

ISSUES AND UPDATES

PERSONNEL SERVICE COSTS

COMPENSATION

The City's pay plan was updated on July 1, 2014 removing all steps within non-exempt pay ranges. In FY 2015, City personnel received a merit increase on their anniversary date ranging from 0.4% to 2% based on the employee's years of service. Each employee received 0.4% for each year of service performing at or above standards to a maximum of two percent (2%). In addition, City personnel received a longevity pay lump sum payment in December 2014 based on the employee's years of service. At one year of service the employee received \$100, two years \$150, three years \$250, four years \$350 and five or more years received \$450.

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 9.05% below market. There will be a market increase of two percent (2%) to the pay plan or to skill-based pay effective July 1, 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 be adjusted by two percent; however, the City eliminated Paramedic Assignment Pay effective October 1, 2014 and added to classification within the Fire Department pay plan. In FY 2015-2016 the Paramedic Pay will be adjusted by sixty percent (60%) to match the market rate with one-time money for two fiscal years.

In addition, a market based pay plan was implemented for all sworn personnel within the Police Department to set a structure based on market. Dispatch personnel will receive an additional one dollar per hour (\$1.00/hour) pay increase and shift differential pay, for one year, to positively influence attraction and retention.

The total amount of compensation is approximately \$32,155,000 in the general fund.

BENEFITS

Fiscal year 2016 begins the 23rd 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 offers a wellness program including fitness and nutrition classes, wellness challenges, wellness week for employees to focus on wellness related education and activities with their co-workers, an annual awards banquet and annual health fair. This year NAPEBT's wellness program was honored as a Platinum Level Recipient of the American Heart Association's Fit-Friendly Worksites Recognition program. Employees are able to receive flu shots, mammography and prostate exams and wellness screenings free of charge. These wellness assessments are included in a Wellness Incentive Program including an online Health Risk Assessment (HRA). The Wellness Incentive Program includes 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 or Health Savings Account.

The overall premium increase for health insurance was 7.8% and 8.6% for prescription drugs based on national trend. The Trustees voted to mitigate the increases through the use of Trust surplus funds and plan design changes. NAPEBT has seen positive impacts of the Wellness Incentive Program on

claims and actual claims trend is about 4.7%. The health insurance premiums will not increase this fiscal year. The plan design changes will include a prescription drug out-of-pocket maximum, increase of the HDHP annual deductible and out-of-pocket maximum and increases to the co-pay for doctor office visits, urgent care and emergency room. The overall employer contribution for medical insurance increased by \$44,000 in the general fund due to a greater number of employees being insured than previously.

The Trust's decision to become self-insured in 2007 has led to the lower premium increases experienced over the last eight years. The overall increase for health insurance is still below the national trend of approximately 8%.

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 \$4.0 million dollars. The total cost of the dependent subsidy to the City is \$853,000

NAPEBT will continue to allow an opt-out provision for employees with proof of group health insurance outside of the Trust. City employees who do not elect dependent health insurance coverage were receiving \$60 per month in deferred compensation, but this benefit was suspended beginning July 1, 2009 and will continue through fiscal year 2016. The savings to all funds is approximately \$333,000.

NAPEBT completed a request for proposal for life insurance, accidental death and dismemberment (AD&D), supplemental life, accounting services, benefit consultation and for an onsite/near site health and wellness clinic. The supplemental life benefits were improved to include a higher guaranteed issue limit, spouses may elect coverage even when the employee declines and dependent children may maintain coverage until age 26 regardless of student status. The dental insurance premiums will not change for fiscal year 2016. The City pays 100% of employee coverage and employees pay 100% for dependent coverage. The cost to all funds is approximately \$283,000.

The premiums for vision insurance benefits will not change in FY 2015-2016. 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 \$12,535.

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 \$95,660.

The Public Safety Personnel Retirement System (PSPRS) employer contribution will be 43.29% for Police an increase of 18.5% and 67.71% for Fire an increase of 37.5%. The PSPRS employee contribution will increase by .6 points to 11.65% for the employee. The ASRS employer and employee contribution will decrease slightly to 11.47%. The ASRS pension and health insurance benefit will be 11.35% and the ASRS long-term disability benefit will be 0.12%, which is an overall decrease of 1.1%. The cost to all funds is approximately \$6.8 million for PSPRS and \$3.5 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 FY 2016 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 Supplemental 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 \$150,000. 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. Human Resources approved the following reclassification, rezone and retitle requests between June 30, 2014 and July 1, 2015. Following this page are the tables "Reclassifications/Reranges, Rezones, Reorganizations, New Position and Changes Approved for 07/1/15 and New Positions and Changes Approved Midyear are presented.

RECLASSIFICATIONS/RERANGES				
Old Title	Old Range	New Title	New Range	No. of Employees Effected
Asst. City Attorney	R61	Sr. Asst City Attorney	R71	1
Police Emerg Comm Spec	R07	Police Emerg Comm Spec Supervisor	R10	1
Sales Specialist	8	Sales Specialist - Travel	10	1
Sales Specialist	8	Sales Specialist	9	2
Fire Marshall	114	Fire Battalion Chief	115	1
PR Specialist	8	Communications Specialist	9	1
Property Control Coordinator	4	Property Control Coordinator	5	1
Creative Services Specialist	8	Creative Services Specialist	9	2
Sustainability Manager	113	Sustainability Manager	114	1

REZONE			
Current Job Title	Old Zone	New Zone	No. of Employees Effected
Lab Specialist	1	2	1
Project Manager	2	3	1
Division Director	1	2	4
Sr. Asst. City Attorney	1	2	1
Library Specialist	1	2	8
Planning Development Mgr	1	2	1
Maintenance Worker	1	2	4
Maintenance Worker	2	3	2
Recreation Program Coordinator	2	3	4
Recreation Program Coordinator	1	2	5
Equipment Operator	1	2	3

REORGANIZATIONS					
Change	Old Title	Old Range	New Title	New Range	No. of Employees Impacted
Information Technology					
Reclass	IT Analyst	R12	IT Administrator	R13	1
Reclass	IT Administrator	R13	IT Manager	R15	1
Reclass	IT Supervisor	R11	IT Manager	R14	1
Reclass	IT Administrator	R13	IT Manager	R14	1
Reclass	IT Specialist	R8	IT Analyst	R12	1
Legal - 1					
Hours Decrease	Admin Specialist 1 FTE	B21	Admin Spec Leadworker .9	9	1
Hours Increase	Admin Assistant .75 FTE	B11	Admin Assistant 1 FTE	B11	1
Vol Reassignment	Admin Spec Leadworker	9	Legal Assistant*	8	1
Savings used to fund increase in Admin Assistant hours.					
Legal - 2					
Reclass	Admin Specialist	B21	Administrative Assistant**	B11	vacant
Hours Increase	Admin Spec Leadworker -34 hours	9	Admin Spec Leadworker - 40 hours	9	1
*Savings used to fund increase in Admin Spec Leadworker hours					
Public Works					
Reclass	Maintenance Worker Leadworker	9	Public Works Supervisor	11	2
Reclass	Maintenance Worker Zone 3	B83	Public Works Supervisor	11	1
Reclass	Cemetery Maintenance Spec	8	Public Works Supervisor	11	1
Reclass	Streets Leadworker	10	Public Works Supervisor	11	3
Utilities					
Reclass	IT Analyst	R12	IT Administrator	R13	1
Court					
Reclass (Down)	Court Services Supervisor	10	Administrative Assistant - 2 FTE**	B11	2
**Funding from Court Services Supervisor used for 2 Administrative Assistants					

NEW POSITIONS AND CHANGES APPROVED FOR 7/1/15		
Title	Range	Additional Info
Assistant City Attorney	R61	
Environmental Aide Temp	n/a	Added to temp pay plan
Open Space Specialist	TBD	Funded for two years (FY 2016 & FY 2017)
Maintenance Worker (Facilities)	B81	Increase part-time FTE to full-time
Project Manager (Transportation)	B51	
Business Attraction Specialist	TBD	
Community Investment Director	117	
Human Resources Manager	113	
Human Resources Analyst	112	Increase hours to full-time for one year
Collections Specialist	8	Funded for one year
Library Clerk Temp	n/a	Increased by 30 hours (Branch)
Library Specialist	B41	Increased by 15 hours (Main)
Accountant	B71	
Finance Specialist	8	
Fire EMT	6	Funded 2 FTEs with benefits for FY 2016
HPC temps	n/a	Funded \$10,000 in FY 2016
Cemetery Caretaker	n/a	Change to Maintenance Worker
Project Manager (Utilities)	B51	
Water Conservation Aides	n/a	
Rec Temps	n/a	Increase by .62 FTE (Joe C.)

NEW POSITIONS AND CHANGES APPROVED MIDYEAR (Between 7/2/14 and 6/30/15)		
Title	Range	Additional Info
Project Manager	B51	
Construction Inspector	10	
Wildland Fire Firewise Temp	n/a	
Utilities Manager	115	

PAY PLAN CHANGES

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

- The Commissioned Police pay plan was brought up to market. The entire structure was increased for a 2% market adjustment.

ORGANIZATIONAL STUDIES

The Human Resources division did not receive any requests during the year.

TURNOVER

The City's turnover rate for calendar year 2014 is 12.17%. This is 3.63% lower than the government rate according to the Bureau of Labor Statistics.

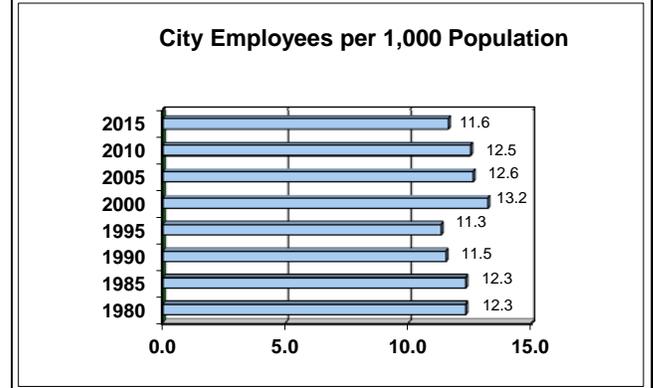
POSITION ADDITIONS/DELETIONS

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 12.76 FTE's across all funds for FY 2016. 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				
	2012	2013	2014	2015	2016
Fire	85.00	85.00	85.00	86.00	88.00
Police	172.00	171.00	169.00	169.00	167.00
Public Works	149.87	148.16	201.98	200.21	204.90
Comm Enrich	112.75	107.59	0.00	0.00	0.00
General Admin	71.48	70.93	72.10	73.10	77.60
Utilities	67.50	67.50	67.50	68.50	70.50
Community Dev	80.58	80.08	80.38	79.86	82.86
Mgmt Services	38.25	38.25	89.65	90.55	93.18
Econ Vitality	34.99	33.99	33.43	34.43	30.43
	812.42	802.50	799.04	801.65	814.47

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
2015 **	70,000	2016	814.47	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 PLAN
 FOR FISCAL YEAR 2016

Providing Sections	General Fund 001	Library Fund 030	Highway User Fund 040	Transportation Funds 041-044	Water and Wastewater Funds 202-204	Stormwater Fund 206	Solid Waste Fund 211	SEMS Fund 214	Airport Fund 221	TOTAL	CHARGES TO OTHER FUNDS
Building Depreciation	\$ 252,451	-	-	-	13,045	2,846	12,209	-	-	280,551	28,100
Equipment Depreciation	1,437,023	-	-	-	-	-	-	-	-	1,437,023	-
402 Non-Departmental	995,092	58,164	114,178	4,084	297,970	9,269	160,721	9,133	57,474	1,706,085	710,993
011 City Manager	657,742	69,198	50,793	-	93,673	8,417	86,176	12,093	16,211	994,303	336,561
011 City Clerk	207,475	13,446	9,857	563	25,251	1,860	16,856	2,215	2,894	280,417	72,942
014 Information Technology	577,245	11,676	23,353	-	317,746	15,569	93,411	35,029	15,569	1,089,598	512,353
015 City Attorney	413,023	42,577	33,432	39,520	105,141	7,550	71,379	7,004	10,774	730,400	317,377
012 Human Resources	364,530	42,565	29,415	-	51,343	4,555	38,880	7,022	7,867	546,177	181,647
013 Risk Management	111,486	12,295	9,009	512	21,709	1,699	15,386	2,026	2,644	176,766	65,280
031 Management Services Admin	18,832	1,941	1,524	1,801	4,794	344	3,254	319	491	33,300	14,468
032 Purchasing	375,123	20,598	43,428	1,694	188,195	17,526	53,866	5,262	17,207	722,899	347,776
034 Finance	631,616	60,522	38,823	23,729	100,854	6,319	58,332	13,389	41,696	975,280	343,664
033 Revenue-Licensing & Collections	200,758	6,349	11,429	275,297	31,747	-	34,287	3,810	3,810	567,487	366,729
033 Revenue-Customer Service	94,411	3,793	1,565	103	737,733	20,611	184,676	14,600	23,351	1,080,843	986,432
151 Public Works	4,510	-	104,320	-	-	-	33,610	16,805	20,295	179,540	175,030
152 Facility Maintenance	591,588	93,250	8,513	-	29,315	4,613	31,252	-	68,887	827,418	235,830
154 Fleet Management	52,546	1,341	49,624	-	14,364	-	98,409	106	1,223	217,613	165,067
101 Community Development	413,070	-	-	-	-	-	-	-	-	413,070	-
102 Engineering	1,412,499	-	413,947	-	-	-	-	-	-	1,826,446	413,947
201 Community Investment	169,612	17,485	13,729	1,643	43,177	3,101	29,313	2,876	4,424	285,360	115,748
401 Council & Commissions	214,855	14,978	12,583	1,222	43,587	3,494	22,976	6,101	4,081	323,877	109,022
Total Allocations	\$ 9,195,487	470,178	969,522	350,168	2,119,644	107,773	1,044,993	137,790	298,898	14,694,453	5,498,966
DIVISIONS											
GENERAL ADMINISTRATION	\$ 2,331,501	191,757	155,859	40,595	614,863	39,650	322,088	65,389	55,959	3,817,661	1,486,160
MANAGEMENT SERVICES	1,320,740	93,203	96,769	302,624	1,063,323	44,800	334,415	37,380	86,555	3,379,809	2,059,069
COMMUNITY DEVELOPMENT	1,825,569	-	413,947	-	-	-	-	-	-	2,239,516	413,947
PUBLIC WORKS	648,644	94,591	162,457	-	43,679	4,613	163,271	16,911	90,405	1,224,571	575,927
ECONOMIC VITALITY	169,612	17,485	13,729	1,643	43,177	3,101	29,313	2,876	4,424	285,360	115,748
NON-DEPARTMENTAL	2,899,421	73,142	126,761	5,306	354,602	15,609	195,906	15,234	61,555	3,747,536	848,115
Total Allocations	\$ 9,195,487	470,178	969,522	350,168	2,119,644	107,773	1,044,993	137,790	298,898	14,694,453	5,498,966

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, 2014. 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 2014; 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 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.

Fleet management has set the following FY 2016 goals:

- Research "Fleet Management" software to further maximize the use of the City of Flagstaff's vehicle stock through excellent maintenance (both preventive and required), fuel usage and vehicle/equipment usage.
- Replace 18 failing Ford diesel trucks with gasoline trucks.
- Remove an additional 12 vehicles/equipment from the fleet.

Fiscal year 2015 we reviewed 21 replacement requests and agreed on replacing 19 aging vehicles and equipment.

Fleet Management's FY 2015 Accomplishments include:

- Reduced the Fleet by 12 vehicles.
- Approved a Sustainable Fleet Purchasing Policy that will require minimum fuel efficiency standards for all new City vehicles smaller than 8,500 lbs.

- Changed the replacement policy for courts vehicles to 7 years, 100,000 miles.
- Right sized and repurposed vehicles within the Fleet.
- Identified issues with Ford 6.4 engines and began the process to replace them.
- Researched replacement alternative funding methods.

Other FY 2015 accomplishments:

- Worked with the Police Department (PD) to refurbish electric parking enforcement vehicle. In addition found a new location to park it during summer months so that it would be closer to its patrol area.
- Prepared proposal to Budget Committee detailing further opportunities to reduce costs related to Fleet Operations City wide.
- Simplification of the fleet vehicle replacement processing paperwork and scoring for committee members.

- Purchasing an anti-idling mechanism for a pilot project with the Police Department.
- Created a mile/hour vehicle/equipment charge out.

Other objectives for FY 2016 include:

- Coordinate with the Sustainability section to review each replacement or new addition that could be hybrids, diesels, Ethanol (FFV'S).
- Coordinate with Purchasing section 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 2016 REPLACEMENTS			
DIVISION/SECTION	AMOUNT	DIVISION/SECTION	AMOUNT
016 COURT CRUISERS (2)	\$ 62,000	222 AIRPORT ARRF REPLACEMENT VEHICLE	1,100,000
051 FIRE 4X4 SUV	31,000	TOTAL AIRPORT FLEET	1,100,000
061 POLICE CRUISERS (9) SEDAN (1)	379,000 31,000	303 WATER DISTRIBUTION 4x4 PICK UP TRUCK OUTFITTED (4)	160,000
154 FLEET FUEL TRUCK	207,100	311 WASTEWATER TREATMENT 4x4 PICK UP TRUCK OUTFITTED DOZER	45,000 147,308
155 PARKS MOWER	81,892	313 WASTEWATER COLLECTION 4x4 PICK UP TRUCK OUTFITTED (3)	200,000
TOTAL GENERAL FUND FLEET	791,992	TOTAL UTILITIES FLEET	552,308
161 STREETS SWEEPERS (1) 4x4 SUV MINI-EXCAVATOR TRANSPORT TRAILER	280,000 40,000 60,000 60,000	165 SOLID WASTE - LANDFILL DOZER	750,000
TOTAL HURF FLEET	440,000	166 SOLID WASTE - COLLECTIONS RAPID RAIL TRUCK (3) BIN MAINTENANCE TRUCK (2) TOP LOADER TRUCK BULKY ARTICULATED LOADER ROLL OFF TRUCK	780,000 150,000 215,000 100,000 150,000
		TOTAL SOLID WASTE FLEET	2,145,000
		TOTAL FLEET REPLACEMENTS	\$ 5,029,300

DIVISION OF INFORMATION TECHNOLOGY

The mission of the Division of Information Technology (DoIT) is:

- To enable City staff to make informed decisions by providing:
 - The desktop, network, server, electronic storage and telephony infrastructure which enables access to the City's electronic data and geographical information;
 - Helpdesk services, software, hardware, system analysis, software development, and product evaluation support services.
- To ensure that the City's server, network and telephony infrastructure and electronic data resources are protected through sound security and disaster recovery management methodologies.
- To provide and maintain an accurate, current, and reliable Geographic Information System (GIS), that efficiently manages City geospatial data, records, and asset inventories, which can be leveraged to enable staff and citizens to make informed and effective decisions that affect the future of the City of Flagstaff.

The Division of Information Technology supports all of the city's other divisions with the exception of the Library which has its own staff, the Police Department which is supported at the LEAF via an IGA with the County, and the Courts which are mandated to be supported by the state. IT consists of 14 FTEs in the areas of Application support, Systems support, Network support, GIS support and the Information Technology Assistance Center (ITAC) helpdesk.

For a list of FY 2015 accomplishments and FY 2016 new initiatives and goals, please see the Department Detail section.

FY 2015 UPDATES

QUALITY INFRASTRUCTURE

In the FY 2016 budget, Council continues to address funding needs of maintenance and to improve the City's infrastructure. The voters approved an additional sales tax for Road Repair and Street Safety Initiative to improve the overall condition of City streets. The FY 2016 Budget will also focus on IT infrastructure/initiatives.

ADOR SALES TAX OPERATION CHANGES – TRANSACTION PRIVILEGE (SALES) TAX SIMPLIFICATION

The City can no longer elect to be a non-program city and therefore, in the future, the Arizona Department of Revenue will be administering the City's tax code and sales tax collection. The original changeover date was January 1, 2015, however, in October 2014, the Arizona Department of Revenue postponed the changeover date to January 1, 2016.

In addition, the Arizona State Legislature made a change in the recent legislative session to assess an administrative fee and a software upgrade fee to cities for the collection of taxes. This amount totals approximately \$160,000 and will be paid to the Arizona Department of Revenue at the beginning of FY 2016.

The changing landscape for local tax collections and its effects will be closely monitored over the next fiscal year and into the future.

FY 2016 ISSUES

PUBLIC SAFETY PENSION PLAN AND FUNDING

The cost of public safety pension continues to escalate at a significant rate. In FY 2016, the required pension contribution increased by \$1,500,000 to a total of \$6.8 million due to contribution rate increases. This represents an overall percentage increase of 32%. One of main reasons for the significant increase in the contribution is the repeal of portions of SB1609 resulting in an overall larger actuarial liability due to permanent benefit increases (PBI). This significant increase has had a negative impact on the City's ability to fund other items within the City's General Fund Budget.

Background:

City of Flagstaff police and fire personnel are part of the Public Safety Personnel Retirement System (PSPRS). The PSPRS is a special retirement system created by the state legislature for certain full-time certified peace officers and full-time fire fighters in the state of Arizona. PSPRS is known as an agent multiple-employer retirement plan. Under the PSPRS, the employee contribution rate is set by statute. The employer contribution rates are different for each employer in the system and changes every fiscal year, based upon an actuarial valuation. As of

the latest actuarial valuation, June 30, 2014, the City Police PSPRS has funding ratio of 38.0% and the City Fire PSPRS plan has a funding ratio of 40.1%, resulting in an overall unfunded liability of approximately \$78 million dollars.

A Pension Task Force was created to gather an understanding of the issues related to the retirement plans, provide education and outreach to cities and counties, and provide recommendations to the State Legislature for changes. The task force recommendation was not available at the time of printing this budget.

Conclusion:

Council approved the City budget funding for 50% of the \$1.5 million dollars PSPRS incremental increase with ongoing funding and 50% with one time funding. The Council also set aside sufficient one-time funding to cover the currently anticipated FY 2017 contribution. In addition, the 5-year plans have continued one time funding available in the out years. The City is using one time funding while they wait for the outcome and potential changes based on the Pension Task Force recommendations. The City will continue to monitor the status of another outstanding PSPRS lawsuit closely that could have a similar impact to the required contributions in FY 2017 and into the future.

RECRUITMENT AND RETENTION OF SWORN PERSONNEL AND DISPATCH PERSONNEL

The Flagstaff Police Department has been challenged over the years to recruit and retain sworn officers and dispatch personnel. Since the beginning of calendar year 2013 the City experienced a 29.4% overturn for sworn officers and 36% for dispatch personnel.

Background/ Discussion:

Council conducted a special round table discussion to better understand the issues related to and causes for the retention and recruitment issues.

During the round table discussion the Police Department shared information that 74% of the Police Officers leaving the Flagstaff Police Department are going to work for another public safety agency. When compared to other public safety agencies within Arizona, the Flagstaff Police Officer had received a 2% increase in pay over the last six years while other agencies have varied from

5% to 37%. Of these employees, 83% were not satisfied with their salary and 70% were not satisfied with their benefits.

The turnover in Dispatch is not the same situation as police officers moving to another public safety communication center. In Dispatch, 22% of the turnover was due to the employee not being able to complete the training. In calendar year 2015 there were four vacancies and the Police Department has only been able to hire one position. The Police Department averages three to four qualified Communications Center applicants per month, but most do not pass the background process. The challenges in Dispatch have been the technical computer skills, radio multi-tasking skills, shift work requirement and the stress of the position.

Conclusion:

For Budget FY 2016, Council approved implementing a market based pay plan for all sworn personnel within the Police Department to set a structure based on market.

The Council addressed the Dispatch issues by approving an additional \$1 per hour increase for all Dispatch personnel along with a one-year shift differential pay. The shift differential pay will be 3% additional pay for swing shift and a 5% shift additional pay for graveyard shift. In addition the Council approved \$50,000 of one-time for assistance with recruitment and retention of dispatch personnel. This money will be used to incentivize Dispatch personnel to learn the different radios within the communications center, funding to send new employees to a three-week dispatcher academy, update the critical software used as part of the hiring process and additional money for advertising. This will assist the Police Department in recruiting qualified applicants, increase the success rate of new employees through an additional training opportunity and incentivize the employees to learn more radios creating flexibility in scheduling.