



Minutes City Council Issue Review Session January 24, 2008

Minutes of the Tempe City Council Issue Review Session held on Thursday, January 24, 2008, 6:00 p.m., in the City Council Chambers, Tempe City Hall, 31 E. Fifth Street, Tempe, Arizona.

COUNCIL PRESENT:

Mayor Hugh Hallman

Vice Mayor Hut Hutson

Councilmember P. Ben Arredondo

Councilmember Barbara J. Carter

Councilmember Shana Ellis

Councilmember Mark W. Mitchell

Councilmember Onnie Shekerjian

Mayor Hallman called the meeting to order at 6:05 p.m.

Call to the Audience

No one came forward to speak.

Long Range Forecast

INFORMATIONAL BACKGROUND available in City Clerk's Office.

DISCUSSION – Presenter: Financial Services Manager Jerry Hart

Jerry Hart presented the updated five-year long-range financial forecast. This forecast was presented to the Finance, Economy & Veterans Affairs (FEVA) Council Committee on January 15th. Over the last several months through tax statistical reports provided to Council, staff has indicated that the City is experiencing a slowdown in the economy. Sales taxes represent the major revenue source for the City's general fund and there has been a continual slowdown in sales tax collections.

Mayor Hallman clarified that sales tax is still exceeding expenses, but the growth rate has slowed significantly.

Mr. Hart added that year-to-date sales tax collections in the general fund are only about \$120K above the same period a year ago, which equates to a growth percentage of less than .5%.

Mayor Hallman clarified that the last report showed .9%.

Mr. Hart added the next sales tax report will be issued shortly, and the expectation is for the cumulative growth rate, compared to the prior year, to actually slip into negative territory. He continued that 70% of the national economy is based upon consumer spending. At any time a dependency exists on sales tax collection to finance a significant portion of an operating budget, any downturn in consumer spending will have an impact on the budget and the forecast.

Mr. Hart continued that the long range forecast basically serves as a guide for future resource allocations. In terms of its scope, it does not reflect advanced funding of retiree healthcare costs, Other Post Employment Benefits (OPEB). He outlined the key assumptions contained in the forecast:

- A recession is not assumed, although a continued slowing in the housing market is assumed at least through FY 09/10.
- No significant additions of new programs or expansions of existing programs,
- No approval of any operating budget supplementals or CIP impacts.
- No new revenue sources
- No increases in existing user fees
- Flat sales tax revenue growth through FY 08/09
- Continuation of employee step increases as well as market adjustments
- No changes to in state shared revenue allocations. The impact of the decennial census occurring in 2010, which will begin in FY 11/12, is reflected in this forecast.

Mr. Hart outlined the different funds:

General Fund

Projections show annual deficits through the forecast period, from FY 08/09 through FY 11/12. For this fiscal year, staff is anticipating finishing in the "black" by approximately \$1.6M. This forecast, unlike the prior economic slowdown, does not show any year-over-year decline in total general fund revenues. There are deficit because expenditures are growing at a faster rate than revenues.

Mayor Hallman clarified that while expenditures grew, they never grew faster than revenues. The revenues have always exceeded expenditures in the prior years. This year, projected revenues are going to be \$171M, and total expenditures in the FY 06/07 year were \$156M. In the prior four years, Council has made sure we have maintained the resulting surplus balances coming down to the bottom line. It went from FY 03/04 at \$6.8M, to FY 04/05 at \$12.1M, to FY 05/06 at \$18.7M, and to FY 06/07 at \$15.5M. Expenditures have always been growing, but they have never grown faster than the revenues.

Mr. Hart continued that there continues to be significant healthcare inflation and this forecast assumes a 13% annual growth in healthcare costs which has been our experience historically. Effective at the beginning of the next fiscal year, there will also be significant increases in public safety retirement employer contributions due to the funding issues currently existing with that plan.

Mayor Hallman clarified that the state program that invests the money has not performed as well as it might

have, so the projected retirements require more money be put into the state pool of money.

Mr. Hart added that in the general fund, the budget process includes non-recurring expenditures approved by Council. This forecast does not include, for example, continued funding for the CARE 7 program or the residential inspector program, and there was also some money set aside on a one-time basis for additional assistance for the Development Services Department. Another program that was one-time funding was the HOPE program, and that is not reflected in the forecast.

Mayor Hallman asked whether the \$200K non-recurring funding Council put in place for the Tempe Community Council (TCC) was included.

Mr. Hart verified that it is included.

Golf Fund

Mr. Hart noted a continued concern and added that the Council is aware of the challenges.

Mayor Hallman asked if Rolling Hills Golf Course is still losing money.

Mr. Hart agreed.

Councilmember Carter recalled that there had been discussion about having a Central City Development Committee of the Whole (CCD COW) meeting to address the golf fund.

Mayor Hallman clarified that a CCD COW meeting was put off due to scheduling issues until next month, and the next meeting will deal with the golf fund.

Mr. Hart added that this issue is also part of the work plan for the FEVA Committee.

Water/Wastewater Fund

Mr. Hart summarized that the City is undergoing major expansions at all of the treatment facilities. Staff is working with a rate consultant who is evaluating the City's rate structure, and, at some time in the near future, staff will bring the results of that study to Council for consideration. With the size of the capital improvements, consideration will need to be given to rate increases.

Mayor Hallman suggested looking at the reserves that were put aside in anticipation of the capital outlays.

Mr. Hart added that the idea was to continue a planned draw-down of the fund balance to help mitigate the impact of the increasing debt service associated with the expanded capital program.

Mayor Hallman asked for the amount of the fund.

Mr. Hart responded it is approximately \$60M.

Mayor Hallman continued that the finance policies specify that the preferred balance would be approximately \$44M. We have reserved about \$20M in excess to pay down capital charges.

Mr. Hart clarified that the policy was to maintain a reserve to equal about 100% of the annual revenues in the Water/Wastewater Fund.

Mayor Hallman clarified that the reserve was at \$44M in FY 02/03, but the projected revenues would be up to \$51.9M in FY 11/12. To be consistent, we would only have \$10M by that time to draw down to pay debt service. Currently, we would have about \$11M.

Mr. Hart added that on an annual basis staff provides a comparative cost of services study, and that study continues to reflect that Tempe is very competitive in terms of the services provided to Tempe citizens compared to other cities. Although we are currently experiencing significant capital infusion into our water/wastewater program which will result in the need for some rate increases, the other cities are experiencing the same situation.

Solid Waste Fund

Mr. Hart summarized that this fund is in good condition. A few years ago, the fund balance declined to \$20K. Council addressed that situation through rate increases and since that time, the situation has drastically improved. We have had the resources necessary to replace the fleet of refuse trucks as needed. Likewise, the last rate increase was implemented in November of 2007, and on an annual basis, staff looks at the fund to determine the necessity of future rate increases. Our rate is also competitive with other cities.

Performing Arts Fund

Mr. Hart summarized that although deficits are shown through FY 09/10, it has always been part of the plan for any deficits to be covered by accumulated fund balances.

Mayor Hallman clarified that we have built up a capital reserve to pay the bonds associated with the construction of the Arts Center, and the goal was to use the money up front and pay the bonds back out of the excess balances.

Mr. Hart added that as of June, 2007, the fund balance was about \$15M. The tax expires in January of 2021.

Transit Fund

Mr. Hart summarized that the transit fund is affected by the decrease of sales tax revenues. It is in good shape, but there will be challenges with the ongoing construction of the light rail project, which is scheduled to be completed and open for service at the end of this calendar year. In terms of bus transit, there are needs, however. The transportation center is also slated to open later this fiscal year.

Transportation Fund

Mr. Hart summarized the transportation fund has reflected excess revenue over expenditure, except for the last year. Highway Users Revenue Fund (HURF) revenues are an intergovernmental revenue source and the amount of revenue expected to be received in FY 11/12 will be impacted by the results of the decennial census.

That is the reason it shows a projected deficit in the last year of this forecast. The HURF revenues are the primary funding source for our street maintenance program.

Rio Salado Fund

Mr. Hart summarized that many years ago Council approved a Rio Salado financing plan. A reserve was set up to address the budgetary deficits until such time as development occurred around the Lake and allowed it to be at a sufficient level to be self-supporting. As of June 30, 2005, the balance was about \$3.5M.

Mayor Hallman added that when the Peabody Hotel property (now East Rio property) was put up for sale, the agreement with the developer was that they would pay \$42.5M, but they wouldn't pay it all at once, but over time. The property was secured with a deed of trust that requires that if they fail to perform, the City gets the property back and keeps all the money paid. Last year, that developer paid \$8M in principal, but the balance they owe the City is carried with deferred payment obligations. The total amount that will come in this year services this entire debt that would be generated in this year. The first payment of about \$1.2M will come this month on that deferred payment balance. We will get an additional payment of \$1.2M in six months, and that will now carry the cost of operating and maintaining the Lake in that shortfall so it doesn't hit the general fund. We have been able to take property on the Lake and return an investment to the community. The payment will decline over time as they make capital payments. Council's efforts got payment of capital money over time, and this is one of the areas where the projections in the five-year model don't take into account that source of revenue. In December, Council gave authority to re-invigorate the Ad Hoc Long Range Budget and Finance Planning Committee to work with departments to find immediate ways to address the anticipated shortfalls.

Councilmember Carter stated that of the nine assumptions, six are within Council's control. The Ad Hoc Budget and Long Range Finance Planning Committee needs to examine those six.

Mayor Hallman responded that the Committee will be working with the departments as they come forward on all of the recommendations made the last time, which ones can be reapplied, which ones were not accepted last time but might be considered now, and any new idea that comes forward. That committee is comprised of five representatives of the employee groups, as well as members of the public, Councilmember Shekerjian, Vice Mayor Hutson, and himself. The Committee will begin the process to create recommendations for Council. The Committee has a goal to reduce expenditures, not just by the projected \$12M and \$17M, but by an additional \$10M in each of those two years. This is because one of the assumptions Mr. Hart has noted is that the forecast does not reflect the OPEB obligations. Over the last 30 or so years, the City had made commitments relative to healthcare to our retiring and soon-to-be-retired employees. That obligation has to be shown on the City's financial statements. That is true for every municipality and governmental organization now. This City has taken the step of beginning to fund that obligation, and last year, Council set aside \$10M with the hope of setting aside another \$6M, if surpluses were generated this year. With the downturn in the revenue streams and increases in expenses, we don't have that likelihood. But the commitment by that Committee is to work with staff and departments to find additional resources to make sure that commitment is maintained. Currently, the actuarial studies on our employment base and our retirees suggest that the total obligation is approximately \$330M, but it may even be higher. This Council adopted the policy, with the employee groups' help and recommendations, that new employees will have a different kind of healthcare program using a funding model that is akin to a defined contribution plan. The City will set aside a certain amount of money for new employees.

This still has to be addressed for current employees. The employee health committee is working on how to solve the OPEB problem.

Mayor Hallman added that there had been questions about what can be used to fund O&M programs. He clarified that one of the City's obligations under law is that there are certain pots of money that are set aside and can only be used for specific things. Water/wastewater funds can only be used for water and wastewater, for example. Our transit money only goes to transit operations. There is a significant balance there, but that has to pay the bonds on the light rail construction and other capital improvements. One of the issues that has come up is that we are also accumulating funds in our secondary property taxes. He asked Mr. Hart for the amount of the City's reserve obligation for secondary property tax.

Mr. Hart responded that it is 8% and that has been fully funded.

Mayor Hallman clarified that that has been set aside and supports our bonds. That money cannot be spent for Operations and Maintenance or other uses.

Mr. Hart added that secondary property tax revenues are restricted for the payment of long term debt.

Mayor Hallman clarified that primary property tax can be used for other purposes. Do we have funds coming in identified for all of the bonds the City has currently issued that are paid for with secondary property tax?

Mr. Hart responded that it does. The secondary property tax revenue being collected more than paid for the bonds currently outstanding.

Mayor Hallman added that in the 2006 election, the community gave additional authorization to sell some additional bonds. He asked whether the City has other bond authority.

Mr. Hart responded that about \$112M remains of the authorization, with about \$50M of that for water/wastewater.

Mayor Hallman added that the water/wastewater money has to pay for the water/wastewater bonds and not secondary property tax. That is an example of keeping the money segregated. In looking at all the bonds issued that could be paid for by secondary property taxes, do we have the flow of secondary property taxes if, for example, we sold our bonds in equal portions over the next period of time to pay for projects?

Mr. Hart responded that in terms of what we are currently collecting in secondary property tax revenues, we have more than enough to not only pay for our currently outstanding debt, but also the \$61M of remaining authorization, non water/wastewater related, would be paid out of that same source. We have enough for all of that.

Mayor Hallman added that is all of the authorization from the voters. In looking at our reserve fund, it looked like we have about \$3.5M from last year, over and above needed to service all the bonds outstanding, future bonds for which we have authorization, and to keep the 8% fund fully filled.

Mr. Hart responded that was correct. That percentage is about 10% and the financial policy is 8%.

Mayor Hallman added that as we go to the end of this fiscal year, it looks like it will be about another \$6.5M added to that.

Mr. Hart agreed.

Mayor Hallman clarified that it would bring the total excess secondary property tax to about \$10M, and that is over and above what we need to fund all of our bonds currently issued, and all of the authority we have from our voters to issue new bonds.

Mr. Hart agreed.

Mayor Hallman summarized that under state law, the City cannot run a deficit, so it is necessary to adjust the budget to match the projected revenues. Again, this is not an instance where our revenues, unlike a prior recession, have fallen. The things Council has done have protected the City against a loss of revenues, absolute dollars, and a reduction from last year's revenues so far. In addition, the things this Council has done over the last three and a half years, such as handling the sale of the Peabody property, has put more revenue streams on the table to protect the City as well. Another thing that doesn't get noticed was the act to reserve money in the settlement of a lawsuit to pay for the replacement of the dams on the Lake. The payments coming from a developer, separate from everything else he has described, will amount to \$15M that goes into sinking fund that is separately reserved to replace those dams so it doesn't come out of the general fund.

NO CONSENSUS – INFORMATION ONLY

Support of Tempe Union High School District's Request for Funding

INFORMATIONAL BACKGROUND

DISCUSSION – Presenter: Superintendent of Tempe Union High School District Steve Adolph

Mayor Hallman summarized that there was discussion at the last meeting to bring this forward on this agenda because Corona del Sol High School has air quality issues and is seeking emergency funds from the State Facilities Board to address those issues. Council wanted to provide support for request.

Steve Adolph, Superintendent of Tempe Union High School District, summarized that he is requesting the Council to officially support their request. There is an official appeal hearing tomorrow with the School Facilities Board and it is their last-ditch effort to get the assistance they need for Corona del Sol High School. Corona was built in 1977 and at that time the air quality standards were much more lenient. In 1999, the School Facilities Board came forward and performed an air quality standard assessment of Corona, and they found that Corona met current air quality standards. Unfortunately, they conducted their testing early in the morning, prior to students and staff arriving, so the testing was not done in a normal

educational environment. In addition, they received continued complaints from students and staff regarding odors, condensation and high humidity and it was further obvious that there was an air quality issue. In 2006, they contracted with an independent environmental air quality inspector and their study found that the air quality was below minimum federal and state standards. As a result, they expect the School Facilities Board to resolve the issue by following their own standard. Their students and staff deserve the opportunity to learn and work in a healthy environment. To this point, the Board has refused their requests to meet their obligation. Council's support of their final appeal tomorrow would be appreciated.

Mayor Hallman read a letter into the record:

"Concerns brought forth by the public regarding Corona del Sol High School's air quality are shared by the leadership of the City of Tempe. It is our hope that the issues that brought about these concerns can be resolved expeditiously. The City concurs with the Tempe Union High School District's Superintendent Adolph's December 21, 2007, statement that 'students and staff deserve an optimal quality environment which complies with SFD Regulations and current industry standards.'

Because the Arizona State Legislature has never fully funded building renewal monies, the District does not have funds to replace Corona's outdated and inadequate HVAC system. Coupled with the November 2007 failure of the Tempe Union High School District's capital override renewal, the District has no other option available but to request emergency funding.

As the Mayor and Council of the City of Tempe, we hereby urge you to support Tempe Union High School District's emergency funding request to the Arizona School Facilities Board."

Councilmember Carter thanked Councilmember Shekerjian for bringing this issue to the table. She taught at Corona twenty-two years and has many friends on staff there. There are many health issues at Corona and nothing has been linked to any of this, but it all seems ironic. She would come down and testify if necessary. She understood that there is only one chiller working currently and temperatures run at about 82 degrees. With the override not passing, the school has no hope of bringing the other chiller up until possibly another override gets on the ballot in November.

Mr. Adolph responded that would be a possibility.

Councilmember Shekerjian stated that she has had three children attend Corona del Sol High School. This is a great concern to her. She finds it interesting that the whole purpose of the School Facilities Board originally was to bring the standards of all the buildings in the State of Arizona to a certain level. They spent a great deal of money early on. Now when emergency funds are requested for something that is a health and safety issue, she finds it appalling that they are giving any kind of trouble about funding something that is very apparently an issue. She wished him the best in his attempt.

Mr. Adolph noted that the hearing will be at 9:00 a.m. on Friday at the Court Building at 1700 West Washington. A decision should be made within five to seven working days. If they do not prevail, their next course of action would be to regroup to figure out what to do. They don't have any recourse with the Board after the appeal tomorrow. They might be forced to join a current pending lawsuit against the School Facilities Board.

CONSENSUS

Approval of letter from Council to sign and give to Tempe Union High School District supporting their request for emergency funding from State Facilities Board for air quality issues.

Tempe South Corridor Study

INFORMATIONAL BACKGROUND available in City Clerk's Office.

DISCUSSION – Presenters: Deputy Public Works Manager Jyme Sue McLaren; Public Works Manager Glenn Kephart

Glenn Kephart summarized that in the fall of 2007, staff appeared before the Council to kick off the beginning of a north/south Tempe Corridor Transportation Study. This study is being funded out of the City's share of Proposition 400 Regional Transportation Taxes. The purpose of the study is to evaluate the need for travel in the north/south corridor and the best options to meet those needs. The limits of the study were defined as from the 202 in the south to the 202 in the north, and from the 101 in east Tempe to the Kyrene corridor on the west. Staff is asking Council to consider adding the option of commuter rail as a viable alternative as this study is conducted.

Jyme Sue McLaren added that over past several months, several things have transpired that have caused staff to re-evaluate the addition of commuter rail as a potential option for the south corridor study. There has been renewed interest in the statewide commuter rail proposal that would potentially link the metropolitan area of Tempe/Phoenix and the City of Tucson. The Governor has been proposing the advancement of a statewide plan to address statewide transportation needs. There has also been expressed interest from the communities surrounding Tempe with a willingness to initiate discussions about partnering with Tempe on a potential commuter rail project. Staff is seeking Council direction to add commuter rail as a potential technology for the study effort to analyze its feasibility. In order to analyze the feasibility as this option, it becomes necessary to initiate discussions with significant stakeholders: Union Pacific, Gila Indian Community, ADOT, Governor's Office, City of Tucson, Maricopa, Mesa, Chandler, and Apache Junction. Those discussions and partnership opportunities need to take place in order to truly evaluate the potential of a commuter rail line.

Mayor Hallman asked for clarification that no additional money is requested than what is already dedicated to the south corridor study.

Ms. McLaren responded that no additional money is requested.

Mayor Hallman clarified that staff is simply asking to also look at whether commuter rail is a good addition to that

opportunity.

Vice Mayor Hutson noted that he has had a lot of discussion from the state on down. He is glad to see that it is moving forward.

Mr. Kephart added that this Council was on the forefront last February in talking about the I-10 corridor widening project and Council recommended that commuter rail also be considered.

Mayor Hallman added that everyone is going forward on the I-10 corridor. But, there is an opportunity for concurrent examination on the alternative, even for commuter rail, to supply an option for unburdening I-10 with its congestion.

Ms. McLaren agreed that it was feasible to look at the I-10 corridor if we had a potential commuter rail line and what it offers to any capacity enhancements for I-10.

Councilmember Shekerjian added that she has observed that Maricopa is already double-tracking. It is probably timely to start working with them. They are also entering council races in Maricopa, and there is a great interest among their residents regarding some sort of commuter rail. After the election cycle, she suggested contacting those outlying areas to discuss a regional coalition to encourage this kind of direction.

Councilmember Ellis added that community members served on the regional stakeholders group which met over the course of a year and produced a report. A lot of research has been done and there is a lot of regional support. She has had residents contact her. It wouldn't be as simple as just using existing track. A lot of infrastructure issues exist and a lot of talking with residents needs to take place.

CONSENSUS

Initiate discussions with stakeholders to examine feasibility to advance light rail.

Follow-up Responsibility: Jyme Sue McLaren, Glenn Kephart

Solar Energy Proposal

INFORMATIONAL BACKGROUND

DISCUSSION – Presenter: Community Development Manager Chris Salomone

Chris Salomone introduced Kathryn Milum with the Tomales Bay Institute. Council direction is requested to endorse a feasibility study of using public rights-of-way for solar panels. He added that this came before Council several months ago and was referred to the Transportation, Housing and Environment Committee. It was studied by the Committee and has been referred back to full Council.

Mayor Hallman clarified that this is a fairly small feasibility study to determine it is possible to use public right-of-way to supply alternative energy sources.

There was consensus of support and staff was directed to bring forward a resolution to Council at the next

meeting.

CONSENSUS

Present a resolution to Council on February 7, 2008.

Follow-up Responsibility: Chris Salomone

Rio Salado Foundation Donor Policy

INFORMATIONAL BACKGROUND

DISCUSSION – Presenter: Community Development Manager Chris Salomone

Chris Salomone introduced Steve Zastrow, fundraising counsel for the Rio Salado Foundation. He presented a draft donor policy for the Rio Salado Foundation.

Mr. Zastrow stated that he is seeking Council consensus on the donor recognition guidelines. These guidelines would set expectations among donors, the City of Tempe, and the Rio Salado Foundation and allow the foundation to provide a consistent record of donor recognitions. Most importantly, the recognitions set the expectation that any naming opportunity for spaces, facilities, once recommended by the Rio Salado Foundation, are up to the approval of the City Council.

Mayor Hallman clarified that the guidelines say that any recommendation is only a recommendation by the Rio Salado Foundation, subject to the approval by the Council. This looks to him like the same thing this Council already approved five or six years ago. Under his predecessor's tenure, the Foundation was formed, he was the first president, and this donor recognition guideline package, including the commemorative gift opportunities, had already been presented to Council. He asked why this is being brought back to Council again.

Mr. Zastrow responded that the Foundation has been very active in fundraising. In terms of the boathouse, their volunteers wanted to make sure that when they talk to donors, the donors can be confident the money will go where they say it will. The Foundation actually did formalize these policies and wanted to present them to Council so there wasn't any question that the City Council has final approval in naming rights.

Mayor Hallman summarized that there is a concern that if the Rio Salado Foundation says "no" to a naming right, the City Council couldn't say "yes." His understanding is that the City Council could always name something without regard to the Rio Salado Foundation's recommendation. The point in the guideline is that the Council has the authority to name anything it wants to, and that the Foundation is merely making it clear that the Foundation does not have any authority to name anything without the City Council's approval. Any requests for donations that come with naming opportunity can be presented to the Foundation, but the Foundation can't agree to anything.

Mr. Zastrow agreed. The Foundation's aim is to have a consistent policy.

Councilmember Arredondo clarified that there is a clear understanding that the final approval is with the City

Council.

Mayor Hallman added that Councilmember Ellis was concerned that if the Council said “yes” to something that the Foundation didn’t think was a smart thing to do, Council gets to make that decision.

Councilmember Arredondo added that not everything in Tempe is for sale and not every naming right is for sale. That is very important message to be taken back to the Foundation. This Council has the final authority. There are a number of businesses out there that would do about anything to get their names on a building.

Mayor Hallman summarized that this Council will not only be the final arbiter, but this community’s reputation means something to everyone sitting here and naming opportunities are exactly that. The judgment of this Council is to the best interest of this community and its reputation. Some different things have been done with the Foundation at Council’s direction. It was founded in 2001 and it started off with fundraising. It is a new organization. This Council has been patient in helping work through the approach of how to convince people from outside Tempe that this is something they should invest in. Two new concepts that hadn’t been done anywhere else have been put forward by this Council. For example, the Foundation asked a company and its principals to take ownership and the obligation to raise the money for the boathouse. A private sector partner has agreed to move forward to work together for the construction, not at City expense, but at private sector expense to create a boathouse. One of the concerns raised was making sure this Council was still standing behind the idea that these amenities were not just for the City of Tempe to control, but they are for the public. That is why the Arizona Boathouse and Welcome Center has a list of uses posted on it. It is the programming City staff put together and their vision of what this boathouse should be. The folks raising this money wanted to make sure that we weren’t kidding when we said the ASU Rowing Club will get to use this facility. The program that City staff put together specified what was being operated on the Lake, and this boathouse is what we want to see happen. If an ASU-associated donor steps forward and says they will donate \$5M for a project, we just want to make sure the ASU students get to use it. It is supposed to be for the public. That’s the message we wanted to make sure the public understood. These folks have stepped forward as others are starting to do on other major projects. Our commitment remains.

Councilmember Carter asked about the commemorative gift opportunity. She would feel more comfortable if the last sentence were reworded.

Mayor Hallman suggested rewording to: “Commemorative gifts require the approval of the Tempe City Council.” The board of directors of the Rio Salado Foundation is composed of community members, not just from Tempe, but from the region. An additional amenity to the Papago Park area in Tempe has been added to the scope of work. These campaign efforts are first to get commitments for approximately 60% of the contributions, and this organization had its original goal of \$16M, which got raised by the chairman of the board to \$20M. The Foundation hopes to make an announcement of who has submitted commitments to funding. Cash is not being collected, but pledges. Cash has been received with approximately \$2M in the bank. There are commitments for significant additional amounts. Some are already starting to be paid as projects move forward. For example, the Eisendrath House, which this Council had sought to move forward several years ago, now has commitments in hand that will cover the entire cost of that project. Very shortly we will be able to announce as a Council the full commitment that the Foundation has received on the City’s behalf.

Councilmember Ellis asked Mr. Zastrow to explain what happens to the money when people donate millions of dollars. The Tempe Center for the Arts (TCA) is already built. What happens to the money?

Mr. Zastrow responded that when the Foundation raises funds, they ask people to commit gifts on a course of 3 to 5 years so they can stretch capacity. The Foundation's job isn't to hold money in the bank. It is to begin allocating funds for the construction based on these cash flows. Some of these pledges have already been paid; some are scheduled to be paid next year; and we will probably have more than the \$2M because of gifts paid by the end of the year. The initial concept of the Foundation was to take funds for things that are already funded and leverage those dollars so donors would actually see more value from their donations. Cox, for example, who donated to the splash playground, actually requested that their gift go to the operational component of running the Foundation and/or going into other projects such as the boathouse. Other donors have been very specific, designating naming opportunity at a particular place and that's where they want their money to go.

Mayor Hallman added that the TCA is a unique facility. It has been built, but there is the opportunity to raise money for an endowment for that facility. Except to the extent the donor requests the donation go to support another project, he has suggested that we seek to build an endowment for the Arts Center. This endowment could be invested outside the City and the endowment could grow. For example, the initial idea was that if we could get an endowment contribution or multiple contributions in the next year or so totaling approximately \$8M, that before the tax expires in 2021, at a sensible investment, it likely could grow to approximately \$50M. The endowment would permanently operate the Arts Center, or at least be a significant contribution. This Council has done more on planning things like that than most councils. We can plan today using these naming opportunities carefully and appropriately to generate an endowment to protect that facility and make sure it is always able to be maintained. His focus has been to find the naming opportunities within this Center that will help generate that endowment for the Center. He added that the numbers indicated in the guidelines were presented in 2001. At the same time, the original capital campaign was outlined to cost \$700K to \$800K a year to run and it has risen to \$100M. His predecessor found quickly that those amounts were outside the initial reach. The Foundation is doing well and has gone from \$16M to \$20M.

CONSENSUS

- Make clear for the record that Council has final authority in all naming rights when accepting donations through the Rio Salado Foundation. These are public amenities.
- Continue to look for endowment funds for TCA to set aside for growth to permanently fund TCA after tax expires.

Follow-up Responsibility: Chris Salomone

Consideration of Moving or Canceling March 6, 2008, City Council Meetings

INFORMATIONAL BACKGROUND

DISCUSSION

Mayor Hallman summarized that there is a need for a group of people to be in Washington, D.C., prior to the

National League of Cities to do additional work on behalf of the City to lobby for additional grant funds and other sources.

Councilmember Ellis added that the IRS work session on March 6th was to have been a CIP work session.

Mayor Hallman suggested beginning the IRS for March 20th at 5:00 so Council could deal with any regular agenda items before starting the CIP work session at 6:00.

There was consensus to cancel the meeting and move the IRS on March 20th to 5:00 p.m., if needed.

CONSENSUS

- Cancel the March 6, 2008, Council meetings.
- For the March 20, 2008, IRS meeting, change time to 5:00 p.m.

Follow-up Responsibility: Jan Hort

Formal Council Agenda Items

No agenda items were discussed.

Future Agenda Items

None.

Mayor's Announcements/Manager's Announcements

None.

Meeting adjourned at 7:20 p.m.

Jan Hort
City Clerk