

Issues and Updates

Personnel Service Costs

Compensation

The compensation study was updated by Human Resources to capture changes in the City municipal organization and the benchmark organizations were updated by 2.96% for commissioned police positions, 1.91% for commissioned fire positions scheduled for 2,912 hours per year and 1.03% for all other positions. As a result, the City is an average of 3.09% below market.

Effective July 1, 2017, the City will implement phase two of the market based pay plan for the Fire 2,912, regular 2,080, skill based pay and broad band pay plans. Employees will receive a minimum of a two percent (2%) increase, except when the two percent (2%) will exceed the maximum of the range. In addition, temporary employee hourly rates will be increased by two percent (2%) unless the hourly rate is already adjusted due to minimum wage and/or the market based pay plan phase two implementation.

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 normal 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 and paramedic pay will not be adjusted.

The total amount of compensation is approximately \$35.3 million in the General Fund.

Benefits

Fiscal year 2018 begins the twenty-fifth year the City has participated in the joint purchase of health insurance through the Northern Arizona Public Employees Benefit Trust (NAPEBT). The NAPEBT trust includes four voting members: Coconino County, Flagstaff Unified School District, Coconino Community College and the City of Flagstaff and two non-voting members: Northern Arizona Intergovernmental Public Transportation (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. In FY 2017 NAPEBT added a near site wellness clinic where employees may receive primary care, health coaching, physical therapy and sick care services for free or pay the fair market value if the employee participates in the high deductible health plan. 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 seven (7) points worth a \$120 per year discount on insurance premiums.

Level 2: The employee completes level 1 and earns an additional eight (8) points for a total of fifteen (15) points worth a \$240 per year discount on insurance premiums.

Level 3: The employee completes level 1 and 2 and earns an additional ten (10) points for a total of (25) points 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 9.2% and 11.6% for prescription drugs based on national trend. The trustees voted to pass on an average increase of 13%. This included a 15% increase for the buy-up plan, 13% increase for the base plan and 11% increase for the High Deductible Health Plan to move premiums closer to claims and expenses spending in each plan. The overall increase for healthcare costs is approximately \$461,000 in the General Fund.

The funding in FY 2018 included increasing the employee premium for employee only coverage, however the City chose to off-set this amount using one-time funding capacity. The City will continue to pay the full premium for employees participating in the base plan and provide a \$325 per month dependent subsidy. If an employee does not participate in the Wellness Incentive Program and has not authorized a payroll deduction, the employee will be defaulted into the high deductible health plan (HDHP) and there will be no contribution to the health savings account (HSA) or flexible spending account (FSA). The dependent subsidy was reduced effective July 1, 2009 and this will continue during fiscal year 2018. The total budget for employee only health insurance is \$4.9 million. The total cost of the dependent subsidy to the City is \$1.1 million.

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 normally receive \$60 per month in deferred compensation, but this benefit was suspended beginning July 1, 2009 and will continue through FY 2018.

The dental insurance premiums will increase 2% for FY 2018. The City pays 100% of employee coverage and employees pay 100% for dependent coverage. The cost to all funds is \$303,087.

The premiums for vision insurance benefits will not change in FY 2018. The City provides a basic vision benefit for the employee and dependents. The employee has a buy up option for employee and dependent coverage. The cost to all funds is \$13,725.

The City provides a basic life and accidental death and 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 \$103,848.

The Public Safety Personnel Retirement System (PSPRS) employer contribution will be dependent upon which tier the employee falls. The employer contribution for Tier 1 Police is 54.73% and Fire 75.11%. Tier 2 employer contributions for Police is 54.73% and Fire is 75.11% for Defined Benefit (DB) only and 79.11% for the Hybrid. All employees beginning on or after July 1, 2017 will be considered Tier 3 employees and contributions for the Police is 49.74% for DB only, 52.74% for the Hybrid and 49.97% for Deferred Compensation (DC) only. Tier 3 Fire employees will receive an employer contribution of 67.99% DB only, 70.99% Hybrid and 68.22% for DC only. The PSPRS employee contribution will vary depending upon the employees' membership date and tier. The Arizona State Retirement System (ASRS) pension and health insurance benefit will be 11.34% and the long-term disability benefit will be 0.16%. The cost to all funds is approximately \$9.3 million for PSPRS and \$3.9 million for ASRS.

Supplemental Benefits

The City provides supplemental benefits to employees including the Employee Assistance Program (EAP) and repetitive motion therapy (RMT).

All benefit-eligible employees are eligible to participate in the EAP. The program provides twelve 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 and Alcohol Training for Supervisors.

The total amount budgeted for the Employee Assistance Program is \$36,000 for the FY 2018 budget.

The City provides a 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 compensation 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 in FY 2011 and this will continue to be the budgeted amount this fiscal year.

Voluntary Benefits

The City offers three voluntary benefits to employees. 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 an external market comparison and then the decision band method for internal comparison.

If the audit and analysis indicates an adjustment needs to be made, Human Resources procedures allow for four types of changes.

1. **Reclassification** - 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 received fourteen (14) reclassification, three (3) rezone and two (2) retitle requests throughout the fiscal year. The following requests have been approved between July 1, 2016 and June 30, 2017.

Reclassifications/Reranges				
Old Job Title	Old Range	New Job Title	New Range	No. of Employees Impacted
Senior Procurement Specialist	B73	Purchasing Manager	115	1
Dispatch Call Taker	4	Police Emergency Communications Specialist	7	2
Inspection Supervisor	11	Building Inspection Manager	113	1
HR Recruiter	7	HR Recruitment Specialist	9	1
Multimodal Transportation Planner	113	Project Manager	B52	1

Rezones			
Job Title	Old Zone	New Zone	No. of Employees Impacted
Administrative Specialist	1	2	1
Administrative Specialist	2	3	1
Equipment Operator	1	2	7
Equipment Operator	2	3	3
Library Specialist	1	2	1
Maintenance Worker	1	2	4
Maintenance Worker	2	3	5
Project Manager	1	2	6
Recreation Program Coordinator	1	2	1
Recreation Supervisor	2	2	1
Senior Assistant City Attorney	1	2	1

New Positions		
Title	Range	Additional Info
Utilities SCADA Administrator		1 FTE
Utilities GIS System Specialist		1 FTE
MSW – Water Services Technician		2 FTEs
Parking Coordinator		1 FTE
Head Lifeguard		2 FTEs - Offset by 1 FTE Temporary Staff
Creative Services Specialist		1 FTE
Labor Standards Manager		1 FTE
Associate Planner		1 FTE
Executive Assistant - Library		1 FTE – Pending District Funding
Parts Specialist		1 FTE
Mechanic Assistant		1 FTE
Administrative Specialist – HURF		1 FTE – 2 Year Contract Temporary
Housing Project Manager		1 FTE – 2 Year Contract Temporary
Recreation Manager		1 FTE – Offset by 1 FTE Supervisor
Building Inspector		1 FTE – Offset by Permit Fees
Project Manager – Development		1 FTE – Offset by Permit Fees
Project Manager – Capital		1 FTE (1X) – Pending IGA
Firefighter		6 FTEs (Safer Grant)
Police Officer		6 FTEs (COPS Grant)
Administrative Assistant – Court		1 FTE (1X)
Collection Specialist – Court		1 FTE (1X)
Open Space Specialist		1 FTE (1X)
Library – Sunday Hours (Clerk, Page Specialist)		1 FTE
IT GIS Intern		0.324 FTE (1X)
Siler Homes Temp Staff		.778 FTE (1X)
CART Paramedic		1 FTE (1X)
Library Clerk – East Flagstaff Library		.5 FTE – Pending District Funding
Library Clerk – Temporary EFCL		.487 (1X)
Library Specialist		.125 (1X)
Comprehensive Planning Intern		.475 (1X)
Administrative Assistant Temp – Housing		.475 (1X)
Recreation Temporary Hours – Jay Lively		.568 FTE (1X)
Recreation Temporary Hours – Joe C Montoya		.06 FTE (1X)

Organization Studies

The Human Resources division did not complete any requests during this fiscal year.

Turnover

The City's turnover rate for calendar year 2016 is 11.50%. This is 6.30% lower than the government rate according to the Bureau of Labor Statistics.

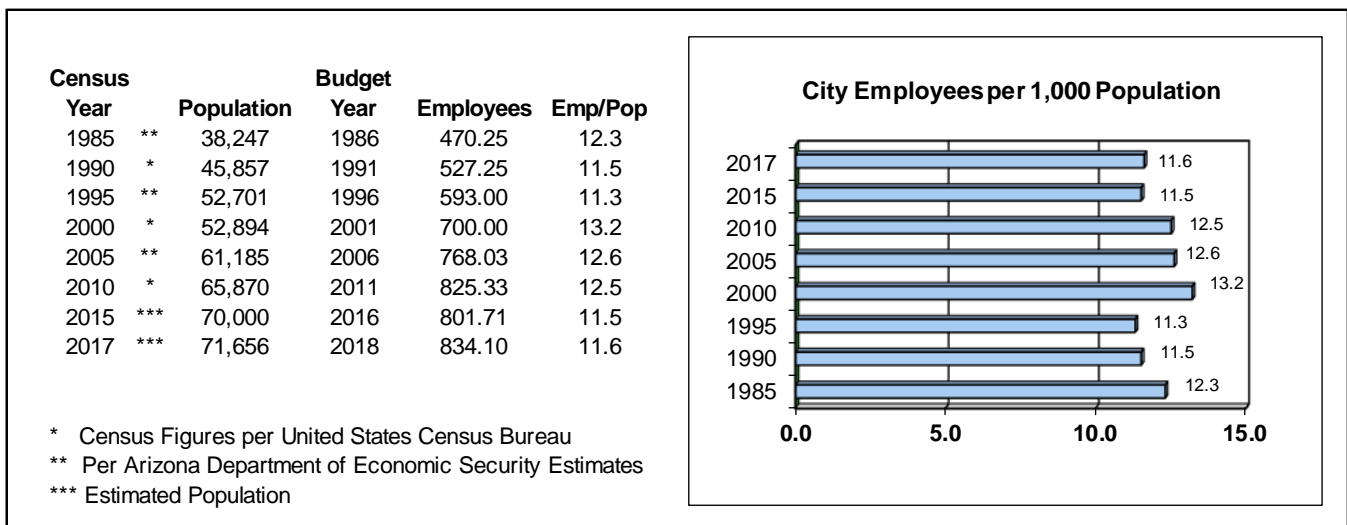
Position Additions/Deletions

The City has planned for a total net increase of 31.194 full-time equivalents across all funds for FY 2018. A review of the Authorized Personnel/Positions Summary (see Appendix A), will provide all details of this increase including staffing request changes for reclassification requests and transfers of personnel between divisions for changing program needs.

The following graph illustrates the five year historical staffing trend of the City by division.

	Fiscal Year				
	2014	2015	2016	2017	2018
General Administration	72.100	74.350	77.600	81.600	82.924
Management Services	89.650	38.250	39.750	45.000	45.000
Fire	85.000	87.000	88.000	89.000	95.000
Police	169.000	169.000	167.000	167.000	173.000
Community Development	80.380	81.860	82.460	83.655	89.130
Public Works	201.980	201.020	204.900	206.210	211.056
Economic Vitality	33.430	81.730	83.855	89.138	92.687
Utilities	67.500	68.500	70.500	72.500	76.500
	<u>799.040</u>	<u>801.710</u>	<u>814.065</u>	<u>834.103</u>	<u>865.297</u>

The following detail highlights the City's level of staffing in comparison to population.



City of Flagstaff
 Cost Allocation Plan
 For Fiscal Year 2018

Providing Sections	General	Library	Highway	Transportati	Water and	Stormwater	Solid Waste	SEMS Fund	Airport	Total	Charges to Other Funds
	Fund 001	Fund 030	User Fund 040	on Funds 041-046	Wastewater Funds 202-204	Fund 206	Fund 211	214	Fund 221		
Building Depreciation	\$ 241,147	-	-	-	12,310	2,503	12,091	-	-	268,051	26,904
Equipment Depreciation	1,211,051	-	-	-	-	-	-	-	-	1,211,051	-
402 Non-Departmental	528,660	38,892	44,548	8,944	124,372	4,571	85,638	8,333	14,837	858,795	330,135
011 City Manager	727,472	54,752	43,975	39	100,901	4,569	71,929	10,385	9,931	1,023,953	296,481
011 City Clerk	239,943	15,553	11,927	1,643	30,269	1,473	21,497	5,306	3,450	331,061	91,118
014 Information Technology	679,338	-	58,264	-	330,867	28,689	128,769	55,208	39,548	1,320,683	641,345
015 City Attorney	485,393	39,666	39,005	53,260	116,083	4,687	83,813	8,705	11,337	841,949	356,556
012 Human Resources	511,648	59,800	37,382	-	77,104	4,905	54,907	10,730	11,098	767,574	255,926
013 Risk Management	120,886	12,185	9,264	1,230	23,076	1,146	16,570	2,321	2,679	189,357	68,471
032 Purchasing	212,873	8,655	19,400	56,949	119,747	19,925	31,545	899	16,939	486,932	274,059
034 Finance	810,267	76,416	47,429	33,683	131,179	16,784	77,434	23,386	34,240	1,250,818	440,551
033 Revenue - Licensing and Collections	236,706	2,146	-	278,568	15,879	-	13,734	2,131	1,288	550,452	313,746
033 Revenue - Customer Service	96,626	7,700	1,116	294	878,955	19,820	248,780	23,964	30,674	1,307,929	1,211,303
151 Public Works	8,437	-	49,665	-	-	-	4,708	2,338	37,895	103,043	94,606
152 Facility Maintenance	620,089	67,253	-	-	168,741	12,896	17,186	-	52,562	938,727	318,638
154 Fleet Management	65,009	1,435	84,588	-	14,282	19	145,021	137	4,469	314,960	249,951
101 Community Development	430,399	-	-	-	-	-	-	-	-	430,399	-
102 Engineering	1,413,383	-	504,395	-	-	-	-	-	-	1,917,778	504,395
201 Community Investment	157,518	12,872	12,658	3,337	37,671	1,521	27,199	2,825	3,679	259,280	101,762
401 Council and Commissions	227,944	10,465	12,611	4,702	41,233	2,165	25,095	8,551	4,980	337,746	109,802
Total Allocations	\$ 9,024,789	407,790	976,227	442,649	2,222,669	125,673	1,065,916	165,219	279,606	14,710,538	5,685,749
Divisions											
General Administration	\$ 2,764,680	181,956	199,817	56,172	678,300	45,469	377,485	92,655	78,043	4,474,577	1,709,897
Management Services	1,356,472	94,917	67,945	369,494	1,145,760	56,529	371,493	50,380	83,141	3,596,131	2,239,659
Community Development	1,843,782	-	504,395	-	-	-	-	-	-	2,348,177	504,395
Public Works	693,535	68,688	134,253	-	183,023	12,915	166,915	2,475	94,926	1,356,730	663,195
Economic Vitality	157,518	12,872	12,658	3,337	37,671	1,521	27,199	2,825	3,679	259,280	101,762
Non-Departmental	2,208,802	49,357	57,159	13,646	177,915	9,239	122,824	16,884	19,817	2,675,643	466,841
Total Allocations	\$ 9,024,789	407,790	976,227	442,649	2,222,669	125,673	1,065,916	165,219	279,606	14,710,538	5,685,749

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, 2016. 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 cost allocation 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 2016; 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 2018 goals:

- Select a GPS-driven Fleet Tracking system and complete a pilot test during the first half of fiscal 2018. Our goal is to provide GPS tracking capabilities to maximize productivity with the City's resources, monitor driver behavior and equipment performance.
- Research and choose a fuel management system to enhance the reliability with dispensing, tracking and billing fuel in the operation of the City's vehicles and equipment.
- Research and choose a lubricant management system for the vehicle repair shop at Public Works Core Services facility. This will improve inventory control, billing and reliability of product.

Fleet Management FY 2017 accomplishments include:

- Completed vehicle/equipment utilization analysis of all City vehicles/equipment. The Fleet Management Committee reviewed 15 justification requests, approved 12, requested more information on two and voted to retire one vehicle.
- Fleet Services and Summit Fire Vehicle Maintenance Department worked together this past year by servicing several vehicles from Flagstaff Fire Departments fleet. This synergy allowed for some backlogged minor repairs to be addressed while allowing Fleet Services to keep current with preventative maintenance and emergency repairs.
- Fleet Services reduced the City's fleet by two vehicles and refurbished two vehicles that replaced one vehicle that was totaled after hitting an elk and another that was not economical to repair.

Other FY 2017 accomplishments:

- Fleet Service Technicians hold 71 ASE/EVT certifications with four being Master Certified Technicians.
- 2016/2017 Snow Operations and Fleets role supporting our front line sections was deemed highly successful achieving maximum productivity from our snow moving equipment.
- Fleet Services was instrumental with the design and construction of Streets new paint stripper. This unit is now in service updating the City's street lines.
- Assisted Solid Waste with the specifications of seven new Solid Waste Collections Trucks and re-furbished four roll offs and four collection trucks, ensuring consistent collection service.
- To ensure quality preventative maintenance inspections, Fleet instituted a documented 45 point preventive maintenance (PM) checklist which is completed with all light duty and sedan maintenance. This checklist includes two employees double-checking critical areas like wheel torque, oil level and verifying that there are no leaks.

Other objectives for FY 2017 include:

- Complete conversion of equipment parts inventory to bar coding and perform physical inventory.
- Prepare the City of Flagstaff's vehicle shop for relocation to the new Public Works Core Services Maintenance Facility; this includes removing obsolete parts and equipment, clearly identifying discontinued items in our parts inventory so that they can be used first, clearing out accumulated items that cannot be justified saving any longer located around our current location.

Fleet Management Fiscal Year 2018 Replacements			
Division/Section	Amount	Division/Section	Amount
033 Revenue		303 Water Distribution	
Truck - Meter Services	\$ 62,000	Trailer	19,000
		Blue Stake Truck	40,000
051 Fire		306 Regulatory Compliance	
Fire Administration Vehicles (2)	110,000	Lake Mary Lab	36,000
		Industrial Waste Vehicle	25,000
061 Police		313 Wastewater Collection	
Patrol Vehicles (4)	150,000	Vactor/TV Truck	300,000
Police Administration Vehicle	28,000	Total Utilities Fleet	420,000
102 Engineering			
Inspection Vehicle	30,000	166 Solid Waste - Collections	
152 Facility Maintenance		Rear Loader Truck	290,000
General Administration Vehicle	28,000	Side Loader Truck	290,000
154 Fleet Services		Front Loader Truck	230,000
Pool Vehicle	34,000	Total Solid Waste Fleet	810,000
155 Parks			
Tractor	35,000	221 Airport Operations	
156 Recreation		Rapid Response Fire Suppression Truck	152,550
Passenger Van	35,000	Total Airport Fleet	152,550
Total General Fund Fleet	512,000	Total Fleet Replacements	\$ 1,894,550

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 fourteen (14) FTE's 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 2017 accomplishments and FY 2018 new initiatives and goals, please see the Department Detail section.

FY 2017 Updates

Public Safety Pension Plan and Funding

The cost of public safety pensions continue to escalate at a significant rate. In FY 2017, the required pension contribution increased by \$571,297 to a total of \$7.4 million. This represents an overall percentage increase of 8.4%. In FY 2018, the City will once again experience a significant increase in pension contributions totaling \$1.9 million to a total contribution of \$9.3 million. This is a 25.6% increase. One of the main reasons for the significant increase in the contribution is the repeal of portions of SB1609 which resulted 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 General Fund budget. With the adoption of the FY 2018 budget, 100% of the increase in the pension contribution is funded with ongoing dollars in the General Fund.

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 36.0% for dispatch personnel. With the implementation of the market based pay plan for sworn officers, a significant increase in dispatch personnel pay and other retention initiatives, the turnover rates have decreased significantly for sworn officers and slightly for dispatch personnel to 14.15% and 31.82%, respectfully, in calendar year 2016. The City continues to work to attract and retain sworn officers and dispatch personnel with the addition of a housing assistance program and hiring incentives.

FY 2018 Issues

Market Based Pay for All City Employees

One of Council's goals for FY 2018 is related to "Personnel" and the priority to "Attract and Retain Quality Staff". The City continues to address this goal and priority by moving the City's pay plans to Phase 2 of a market based pay structure.

Background:

The City's pay plan has consistently been under market. In FY 2016, the City's overall pay plan was 5.19% below market. Rather than continuing to provide across the board market increases the City is using budget funding to strategically move the pay structure closer to what is found in the market. Using benchmark organizations and positions the City has created a pay structure based on a market comparison. This supports the City's structure in becoming more market competitive in order to attract and retain quality staff members.

Conclusion:

Council approved a budget that includes a three year plan for moving all of our positions into a market based pay structure. While some positions will receive a higher increase to bring them into the new market based pay structure, all employees who are eligible, including temporary personnel, will receive at least a 2% increase. Phase I of the three year plan was completed in FY 2017 and Phase II was approved and funded in the FY 2018 budget. Phase III of the pay plan is projected to go into effect in FY 2019 pending budget approval.

Parking District

In FY 2016, Council adopted the Comprehensive Parking Management Program and an ordinance to establish a special revenue fund for the Parking District. The Parking District includes the downtown area, Southside and surrounding areas. The expenditures are restricted to certain physical and operational parking related costs. Following the adoption, City staff started working with stakeholders on implementation of the program. This included the development of Administrative Guidelines and initiating an educational outreach program designed to inform the general users of the new programs and requirements.

In FY 2017, the Parking District has continued with the implementation of the parking program through the completion of parking plans, purchase of parking meter and education for areas affected by the new regulations.

Background:

Historically, three general areas in Flagstaff have experienced notable parking issues including downtown, downtown neighborhoods and Southside. The north downtown area has experienced issues with parking shortages and parking turn-over which affect the north end neighborhoods with spill-over parking. In recent years, the Southside has also experienced issues resulting from student spill-over parking and the successful ongoing Southside redevelopment.

Discussions of addressing parking issues in north downtown date back to the 1950s and include five parking studies which have been commissioned since the 1980s. In 2008, there was a partially successful effort to formulate a solution to the parking and other downtown issues. However, that limited success was conditioned on resolving the remaining parts, notably including the development of more comprehensive solutions and achieving accord between, and buy-in from, all of the stakeholders. In addressing the unresolved parts, the follow-up work resulted in the formation of the Flagstaff Downtown Business Improvement and Revitalization District, however without addressing the parking issues. In 2011 there was an effort to solve some of the early renditions of parking issues in the Southside.

Conclusion:

The City established a new special revenue fund to record the activities of the Parking District and Council approved a budget of \$945,963 for FY 2018. This includes the completion of purchasing and installing parking meters as well as operation costs including five full-time equivalent positions. The adopted program calls for one full-time equivalent position for every 300 parking spaces being managed. The parking meters will be installed late in FY 2017. Of these funds, no less than twenty percent of the gross revenue will be further reserved for increasing the supply of parking.

Business Accelerator Internal Loan

In 2014 the City began construction of the Innovation Mesa Business Accelerator and Secondary Emergency Operations Center. The construction completed in 2015 with the doors opening in July of 2015. The cost of the project was approximately \$7.7 million with primary funding provided by grants. The City intended on issuing up to \$3.0 million in revenue obligation debt as approved by voters for the USGS Campus expansion. The City completed several analysis of the impact of the project and the Economic Development Fund's ability to pay back the debt. It was determined by management that in order to reduce the impact to the Economic Development Fund due to higher interest rates, the City would complete internal financing for the project. The City would use available fund balance from the General Fund to be paid back over time with a 1% interest rate.

Conclusion:

To assist in financing the construction, management agreed to do a revenue transfer of approximately \$2.6M from the General Fund to the Capital Projects Fund for the accelerator project. The Economic Development Fund, which receives the lease proceeds from the leasing of space at the accelerator, will provide revenue transfers to the General Fund with a 1% interest rate and annual payments over 20 years. The source of repayment will come from the Economic Development Fund through rents and BBB tax revenues. The first payment back to the General will occur in fiscal year 2018 for \$143,757 and then annual payments on June 30 until paid off. The Finance division will monitor the funding and future budget decisions could allow the debt to be paid off earlier than scheduled.

