



Minutes Ad Hoc Long Range Budget & Finance Planning Committee March 6, 2008

Minutes of the Ad Hoc Long Range Budget and Finance Planning Committee held on Thursday, March 6, 2008, 4:00 p.m., in the Public Works Conference Room, Tempe City Hall, 31 E. 5th Street, Tempe, Arizona.

Council Members Present:

Mayor Hugh Hallman
Vice Mayor Hut Hutson
Councilmember Onnie Shekerjian

City Staff Present:

Mary Anders, PD Research Admin
Louraine Arkfeld, Presiding Judge
Brenda Buren, PD Director
Angel Carbajal, Asst. Police Chief
Andrew Ching, City Attorney
Mark Day, Budget & Finance Analyst
Tom Duensing, Deputy Financial Svcs Mgr
Molly Enright, Mayoral Aide
Andy Goh, Deputy Pub Wrks Mgr
Jerry Hart, Financial Svcs Mgr
Robert Hubbard, Deputy City Atty
Ken Jones, Internal Audit
Glenn Kephart, Pub Wrks Manager
Connie Krosschell, Deputy City Clerk
Tom Lopez, Facilities Mgmt Dir

Shelly MacDonald, PD Mgmt Asst
Carol Martsch, SEIU
Jeff McHenry, TOA
Tom Mikesell, Budget Analyst
John Osgood, Deputy Pub Wrks Mgr
Brian Potter, PD
Rick Rager, Deputy Court Mgr
Kerby Rapp, TSA
Cecilia Robles, Dep Financial Svcs Mgr
Nancy Rodriguez, Deputy Court Mgr
John Rush, Asst Police Chief
Tom Ryff, Police Chief
Wendy Springborn-Pitman, Engr Svcs Admin
Mark Stodola, Court Mgr
Jay Taylor, Fleet Dir
Susan Vasquez, City Atty's Office
Adam Williams, Sr Budget/Finance Analyst
Rich Woerth, Fire

Citizens Present:

Mary Ann Miller, Tempe Chamber of Commerce
Lorraine Bergman, Citizen

Mayor Hallman called the meeting to order at 4:05 p.m.

Agenda Item 1 – Public Appearances

None.

Agenda Item 2 – Department Focus: Public Works

Glenn Kephart summarized that the Public Works Department's purpose is to serve residents of Tempe and assure that they have a clean, safe, well-maintained environment, and a sound and adequate infrastructure that will serve the community many years into the future. The department consists of seven divisions.

- Field Operations is composed of Streets, Traffic Operations and Solid Waste. Those operations are funded either by special revenue funds (such as HURF) and enterprise funds (Solid Waste)
- The Transit Fund supports Transportation and Light Rail Transit.
- The General Fund is 13% of total revenues and supports Engineering, Facilities, Custodial and Fleet.
- Engineering Division
 - Plan review and inspection for private development and utilities, design and construction for Capital Improvement Projects, real estate management for the City, GIS mapping services, permit counter and land survey, procurement and contract management.
 - Staffing level in 2001 was 38 and currently is at 34.

Mayor Hallman added that fees were increased in 2005 to better reflect cost.

- Facilities and Custodial
 - Service, maintain and clean City facilities, oversee remodel and structural repairs, and maintain City parks lighting systems.
 - Facilities staffing has been fairly stable around 20 to 22.
 - Custodial staffing has increased from 39 to 43 due to an additional 167,000 square feet of buildings. Eight full time custodians staff those buildings, but we have not added enough staff to keep up with the building.

Mayor Hallman clarified that the Tempe Center for the Arts (TCA) maintenance staff is being carried by the TCA. He asked if overhead from the department is assigned to that as well?

Mr. Kephart responded that it would fall into interactivity.

- Fleet
 - Preventive maintenance, equipment repair and road service for City's fleet of vehicles, maintenance of City fuel sites, and purchase and replacement of vehicles and parts.
 - Staffing level has been maintained since reorganization in 2003.
 - 29 vehicles per person in 2001, to 35 vehicles per person today. It is at the breaking point.

Mayor Hallman asked if this includes only General Fund fleet, or whether it includes solid waste vehicles.

Mr. Kephart responded that it includes solid waste vehicles.

Mayor Hallman added that it will be important to make sure all of that is charged back to the appropriate fund.

Mr. Kephart added that all equipment is handled except for fire vehicles and buses.

Mr. Kephart continued with recommended budget solutions.

- Line item adjustments to save \$15,000.
- Transfer of two admin positions assigned to John Osgood, housed at Field Services, to the Solid Waste Fund to save \$165,000. There are currently some interactivity chargebacks, but these should be assigned to the Solid Waste Fund.
- Partner with business community and Fantasy of Lights stakeholders to cover Mill Avenue lighting expenses. Savings of up to \$95,000.
- Increase standard annual Engineering fee, resulting in \$35,000 of revenue.
- New Engineering fees for materials testing, plat review, lease of right-of-way, and digital format for Standard Details Supplement.

Mayor Hallman asked why we don't currently charge the materials testing costs back to the development.

Mr. Kephart responded that historically it has been considered something that they get for their development fees. Since it is an actual cost to the department, a fee structure could be developed. For all of the Engineering fees, he would request a joint presentation with Development Services to the Finance, Economy and Veterans Affairs (FEVA) Committee. It would be important to partner and have discussions to determine the appropriate structure. Staff feels there is the capacity to offset the true cost of our services.

Mayor Hallman asked how quickly this could be done.

Mr. Kephart responded that they would be ready for the next FEVA meeting.

DIRECTION: After presentation at the March 19th FEVA meeting, bring back to this group with the Development Services Department Focus on March 27th.

Mr. Kephart summarized that the total recommended budget solutions for Public Works would be \$756,500. He continued with potential ideas for further discussion:

- Decentralize utilities. All electricity billing goes through Public Works. For a one degree change in summer and winter, \$25,000 per year could be saved. Transferring the billings to individual departments could make sense.

Mayor Hallman suggested switches on the air handlers so that the system could be turned off as needed.

Tom Lopez responded that one of the proposed energy management systems throughout the City would provide that ability.

- Develop ASU partnership to service and maintain their fleet of vehicles as a new source of revenue.

Mr. Kephart added that what the City would have to spend would be far less than the revenues coming back. Many things would have to come into play, but it might be worth having further discussion.

Mayor Hallman stated that if that is worth pursuing, why wouldn't we also pursue merging Fire and Public Works maintenance facilities? The only issue he has heard is having a fire vehicle immediately adjacent to a fire station so that if it doesn't require heavy maintenance at the moment, it could still be put on the road in an emergency. What kinds of cost savings could occur if we spend our capital in one location and seek some cost savings from materials and capital costs associated with it? There must be some instances where the equipment being used in Public Works maintenance facility is the same as the equipment used in Fire.

Jay Taylor responded that Fleet is now in a 30-year-old facility that is stretched to the limit.

Mayor Hallman added that we know we have to build a new facility. We are about to build a new fire maintenance facility, and if we're going to do that, let's do it right once. Does it make sense to build a single facility that meets everyone's needs and, if we do that, are there savings? Also, we would free up that piece of real estate at the Priest Yard and could sell that for a significant amount of money to build the new maintenance facility. That would also reduce the stress on the capital budget.

Rich Woerth added that it could be combined, but Fire would need to have Fire dedicated maintenance people.

Mr. Kephart added that the unknown for Public Works would be whether a new facility would be built on the fast track or ten years out.

Mayor Hallman added that the question is marginal cost. If a maintenance facility for Public Works costs \$26M, and a Fire facility costs \$12M or \$17M, but a combined facility costs somewhat less than the combined amount, then it would certainly move up in priority. The fire facility is already in process.

Mr. Woerth asked if the \$12M or \$17M includes Station 2 as well.

Mayor Hallman responded that he was just speaking to the maintenance piece. If there's a cost benefit in partnering with ASU, then there must be a benefit to combining Public Works and Fire maintenance.

Mr. Kephart agreed that further analysis of the benefits of combining the Public Works and Fire maintenance facilities should be done.

- Potential savings in uniform allowance expenditures pending discussion and agreement with SEIU.

Mr. Kephart summarized that sometimes it may not be necessary to replace uniforms. This involves initiating discussions with SEIU.

Mary Ann Miller asked about the HURF funds for Field Operations. With the legislature threatening to sweep HURF funds, would that put pressure on the General Fund?

Mr. Kephart agreed that it would put pressure on either tapping into the General Fund more to continue the City's current program of maintaining streets and infrastructure or cutting back on it. They are dependent upon the state to provide those funds for street maintenance.

Ms. Miller asked whether the Police Substation custodial staff expense eventually goes through interactivity back to the Police Department. Is there something that shows what the Police Substation costs?

Jerry Hart responded that the focus of the interactivity allocations, especially for indirect costs like those, is really to ensure that each fund bears its fair share of those overhead costs. Allocations within the fund are not tracked.

Ms. Miller clarified that overhead is allocated, but not specific costs.

Mr. Hart responded that the overhead does represent specific costs. For example, custodial services or facility maintenance has a cost center which contains all of their costs and through our indirect cost allocation methodology, we ensure that the Transit fund, the Water/Wastewater Fund, and all of the other funds outside of the General Fund bear their fair share of those costs. Once we do that initial allocation, for example, to the Water Fund, we don't further allocate that expense amongst the various divisions within the Water Fund.

Ms. Miller clarified that phone, internet, and computer usage are allocated to individual departments, but indirect costs are not allocated.

Mr. Hart added we know exactly how many phones are in each division and because we have that information, we can readily charge those internal service costs.

Ms. Miller asked if the custodial staff assigned to the Police stations float or are they assigned to those specific areas

Mr. Kephart responded that they can float but there are people assigned to those areas.

Mayor Hallman asked how many hours are associated with each building.

Mr. Kephart responded that is why he mentioned earlier that when with the additional buildings since 2002, 8 people are assigned to them. It's not predicted what should have been assigned to them, but what is actually assigned to them.

Ms. Miller added that for the bottom line it doesn't make a difference, but it seems that it would be easier to follow costs that way. She also asked if Mr. Kephart had looked at privatizing any of this.

Mr. Kephart responded that Solid Waste Commercial competes against the private sector. We understand that we must remain competitive. He didn't do a full analysis for this meeting.

Mayor Hallman asked for further detail on how these costs coming out of the General Fund piece are allocated. Concerning Engineering staffing, it had been noted that there were new facilities being constructed by the City and those incur Engineering time and effort and he asked whether that cost is charged back to the TCA and the East Valley Bus Maintenance Facility, for example.

Mr. Kephart responded that he wasn't sure that is being done.

Andy Goh responded that for those two facilities, we also hired an external consultant to supplement staff effort because of small staff.

Mayor Hallman asked whether any Engineering time spent in our system was billed over to those other funds.

Mr. Goh responded that based on the last Ad Hoc Budget Committee's recommendation and Council approval, we started collecting a fee for plan review and inspection fee on all CIP projects.

Mayor Hallman asked if it is fully loaded.

Mr. Kephart responded that it is not.

Mayor Hallman stated that it shows \$742,000 in Engineering fees collected, and it is expected to be \$1M by the end of 2008. He thought 34 people cost more than \$1M. He asked what it would take to truly fully load the Engineering work done with respect to projects.

Mr. Kephart responded that Engineering solely provides services.

Mayor Hallman clarified that Engineering is not delivering services to the generalized community. We should determine what those real costs are. Development Services was fully loaded. Part of the problem for Engineering is that we may have fully loaded Development Services and left Engineering out. Some of these fees ought to be allocated and we ought to look at the entire process of development to determine the real cost. In looking at the revenue flow, one-third of the revenue from sales tax is now coming from non-retail sales, such as office leases and other kind of lease elements, as well as construction sales tax and those elements. What does it really cost to staff the 34 people? In addition, mixed into the line item for Administration and Engineering, it shows 41 people in 2006-07, 34 in 2006-06, and the slide showed down to 30 and up to 34. Is the difference of 7 on the administrative side? How do we break out this administrative line item?

Julie Hietter responded that the slides did not reflect the administrative piece which would be Public Works Admin and Field Services Admin under John Osgood.

Mayor Hallman added that this doesn't reflect the split that says Transportation and Fleet Services. Why not?

Ms. Hietter responded that administratively, they are in Engineering. Two are funded in Transportation and two in Water Utilities.

Mr. Hart clarified that the intent of this breakout is not to split out these numbers by fund, but show the entire staffing irrespective of what fund they are in.

Mayor Hallman clarified that there are engineers in Engineering who happen to be funded by Transportation because that is what they are doing. What are the Administration numbers over time?

Ms. Hietter responded that the current numbers are three in Public Works Administration and two in Field Services Administration.

Mayor Hallman asked if those are the two we discussed moving over?

Ms. Hietter responded that they are two currently in the General Fund that we are proposing to move over.

Mayor Hallman clarified that they are deemed to be in Field Services, but they are being paid out of General Fund. There is a total of 5, and he asked if that has changed over time.

Ms. Heitter responded that going back to 2001/02, it has decreased by at least one and possibly two. She can get that information.

Mayor Hallman asked about #6410, Motor Vehicle Parts, and whether we are fully charging back all of those costs to the appropriate funds?

Jay Taylor responded that we are.

Ken Jones added that his staff is working with Mr. Taylor and there are some ways charge backs could be increased.

Mayor Hallman clarified that if the oil on a garbage truck is changed, it ought to have associated with it the true cost to the City of all maintenance work.

Mr. Jones added that it has been done that way historically, and his staff just recommended that those numbers be reviewed and updated.

Mayor Hallman added that the same issues exist on #6340, Gasoline & Diesel Fuel.

Mayor Hallman continued that there is a \$1.5M increase in salaries from Revised 06/07 to Budget 07/08, but the numbers aren't growing that large. The Budget 06/07 was \$6.6M, so is \$800K higher than what the revised came in at. Why?

Mr. Hart responded that staff will look at that and come back.

Mayor Hallman added that the Actual in 05/06 was \$8.8M, revised budget was \$6.8M, for a \$2M difference.

Mark Day responded that Parks and Recreation used to be part of Public Works.

Mayor Hallman asked to have Parks and Recreation figures for the next meeting.

Councilmember Shekerjian asked for explanation of the Supplies and Services increase. The budget amount for 06/07 and the revised indicates a \$300K difference. Looking at the revised 06/07 to the budgeted 07/08, there's a \$9M increase.

Mr. Hart responded that it reflects more than just the General Fund. This includes Transit and it probably involves the Orbit neighborhood circulator.

Lorraine Bergman asked about outsourcing custodial services.

Mr. Kephart responded that staff has talked about it, but hasn't gone through the development of an RFP to compete against the private sector. There are several issues and given what we've come through in the last five or six years, to outsource a major work group would be tremendously stressful to that work group. There was a similar issue with bus service. The level of service isn't always as high as we would wish it to be because we are unable to maintain the culture within our own group. Custodial staff go through everyone's office at 2 a.m. He would not recommend outsourcing because of the confidentiality. We are pretty competitive and we think we would win that contract.

Councilmember Shekerjian stated that an analysis would be a good thing, because she gets this question from community members. It would be helpful to show the public that we are competitive.

Mayor Hallman asked what the fully loaded hourly rate would be for someone to charge from the outside so we could analyze it.

Mr. Kephart stated that staff could do some research on that quietly. If we were going to privatize, that's one thing, but to talk about privatization is very stressful.

Mayor Hallman clarified that no one is even suggesting that. We just need to be able to show why. We do our own in-house studies through Human Resources on all of the salaries and that can be done out-of-house. Is it worth it to be done out-of-house? We ought to have that answered. If we aren't in the position to explain the answer or provide the information, it looks like we're hiding something.

Ms. Bergman added that there are multiple high security companies with the same issues that outsource. She would suggest looking at the benefits and 20 and 30 year employee benefits. It's not just talking about today and the hourly rates, it needs to be fully loaded. She also asked whether both shirts and pants are provided for uniforms.

Carol Martsch responded that there is a jean, a uniform and a shoe allowance.

Ms. Bergman asked if it has ever been considered to have employees buy their own jeans and their own shoes.

Ms. Martsch responded that this is done because in Fleet Services, for example, the uniforms are often ruined by oil or grease.

Ms. Bergman asked about other areas.

Ms. Martsch responded that the uniform allowance goes across the board.

Ms. Bergman suggested an option would be to furnish shirts and reconsider not furnishing pants and shoes.

Mr. Hart added that there are some safety concerns on the shoes. We don't want a spike in workers compensation claims.

DIRECTION: Mayor Hallman asked staff to find out what is spent and determine the value.

Ms. Bergman asked if there is a reduction in plan review and permits being issued right now.

Mr. Kephart responded that there has been no reduction.

Mayor Hallman added that it is a few million dollars ahead of last year and projected to stay the same through the end of the year. Every other source of revenue is off. The amount from that one-third of the City's revenues is making up for about a \$6M reduction in sales tax revenue.

Agenda Item 3 – Department Focus: Police

Mayor Hallman stated that the Police Department, the City Attorney's Office and the City Court are in this process together.

Andrew Ching added that the cost offsets presented by each group are actually a combined effort in the criminal justice system.

Chief Tom Ryff introduced Brenda Buren, Director of Support Services, and Mary Anders, Fiscal Research Administrator. He asked for questions based on the materials distributed to the committee.

Mayor Hallman asked how the cost of business might be captured. Tempe has 18.04 accidents per officer. Glendale has 14.08. We should be looking at ways to fully load the cost of accidents back to the people who are responsible for them. The committee talked to the Fire Chief about looking at the EMS charges being expended with respect to traffic accidents. We know that we only get 20% of the levied fine, but we get 100% of the prosecutor fee. Why don't we seek to charge a public safety fee for the responsible party in an automobile accident to be levied as part of a citation. Compute the average cost. There used to be about 14,000 false alarms calls and the Police Department was expending large amounts of time, so the fine was increased, resulting in a significant drop in calls. He requested a breakout of the current rate of false alarm calls to see whether those with alarms are being fully charged for the cost of false alarms and what percentage of our officers' time is spent on accident calls. He also asked for the total time spent by the Police Department on calls. If there are 1,000 hours spent for all crimes, and 25% of that total amount of officer time is spent running that, then 25% of the entire department's overhead, capital, everything, ought to be allocated to those accident incidents. Nearly twice as many accidents occur in Tempe as anywhere else in the Valley, and we should figure out how to charge back those costs.

Chief Ryff responded that the issue has been researched with respect to accidents and collecting costs.

Mary Anders summarized that staff provided a summary based on 2005 numbers to the Finance, Economy and Veterans Affairs (FEVA) Committee. The report used the fee structure provided by private companies who provide service to cities to help recover accident costs. These companies charge 10% of the revenue. Based on the numbers staff ran with the fee structure, it amounted to \$1.6M. However, only about 15% is actually collected. Insurance companies are being billed and they are going after the insurance companies not paying and only after non-residents.

Mayor Hallman asked, given the size of the Police Department's budget and the number of accidents, how many accidents are serviced every year?

Ms. Anders responded that there are approximately 6,200 reported accidents.

Mayor Hallman added that total calls for service shows 117,570. Dividing that, it comes out to approximately 5%. Does the \$1.6M include a fully loaded 5%?

Ms. Anders responded that it does and she will provide the data next time. Part of the issue that surfaced in this analysis is that we don't have the accident tracking system with all the detail required to get to all the different components that make up that fee. We were directed to work with the Courts because they have tracking information.

Mayor Hallman asked the City Attorney if the prosecutor's fee is run through the Court system.

Mr. Ching responded that it is.

Judge Arkfeld added that the prosecutor's fee is for every case. This would be specific cases. We have to consider that a ticket can be marked as an accident, but the person may not have been at fault. It would be necessary to have a way to differentiate. The person making the citation would have to indicate who should be charged.

Mayor Hallman asked whether that is currently done.

Judge Arkfeld responded that it is not, but it is marked as an accident regardless of which driver is at fault.

Mayor Hallman clarified that someone will get cited. Whoever gets cited is the person who the officer made the determination as responsible.

Judge Arkfeld responded that they might get cited for other things that weren't the cause of the accident.

Mayor Hallman clarified that an officer is on scene, making a decision, and the report indicates the cause of the accident. That is done because insurance companies will get involved. All of that is in the report. He didn't understand why we're saying it is impossible or wrong for an officer to say which person is at fault. If they go through the system and the Court determines they were at fault, then this is the associated offense.

Judge Arkfeld added that another issue is that people who are eligible for defensive driving school would have a different cost.

Mayor Hallman clarified that those people are now choosing between a \$120 ticket and \$150 defensive driving school fee, but now they don't get the points on their record, plus an average fee of perhaps \$3,000.

Ms. Anders added that in the fee structure, it is variable depending on the level of accident. Court time and administrative time could be built in.

Judge Arkfeld stated that she didn't think the Court or the Prosecutor's Office wants to get into different fees.

Mr. Ching added that there is another potential solution. As an analogy, there may be a loud party where the person who is cited is served with a bill for the cost of services rendered. That doesn't go through the Court or handled by the Prosecutor's Office. It is administered by the Police Department regardless of whether that person is charged with a crime. That person might be charged with disorderly conduct, etc.

Mayor Hallman asked how those are being collected.

Brenda Buren responded that the distinction is that we have all that data and we can bill off of that administrative data.

Mayor Hallman asked why the information necessary to bill someone for an accident response is not available.

Chief Ryff clarified that police officers don't determine fault in an accident. They determine whether there is a reasonable suspicion of whether someone may have committed a violation.

Mayor Hallman stated that he didn't see the difference. Our fines could be increased by the amount of money we're talking about, but we only get 20% of it. Recognizing that it is really a public safety fee, we could charge it on every citation. We could load the cost of the accident response, the public safety response in every citation, onto the people who have reached a reasonable suspicion in an officer's mind that they have violated a provision of City code. He didn't know how many citations are written but it could be calculated by taking all of the officers' time spent doing that and dividing it by the number of citations. It may not be possible, but if it is, it should be considered.

Chief Ryff agreed that it could be considered. His concern was that it is a delicate balance because he didn't want to get into a position where we start looking at enforcement as a means of revenue.

Mayor Hallman clarified that he didn't want him to ever be in that position. Every violation comes with a financial result to the City and to the state. The state gets 80% of it. At this stage, that risk already exists. The issue is what level of magnitude are we changing? He is suggesting that on the Court's financials are revenues that come from fines. That money comes back to the General Fund and that money comes back to pay for police officers. He is just

speaking of cost recovery. He asked staff to look at all traffic citations. We currently charge for violating the criminal code. The Fire Department has already proposed that our citations include a public safety fee.

Judge Arkfeld clarified that there is already a \$10 public safety fee. Any fee that is assessed on every case is also subject to the 80% surcharge. We get \$10 and the state gets another \$8. The only way you can assess a fee and not have a surcharge, is for it to be a cost recovery. If it is assessed to everyone, then it is part of the fine.

Mayor Hallman suggested looking at the cost of all those citations and seeing whether we should impose on those citations a cost recovery for the police time spent.

Vice Mayor Hutson stated that he went through this a year ago on the FEVA committee and he's getting the same response and that response is resistance from staff. Staff just doesn't want to do it.

Mayor Hallman clarified that it may not be possible but if it is, there's nothing ethically or morally improper about doing it. If the issue is we don't want officers out there trying to make money for us, they already do. Magnitude matters here, including collections. He suggested looking at all citations and spreading the cost across the entire system. A single traffic ticket would be treated the same as a fatality in an automobile accident, which right now is being treated exactly the same because we have a \$10 fee plus \$8 being charged on every single ticket and that's telling us our public safety fee is being treated as if it is the same for someone who killed someone with an automobile as someone who sped eleven miles over the speed limit.

Judge Arkfeld clarified that was true except if they killed someone in an automobile accident, they might not have been charged in City court since there isn't a public safety fee charged on a felony charge.

Mayor Hallman clarified that the goal would be to get information that would help us figure out how to appropriately impose the cost of doing business with the City, and that includes Police and Fire. The goal is not to expect our police officers to generate revenue. He expects our officers to protect and not profile.

Mary Ann Miller added that the Fire Department provided a comparison of what it would cost to hire more people to cut overtime. Is there a cost savings if the Police Department hired more people?

Brenda Buren responded that the last time staff looked at that, it was still very sporadic, for example with special events. Phoenix has the ability to have special events groups to cover those expenses. Last time, it didn't appear there was a savings, but staff could look at it again.

Mayor Hallman noted that the budget overview shows the false alarm registrations at 412. He requested a breakdown of the number of false alarms continuing and whether it is the first, second or third time offense since the fee does increase. He would like some time series data to see how that has changed over time.

Ms. Buren responded that revenue has continued to increase and the calls have declined, which means that the ordinance is more effective than the old one.

Ken Jones added that an increase to the renewal fee has been proposed. He spoke to the alarm coordinator and the City's policy is to get two free warnings and then start to charge. Scottsdale charges after the first one.

Mayor Hallman noted that he thought we changed the City policy to be charged after the first one.

Ms. Buren clarified that it was. It used to be standard that there would be five free false alarms. It was changed to state that if the person kept their information on file, then they would have two free, but if not, then it is charged with the first one.

Mayor Hallman added that this was originally intended to get people to register. Now the question is whether we should have the one free false alarm.

Ms. Buren clarified that they use an increasing fine schedule. If the person is not registered, the fee goes from \$100, to \$200, to \$300, etc. If the person is registered, with the third one, it is \$50, the fourth is \$100, and it escalates.

Mayor Hallman stated that he would like to see the fee structure to see if there are reasons to increase the fees. When a police officer is responding to a false alarm, it takes real staff time.

Councilmember Shekerjian asked if people are still being encouraged to register.

Ms. Buren responded that what really encourages people is that if they have one false alarm, information is sent on the fee structure.

Mayor Hallman noted that one proposal was to have a \$15 fee for registration, which would generate approximately \$122K.

Ms. Anders clarified that is an annual renewal fee. We just haven't done that.

Mayor Hallman added that the counterbalance is whether we end up losing people from the system if they decide not to pay the fee.

Ms. Anders stated that she would bring the information back.

Mayor Hallman asked why restitution is only \$1500. Is that because in one or two instances the City got restitution?

Ms. Anders responded that it was for officers' equipment, etc.

Ms. Buren added that the false alarms also apply to City buildings, some of which have continuing problems.

Mayor Hallman asked whether sufficient overhead for the TCA for safety and security is being charged.

Mr. Hart responded that overhead is not being charged. He didn't think overhead has ever been allocated for any public safety to any of the other funds.

Mayor Hallman added that the TCA and the Arts Fund should be paying its cost of public safety. Also, look at how much time the Police Department is spending on the facilities concerning Transit, Golf, Water/Wastewater, and Cemetery funds. Also, we have never really staffed a person to the DEA task force. Communication among those agencies is important. He is concerned about the cost of adding someone to that activity and would like to know if we could at least recover the cost. What would that person cost and in your estimation could we at least recover the cost?

Chief Ryff responded that he has been in discussion with the DEA. We currently have officers who participate in the task force and we are receiving some of our costs back. With the DEA, if we assign an officer to the task force and they worked on Tempe issues as well as regional issues, we would be entitled to recover some RICO funds associated with some of their seizures.

Mayor Hallman asked if he was confident that at least the cost of that person could be recovered.

Chief Ryff responded that it could, possibly within the first thirty days.

Mayor Hallman suggested doing that and the other eleven months' worth could be put toward department operations, for example.

Ms. Buren added that there might be some RICO guidelines related to expenditures.

Mayor Hallman asked whether she could identify areas in the budget where that might help.

Ms. Buren responded that she could.

Mayor Hallman asked what the cost would be.

Ms. Buren responded that it would be about \$85K to \$90K, plus equipment.

Mayor Hallman clarified that approximately \$800K or \$900K could be recovered in addition.

Chief Ryff felt that might be high depending upon the type of activity involved. It fluctuates. He agreed that there is a lot of opportunity by assigning an officer to the DEA task force.

Mayor Hallman added, in looking at the total budget, that the increases in salaries have to do primarily with the additions of personnel to the department.

Ms. Anders responded that there are also MOU-related increases, such as the officers' base salary increase of 10%.

Mr. Hart added that ten positions were added during the department reorganization that went forward to Council this year. They won't hit the General Fund until next year. They are part of the supplemental budget process.

Mayor Hallman summarized that with everything we have put forward, we are looking at potentially adding cost recovery on accidents, specifically or generally, on all citations, false alarm rates, and alarm renewal fee. What about the pawn ticket fee?

Ms. Anders explained that generally the official authorized pawn stores are required within ten days to report property that has been pawned so staff can investigate whether the property has been stolen, etc. We have been providing these tickets free of charge, but like other agencies, we could be charging.

Mayor Hallman clarified that we are running the regulatory system, but not charging for it. How do they transmit the information to the department?

Ms. Anders responded that some do it manually, and some is done electronically.

Mayor Hallman asked how a fee payment system could be added.

Ms. Anders responded that they have to come in to get the tickets so they could be charged at that time.

Councilmember Shekerjian asked about #6701, Cell Phone Charges. How do the interoperability grants we receive from the federal government affect the cell phone charges?

Ms. Buren responded that interoperability doesn't intend to take cell phones away. Organizationally, there are a lot of cell phones out there.

Councilmember Shekerjian asked about #6702, Telecommunication Services which shows a drop from 05/06 to 06/07.

Ms. Anders stated that staff will research that. It might be a mis-charge.

Councilmember Shekerjian asked why the committee doesn't have the actuals for 06/07.

Mr. Hart clarified that the actuals for 06/07 are available.

Cecilia Robles added that this document comes out of the line item budget and was published July 1 of 2007.

Councilmember Shekerjian suggested that this committee have the actuals so the numbers can be compared.

Ms. Robles responded that staff will provide them.

Mr. Hart added that as FY 08/09 is developed, staff can update it.

Shelley MacDonald added, regarding #6702, that the \$13K was not a Police Department charge and staff is looking for it.

Councilmember Shekerjian asked about Oktoberfest.

Ms. Anders explained that this is the first year they have received money for special events, and they are trying to get cost recovery.

Chief Ryff stated that he has challenged staff to look at ways to cut costs from the way we are providing services internally. We have reduced some of our costs and redeployed some of our special assignment people back out into the street in uniformed services to respond to calls for service. Several of our take-home vehicles have been eliminated.

Ms. Anders clarified that 17 vehicles will translate to about \$106K in maintenance, oil and depreciation.

Chief Ryff added that staff would like to get direction from the committee to look at the way we are providing service. We have always professed to be a full service organization. He has asked staff to look at services that we should, perhaps, stop providing. The Police Department cannot continue to be the all-service department that it has been for years. For example, a dog drinking out of a water fountain in the park should not require police response. Other agencies have stopped responding to certain types of calls. We talked earlier about traffic accidents. If it is not a reportable traffic accident, we are not required to respond, but being a full-service police agency, we do. There are costs associated with doing business the way we have and that is evident by the number of calls. There are other ways we do things. We could start bolstering our call-back service to where we may not send an officer to the scene, but take more calls over the phone. It is still providing customer service but maybe not to the same level. With that comes criticism, however.

Mayor Hallman suggested back-filling with park rangers which are not sworn officers and come at a significantly lower cost. They could be the ones to respond to dogs drinking out of drinking fountains, for example. It is a matter of having a person respond rather than a phone call and it isn't as critical that it be a sworn officer.

Chief Ryff responded that is being done. They are moving forward with Human Resources to train a City of Tempe security officer which would be significantly less expensive than a uniformed police officer.

Mayor Hallman added that in a week, a TEAM security person will be at the front desk at City Hall, but he would prefer a City of Tempe security officer to perform that function. We would end up with a high level of service that would get that personal touch without the expense of a fully-loaded sworn officer.

Chief Ryff stated that is another issue that will be presented to Council. Staff has reviewed that issue and we can put a City of Tempe security guard at that location, but it is about 30% more costly to do that than a private security officer.

Mayor Hallman stated that the department can look at that. The police officers have the clear commitment from this Council that we're not trying to shortcut the department, but we do have to figure out how to be cost effective and support all of our personnel as best we can.

Chief Ryff added that they are doing that. He went before Council on light rail to talk about the differences in cost associated with private sector vs. full time employees. He requested

direction from this group to support the Police Department in evaluating the types of call of services that the department is responding to, the associated costs, and how we might replace those with a different kind of service and/or eliminate the service.

Mayor Hallman offered the committee's support.

Ms. Bergman asked if the Police respond to an accident in a private parking lot.

Chief Ryff responded that they do respond as a service. They are not required per law. They inform the person that they are not required to report it, but just exchange information. The average citizen will request that their insurance company wants a police officer there. Insurance policy directs their response as opposed to statutory requirements.

Mayor Hallman asked if it would be possible for a park ranger or a Tempe security person or a Tempe report taker to respond.

Chief Ryff responded that they have community service officers and one of their primary responsibilities is to respond to those types of calls. There is still cost association, however.

Ms. Bergman added that the insurance company just wants a police report number and that could be done over the phone. If the average citizen knew that, wouldn't that be acceptable?

Chief Ryff responded that more than likely, they will want a police officer present. Delayed accident reports are another option. He would like to bring those options and facts back to the table.

Ms. Bergman added that if she were a citizen and wanted an officer, then she could be given the option that she could receive a report number over the phone, and if a police officer does come, it will cost a certain amount for the service.

Chief Ryff responded that there was a detailed discussion about this at the department head meeting today. The dilemma is that at what point do the citizens come back and say they are paying taxes for this service and now they are being double-charged. We need to be prepared for those responses, as well. It is a delicate balance.

Councilmember Shekerjian added that a good public relations message needs to be created.

Agenda Item 4 – Department Focus: City Attorney's Office

Andrew Ching provided an overview of the City Attorney's Department.

- Department overview
 - Civil division is responsible for providing legal advice to City departments, boards and commission, as well as the Mayor, City Council, and City Manager, representation of the City in state and federal court in litigation matters, legal forms drafting and review, and ordinance interpretation.
 - Criminal division is responsible for prosecuting misdemeanors occurring within the City, prosecuting traffic and criminal complaints, including DUI, and providing services to crime victims

- Workload indicators
 - Tempe is a model of efficiency in handling the 13,900 misdemeanor cases logged in 06/07.
 - 1,998 per prosecutor, well above other Valley cities.
 - Last year, a supplemental request was submitted for an additional prosecutor, but the request was not approved. They are still operating with seven prosecutors, which includes Robert Hubbard, administrator/prosecutor, who handles a heavy caseload as well as his administrative duties.
- Revenue Generating Opportunities

Mr. Ching stated that during the previous Committee, staff suggested a prosecutor fee, and since that time a \$50 fee is assessed on all criminal fines. Caseload is affected, for example, by the recent switch of vendors for photo radar. Those speeding tickets fall into two categories: below 20 mph, they are civil, and above 20 mph, the state has the option of a criminal charge. During the time under the new vendor, the option has been decided to have those cases handled as long form submittals (prosecutor makes the charging decision, sworn into court, prosecutor handles through arraignment, pretrial, trial and conviction stage). That cost was not built into the RFP process. The department is still handling it with the same number of prosecutors as previously. His suggestion is to raise the fee to \$100. This is the last fee that is charged. In the first full budget year, we initially projected 375, and it will come in a little below that. Staff has noticed a change from \$4K collections in January of 2008 up to over \$10K in February of 2008. It would be cost recovery.

Mayor Hallman clarified that it has not been assessed as a cost recovery. He suggested that that fee be rescinded and that we re-examine our entire public safety costs and then assess a cost recovery fee. For example, instead of charging \$10 on a blanket effort that is not cost recovery, we might charge \$18 that would be for cost recovery. The State can deal with its own problems, but then our residents and those who pay these fees aren't any worse off, but he didn't see why we should seek to enhance the State's coffers and instead look at all of these costs and assess those as true cost recovery. Look at the total cost of the prosecutorial system.

Mr. Ching added that if we were to assess a \$50 fine on a criminal penalty, the actual amount that person would pay would be close to \$200. The idea is that we may assess that fine, but at some point if they don't pay it, we have options, and one way it is work it off is "days for dollars." When that happens, it costs the City because we have to pay the jail cost.

Mayor Hallman clarified that if we are going to impose a \$50 fine and a \$50 fee, the consequence is that it is a \$50 fine and a \$50 fee, plus the state gets \$40 more, so now it is \$90 plus \$50. Aren't we better off saying the fee is \$70 and the fine is \$30. It is a more honest way to run the system to charge for the fees on a cost recovery.

Judge Arkfeld added that if it is the same for everyone, the state will say that it is a fee assessed to everyone and surcharges will be added.

Mayor Hallman clarified that there is a cost recovery to everyone who violates the law, and there probably is a schedule associated with that. If is an automobile accident, there is likely a higher cost associated with the response than for an 11-mph over-the-limit ticket. We have a fine schedule that goes with every offense. Why shouldn't we have a cost recovery fee based on

what our best estimate the time it takes for police officers, prosecutors, and the Court to be involved.

Judge Arkfeld responded that on criminal charges, with the exception of DUIs, there are no set fines. There is a range.

Mayor Hallman suggesting taking the range, and whatever the average is, creating a matrix to help us better understand. That may not be associated with the real cost associated with the policing. There's a fixed cost of any call, and then there's a variable cost to length of time, etc.

Judge Arkfeld stated that it would be an accounting nightmare.

Mayor Hallman clarified that it would be a reasonable estimate that in any automobile accident it is a certain amount, in any traffic ticket not involving speeding, it is a certain amount, etc. Just figure out a matrix. The State may challenge us and he would certainly force them to make that challenge early on.

Councilmember Shekerjian stated that she thought this needs to be explored. It bothers her that the state incurs no cost but gets 80%.

Mayor Hallman added that in 2005, we increased fines on a number of things, knowing that we would also be giving the State 80%. This time, let's look at the whole system and come up with the right balance between fees and fines. The fees have to be cost recovery. Each specific instance doesn't need to account for every single dime, but we can get a reasonable average of that and impose it. The surcharge will be increasing to 84%.

- General Fund Reductions

Mayor Hallman clarified that the Civil department negotiates contracts on the construction of the TCA and for the bus maintenance facility. There will also be re-negotiation this year for the transit contract which expires. Why are we not charging for the legal time at the appropriate rate? Whether you take the total number of civil attorneys divided by the number of hours worked, or have attorneys start keeping billing statements and bill to those contracts an appropriate rate, it could be done.

Mr. Hart added that through indirect cost allocation, a portion of the City Attorney and the Deputy City Attorney is charged to the Transit Fund.

Mayor Hallman asked how many civil attorneys there are.

Mr. Ching responded that two positions are funded out of the Water Fund; five Assistant City Attorneys are funded out of the General Fund, as well as Deputy City Attorney and City Attorney.

Mayor Hallman clarified that the Water attorneys are allocated to the Water Fund. Of the seven left, why are we not taking the hourly rate for contracts and charging that to Transit? The TCA is one of the most difficult buildings ever constructed and it consumed a huge amount of time and should be billed to the TCA.

Mr. Ching responded that one obstacle to that would be the development fee statute which limits the type of development fees we can charge. They are specified by statute.

Mayor Hallman clarified that the department is already having costs allocated based on a matrix. There are specific costs associated with those funds. Every time a contract was negotiated on the construction of Diablo Stadium or the TCA, why do we not have our City civil attorneys bill time? Bill it back to the departments, but most importantly, the only ones that matter are the Transit, Arts, and Golf. There's also Streets and Solid Waste.

Mr. Ching responded that staff will look at that.

Councilmember Shekerjian asked whether the City recovers costs when lawsuits are settled or dismissed.

Mr. Ching responded that there are circumstances when we can. If we make an offer of judgment at some point, and we obtain a result better than our offer, we can get our costs. Not attorney fees, but costs. Attorneys fees can be collected on contract cases by statute. Also, if the court finds a case to be so frivolous that there should be a penalty assessed, that is another possibility. On a contract theory, we do currently go after that. In terms of privatization, the last time we farmed out a major litigation, we had a self-insured retention. Because of the cost demands of insurance policies, our self-insured retention is now \$2M and still the premiums are very high. Last time, within a year of hiring that firm, because of the nature of the litigation, we were at the SIR limits in a little over a year based on attorneys fees and the cost of defending the case. We now make every effort to make sure our staff includes two full time litigators and the Deputy supervises the litigation unit for a total of three litigators and we're keeping things in house. The money we are saving is significant.

Agenda Item 5 – Department Focus: City Court

Judge Louraine Arkfeld summarized that the City Court is at the end of the pipeline in the justice process. There is no choice about what comes in. Due to the new photo enforcement, they are able to generate new cost offset. As of February 29th, there are only a certain number of existing installations, but the new installations will include seven intersections with dual directional speed on green as well as red light, and three mid-block installations as well as the two vans. The analysis is based only upon what currently exists. The program is generating as much revenue in one month as the old program did in one year. About the same percentage is paying the fine and not coming to court, and about the same percentage is going to school. As a result, the projected revenue, with only the current installations, is \$1.5M, and covers not only the 15% reduction target but also provides additional revenue.

Mayor Hallman clarified that this is without the cost recovery fees and asked if it includes the \$10 current fee.

Judge Arkfeld responded that this represents all revenue that the City would receive from the payment of a citation or diversion fee.

Mayor Hallman added that if we were to immediately add \$10 to the public service fee, even though that would require an additional \$8 to the state on top of that, in the next three months,

that could generate about \$290K. He added that this will cause some cut-through traffic to cease. Contrary to what he had thought, Council has had only a handful of complaints.

Judge Arkfeld added that one thing Tempe has always done well with photo enforcement is the signage. Drivers don't get cited until they are 11 mph over.

Mayor Hallman added that there will be changes in behavior which would result in a reduction.

Judge Arkfeld added that Tempe always has a new group of drivers. Residents will be aware, but visitors won't.

Vice Mayor Hutson noted that in January of 2008, it shows about 15,000, and in February it dropped down to about 8,000. Based on historical data, would she expect that to continue to decrease?

Judge Arkfeld responded that she did not. The numbers in the past were very consistent over time. Part of this is due to a surge coming in from citations that had just been submitted. Part of the reason for the higher number was because the Police Department was just getting a chance to process them. This is the date of processing, not date of issue.

Mayor Hallman asked if there is a way to get a sense of the proportion of the time the system is spending relatively based on violations.

Judge Arkfeld stated that she would not be in favor of doing that. For example, if a DUI comes in and pleads out at arraignment, it only takes 15 minutes. If it goes to jury trial, it increases dramatically, but they are both DUIs.

Mayor Hallman suggested simply some sample of 1,000 citations, what their makeup is, the judicial time that is spent, the attorney time spent, etc. Just a sample to get a sense of the 3,000 hours you are working, and this is the proportion that is spent on these kinds of cases. You take the average to determine a number per hour.

Judge Arkfeld stated that she wouldn't be comfortable with it. There's too much disparity and she would question accuracy.

Vice Mayor Hutson clarified that we are looking at cost recovery, what it's costing the taxpayers to take care of this job. We can sit down and work it out.

Mayor Hallman clarified that currently we have a flat \$10 assessment. Why isn't that unfair? If it's appropriate to assess the fee in the first place, why isn't it appropriate to try to assess it based on what the person is really costing the system? It won't be exact, but a \$10 flat fee isn't exact. He is trying to get to a point where there is a dis-incentive to be a bad violator. We use that all the time in the criminal justice system. We are subsidize the system between police, attorneys and the court system that is not here for 90% of the people.

Mr. Ching asked if he was suggesting potentially pegging to the severity of the crime and any fee charged could potentially be based on a percentage of whatever the fee is?

Mayor Hallman clarified that it could be based on the fine. He would like to base that on some kind of empirical evidence. It doesn't have to be perfect. We already set a fine based on severity. The likelihood would be that that sense of moral severity is also associated with the time it takes to enforce the system associated with it.

Judge Arkfeld added that no other cases have mandatory fines, but rather a range. She doesn't assess the same fine on every Class I Misdemeanor. Just because it's been designated a Class I Misdemeanor, does not mean it is worth a certain amount of fine. It is determined on each individual case based on the facts of the case and the history of the defendant.

Mayor Hallman responded that he was willing to let her assess those cost recovery fees, based on the same thing. She assesses what the fine is. In setting what these fees should be, he isn't saying we should come up with a sense about what is appropriate. Just as the range exists, that is done legislatively, and the legislators could just as easily set a fixed fee. The reason they set a range is so that they would leave some sort of discretion in the court's hands to penalize those who deserve to be penalized and let other people off. Whatever the range, there is an average. We could say whatever a fine is, we will multiply it by two and that's the cost recovery. He didn't think that's fair because it is supposed to be about cost recovery. It is unfair for the state to charge 80% on top of our fines. He is looking to do cost recovery. Gather some empirical data to tell him what the cost recovery number should be. He is trying to base it on the time really spent and that's fair. Fines are a great indicator of fairness to the system. If someone violates the law, they should pay for it.

Councilmember Shekerjian added that cost recovery is the goal. This would be a good idea and she has faith that this group could do it legally.

Mayor Hallman added that his goal is not to make things difficult, but to find a way to get the City's budget in balance without cutting salaries and healthcare to employees. There are not many options for specific ways to reduce costs. If he can make up revenue sources from people who are hurting the system and making us spend huge amounts of money, he will do his best to do it.

Agenda Item 6 – Internal Services Allocation

Included with Items 2, 3, 4 and 5.

Agenda Item 7– Discussion and Recommendations

Included with Items 2, 3, 4 and 5.

Agenda Item 8– Set preliminary agenda for next meeting

None.

Meeting adjourned at 6:58 p.m.

Prepared by: Connie Krosschell
Reviewed by: Jerry Hart

Jan Hort
City Clerk