasing Policy for new vehicle purchases, based on best practices for fuel economy on lifetime costs.

Fleet Management consists of line workers and supervisors representing City divisions that are dedicated to developing and implementing policies and procedures for fleet operations. The Committee is under leadership of the Public Works Section Head, Fleet Manager and the Sustainability Specialist and as directed by the fleet policies identified in the Municipal Sustainability Plan. Fleet Management coordinates and monitors the evaluation, replacement, purchasing, fuel usage and utilization of the City's fleet, maximizing vehicle and equipment life, retaining units as long as economically possible and replacing units that have met or exceeded useful life.

Fiscal year 2014 we reviewed 24 replacement requests and agreed on replacing 19 vehicles and equipment. The General Fund replacements include a 24 year old fire engine, an 18 year old zamboni and 4 patrol cars. The Utility Fund includes the 34 year old dredge, 34 year old dozer and 2 service trucks. HURF fund will be 2 sweeper replacements and trading 3 loaders and 3 motor graders for 3 new

all-wheel drive motor graders. The Solid Waste Fund is replacing a dozer, 1 front load truck, 1 residential side load truck and a chassis on a bin maintenance truck.

Worked with City of Flagstaff Sections reviewing underutilized vehicles/equipment justifications and eliminating vehicles/equipment that are not needed. Two vehicles were eliminated.

Other FY2014 accomplishments include:

- Continued to track fuel usage by section to decrease consumption usage. Fuel usage down 2.04%.
- Conducted Sustainability Fleet Drivers training.
- Facilitated an online reservation system for the pool vehicles.

Other objectives for FY 2015 include:

- Research replacement alternative funding methods.
- Coordinate with the Sustainability Section to review each replacement or new addition that could be hybrids, diesels, Ethanol (FFV'S).
- Coordinate with Purchasing to include estimated MPG estimates in all bids for vehicles and equipment and awarding bids to the most fuel efficient when possible.
- Continue to participate in the Valley of the Sun Clean Cities Coalition of other agencies dedicated to conserving and promoting the use of alternative fuels and vehicles.
- Fleet Manager will approve all specifications before requests for proposals are issued.

FLEET FISCAL YEAR 2015 REPLACEMENTS			
DIVISION/SECTION	AMOUNT	DIVISION/SECTION	AMOUNT
051 FIRE		303 WATER DISTRIBUTION	
FIRE ENGINE	\$ 495,000	PICK UP TRUCK FLATBED	19,000
		4x4 PICK UP TRUCK OUTFITTED	44,500
061 POLICE		311 WASTEWATER TREATMENT	
CRUISERS (4)	114,500	4x4 PICK UP TRUCK OUTFITTED	45,000
		DOZER	177,000
156 RECREATION		313 WASTEWATER COLLECTION	
ZAMBONI	100,900	ONE-TON PICK UP TRUCK OUTFITTED	80,000
		4x4 PICK UP TRUCK OUTFITTED	45,000
<b>TOTAL GENERAL FUND FLEET</b>	<u>215,400</u>	DUMP TRUCK	125,000
		<b>TOTAL UTILITIES FLEET</b>	<u>535,500</u>
161 STREETS		165 SOLID WASTE - LANDFILL	
SWEEPERS (2)	560,000	DOZER	750,000
AWD MOTORGRADERS (3)	1,119,500	166 SOLID WASTE - COLLECTIONS	
		RAPID RAIL TRUCK	215,000
<b>TOTAL HURF FLEET</b>	<u>1,679,500</u>	BIN MAINTENANCE TRUCK	77,320
		TOP LOADER TRUCK	215,000
222 AIRPORT		TOTAL SOLID WASTE	<u>1,257,320</u>
ARRF REPLACEMENT VEHICLE	1,350,000	<b>TOTAL FLEET REPLACEMENTS</b>	<u>\$ 5,037,720</u>
<b>TOTAL AIRPORT FLEET</b>	<u>1,350,000</u>		

### **Five-Year Information Technology Plan**

The City of Flagstaff's IT Division will continue to refresh end-user equipment as well as servers and other equipment on an as needed basis. The goal is to continually improve the quality of service which IT provides to the City's employees as well as to the citizens of the Greater Flagstaff area.

#### **Items to consider**

- Implementation of ERP & Community Development Software
- Replacement of network core switches that are no longer supported.
- Addition of a fourth camera to the video recording system in council chambers
- Additional PC refreshes

**GF Phone - \$66,175:** Maintenance for VOIP and telephone

**PC and Network Replacements & Upgrades - \$132,060:** The budgeted amount will allow replacement of end-user equipment on an as needed basis.

**GIS Acquisitions - \$10,000:** Hardware upgrades and replacements.

**E-Government - \$20,000:** Implement the expansion of video streaming of council meetings.

**FY2015 Acquisitions - \$430,633:** Large purchases include the Microsoft Enterprise agreement, Automated Time Entry, and Scheduling Software.



CITY OF FLAGSTAFF  
IT 5-YEAR PROJECTION  
FY 2015 - 2019

IT Five Year Projections	Actual 2012-2013	Budget 2013-2014	Estimate 2013-2014	Budget 2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
GF Phone	\$ 49,363	66,175	66,175	66,175	66,175	66,175	66,175	66,175
Replacement Programs								
Replacement PC's and Printers	51,484	44,020	44,020	44,020	44,020	44,020	44,020	44,020
Network equip	42,268	44,020	44,020	44,020	44,020	44,020	44,020	44,020
Server Equipment	10,374	44,020	44,020	44,020	44,020	44,020	44,020	44,020
Total - Replacement Programs	104,126	132,060	132,060	132,060	132,060	132,060	132,060	132,060
GIS								
Hardware upgrades/replacement	8,439	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Aerial Photography	-	-	30,591	-	-	-	-	-
Total GIS	8,439	10,000	40,591	10,000	10,000	10,000	10,000	10,000
E-Gov	11,961	20,000	20,000	20,000	30,000	30,000	30,000	30,000
New Hardware & Software and Upgrades								
Scheduling Software	-	90,000	25,000	65,000	-	-	-	-
Automated Time Entry	-	50,000	-	50,000	-	-	-	-
Microsoft Enterprise Agreement	128,721	135,000	127,527	135,000	185,000	185,000	185,000	125,000
Microsoft SQL Licenses	-	35,000	35,000	-	-	-	-	-
Kiva Replacement	-	30,000	8,000	22,000	-	-	-	-
Innoprise Updates	53,536	15,333	-	15,333	-	-	-	-
VOIP Migration - next phase	10,095	30,000	13,000	47,000	-	-	-	-
SAN for Disaster Recovery	24,989	-	-	-	-	-	-	-
Planning & Development	-	5,000	-	5,000	-	-	-	-
Engineering	-	25,100	13,800	11,300	-	-	-	-
One Time PC Replacement	-	-	-	70,000	-	-	-	-
One Time Camera	-	-	-	10,000	-	-	-	-
Total New Hardware & Software	217,341	415,433	222,327	430,633	185,000	185,000	185,000	125,000
Public Safety								
Police Upgrades	59,553	-	-	-	-	-	-	-
Total Public Safety	59,553	-	-	-	-	-	-	-
Total Expenditures	450,783	643,668	481,153	658,868	423,235	423,235	423,235	363,235
Funding								
General Fund MIS allocation	415,794	393,235	368,762	403,235	423,235	423,235	423,235	363,235
One time monies	-	65,100	79,391	86,300	-	-	-	-
Carryover	34,989	185,333	33,000	169,333	-	-	-	-
Total Funding	\$ 450,783	643,668	481,153	658,868	423,235	423,235	423,235	363,235

## **FY 2014 UPDATES**

### **QUALITY INFRASTRUCTURE**

In the FY 2015 budget, Council continues to address funding needs of maintenance and to improve the City's infrastructure. FY 2015 Budget focus was on Facilities and IT. See Quality Infrastructure under FY2015 Issues for further information.

### **USER FEES**

For FY 2015 Budget, Council approved an increase in recreation fees that will generate approximately an additional \$70,000 in revenues.

### **LIBRARY DISTRICT TAX REVENUES**

For FY 2015, the assessed valuation for the Library District remained relatively flat. In addition, the property tax rate was flat. All the libraries in the Library District have structurally balanced their budgets to the current level of ongoing revenue and those libraries also support some of their one-time expenditures with accumulated reserves. The County-wide assessed valuation is anticipated to grow next fiscal year, reinstating funding levels to prior year revenues by Fiscal Year 2017. The City of Flagstaff and Coconino County review the projected revenues and the current and projected work program to assure the property tax rate is appropriately set to meet the adopted work program.

## **FY 2015 ISSUES**

### **QUALITY INFRASTRUCTURE**

During the Fall Budget Retreat, Council directed management to focus their efforts to increased funding necessary to improve street, utility, fleet, parks, information technology, stormwater, and facilities infrastructure.

#### **Background/Discussion**

During the recession, the City had to make numerous cuts to balance the budget due to decreased revenues. Many of these cuts included reductions to fund allocations to maintain the City's infrastructure.

In September 2010, the Council established a goal to maintain and deliver quality, reliable infrastructure. As a result, the Quality Infrastructure Cabinet was established to focus to better understand how to maintain the City's current infrastructure and identify the City's projected infrastructure needs. This required an evaluation of

the current and targeted condition of the City's critical infrastructure.

In July 2012, Council re-affirmed this priority by setting the goal to repair, replace and maintain infrastructure. In addition, staff presented findings which included an estimate of over \$27 million to maintain the City's infrastructure in the current condition and another \$147 million to upgrade the City's infrastructure to the target condition in February 2013. The Council reaffirmed this goal during the December 2013 and February 2014 budget retreats with a priority for FY 2015 on Facilities and Information Technology.

#### **Conclusion**

Council adopted a budget that included an additional \$650,000 for street pavement preservation, \$1.9 million for facility repairs/improvements, \$480,000 for information technology replacements/improvements and \$580,000 for park improvements.

### **ADOR SALES TAX OPERATION CHANGES TRANSACTION PRIVILEGE (SALES) TAX SIMPLIFICATION**

There are two ways Arizona municipalities collect Transaction Privilege Taxes, as a program city or as a non-program city. Program cities elect to have the Arizona Department of Revenue administer their city tax code and non-program cities elect to self-administer their city tax code. The City of Flagstaff is a non-program city and self-administers its city tax code.

#### **Background/Discussion**

In May, 2012, Arizona Governor Jan Brewer issued Executive Order 2012-01, calling for the creation of a Transaction Privilege Tax Simplification Task Force. The Task Force was charged with:

*...reviewing, identifying, or developing proposals that would simplify the TPT code and TPT practice in order to alleviate taxpayer frustration, improve compliance, and avoid redundancies. Specific areas of focus shall include, but not be limited to:*

- a. *options for a single point administration to avoid redundancies;*
- b. *identification of differences between state statute and the Model City Tax Code; and*
- c. *standardization of definitions of taxable transactions between taxing authorities.*

Since the creation of the task force, many changes have been made to state and city tax codes. The most important outcome of the task force is that

Arizona cities may no longer remain as non-program, or self-administered cities, effective January 1, 2015.

Conclusion

With the loss of its status as a non-program city, the City of Flagstaff anticipates a reduction in revenues after the Arizona Department of Revenue takes over administration of the City's tax code. The anticipation of lost revenues is mainly due to the historical increase other Arizona cities have noticed when they have changed their status from a program city to a non-program city. Currently, the estimated lost revenue in FY15 is \$150,000. The effects of this change will be closely monitored over the next fiscal year.

**OUTSOURCING**

An emphasis in the FY2015 Budget process was to look into outsourcing as a potential way to improve efficiency and save taxpayer dollars. During the budget review meetings in March 2014, divisions were asked to review their operation to see if there were opportunities to outsource and what the pros and cons were for each outsourcing opportunity.

Conclusion

The City is already outsourcing many services when the City doesn't have the expertise in-house or when the need for that service is only temporary or one-time in nature. Some of the more recent outsourcing by the City includes the copy & mail center and plan reviews. The City will continue to look for opportunities where it is more advantageous to outsource versus being performed by current staff or needing to hire new staff.



