



Minutes City Council's Finance, Economy & Veterans' Affairs Committee November 20, 2007

Minutes of the City Council's Finance, Economy & Veterans' Affairs Committee held on Tuesday, November 20, 2007, 3:00 p.m., in the 3rd Floor Conference Room, Tempe City Hall, 31 E. 5th Street, Tempe, Arizona.

Committee Members Present:

Vice Mayor Hut Hutson, Chair
Councilmember Mark Mitchell

City Staff Present:

Tom Duensing, Dep. Financial Svcs Mgr.
Kathy Gasperich, Council Aide
Jerry Hart, Financial Svcs Mgr
Shelley Hearn, Comm Relations Mgr
Jan Hort, City Clerk
Jon O'Connor, Dep. H.R. Mgr
Cecilia Robles, Dep. Financial Svcs Mgr.
Jay Taylor, Fleet Dir.
Sheri Wakefield-Saenz, Econ Dev Dir.

Guests Present:

Pam Goronkin, DTC
Doug Mings, representing Congressman Harry Mitchell

Vice Mayor Hutson called the meeting to order at 3:06 p.m.

Agenda Item 1 – Public Appearances

None.

Agenda Item 2 – GPEC Briefing

Sheri Wakefield-Saenz presented an update on the Greater Phoenix Economic Council (GPEC). The City pays the GPEC approximately \$58K annually to represent Tempe nationally and internationally for business lead generation and marketing. The GPEC was created in 1989. She is chair of the GPEC Economic Development Directors' Team, and there is also a private sector board on which the City also has a chair. In addition, Tempe has two private sector seats on the GPEC board filled by representation from Insight and Medtronic. In

addition, the Chairman and Principal Executive of GPEC, Barry Broome, came into that office about two years ago. He has a different philosophy and Tempe benefits from that.

The immediate benefit from GPEC is the international initiative.

- GPEC partnered with Arizona Department of Commerce and received \$300K from the Legislature last year to launch the international initiative.
- It is very difficult to brand and market one community in the international pool.
- GPEC issued an RFP to generate business leads in the international markets and a consultant, Research On Investment Consulting (ROI), was selected.
- The GPEC and AZ Department of Commerce are jointly doing marketing in Japan and Asia-Pacific, as well as Montreal, London, and Frankfurt to develop leads on behalf of the member communities.
- ROI has done market research in metro Phoenix and has heard presentations by the cities.
- Potential travel to these locations might produce a fiscal impact going forward to the marketing and business development budget. Visits are usually done in conjunction with international trade shows.
- Staff will begin to translate the City's marketing material.
- Emerging Tech Initiative Update will concentrate on initial initiatives in healthcare, bioscience and solar.
 - Staff has been working with First Solar for about eight months to locate them in the Chestnut Project. They just signed a lease for 36,000 sq. ft., and it speaks volumes to that industry that they relocated their corporate headquarters to Tempe.
 - Public/Private committees, primarily private-driven, have been created. This has made a huge difference in the approach to these issues.
- Tempe's locates from GPEC have been tapering off over the last six or seven years. Last year, Tempe located 36 companies and created about 5,000 jobs at an \$80M capital investment, which exceeded GPEC locates for the entire year.
 - The industry has changed, so the majority of locates and leads from GPEC have two profiles, the first for either large industrial distribution projects, which Tempe probably wouldn't be a good fit, and the other is high wage strategy, the high tech companies and also some large office locates.
 - Tempe got its share of the tech companies, but didn't get its share of the other types of projects.
- Tempe's target markets are the same as with GPEC: corporate headquarters, back office, and bio-tech, and Tempe also has quite a bit of financial, insurance and real estate. Those all seem to be clustered in the major markets.
 - The power of who brings leads has changed. GPEC has identified some different industry/trade shows, seminars and training missions where they have sponsored a reception or participated in the event, rather than exhibit, and it is resulting in a higher lead generation.
- Community Building Consortium (CBC).
 - This involves 25 private sector members.
 - GPEC asked the private sector how to get more buildings built.
 - About 80% of the leads that were generated by GPEC in the last five years went into existing space.

- There was some perception among site location consultants and real estate brokers that the Phoenix region was slow in the development services process relative to the rest of the country.
- One suggestion was for “90-day certified shovel ready.” For the right prospect and right project, a city would agree to permit and title them once they got to drawings and submittal of permits.
- For the GPEC Shovel Ready program, the GPEC would keep an inventory of those buildings and sites that don’t need infrastructure, environmental, streets to the site, etc. These sites can be immediately ready for prospects.

Vice Mayor Hutson asked why Tempe does not have “shovel-ready” sites listed.

Ms. Wakefield-Saenz responded that GPEC asks for a two-page description of how this works for each site. Since GPEC provides the City with a Co-Star database, staff suggested they pull them from the database.

Vice Mayor Hutson noted that of the 23 sites identified, 20 are in Peoria. Staff needs to submit the two-page descriptions for each of the 60 sites.

Ms. Wakefield-Saenz agreed to provide GPEC with the information. (To-date, COT has 3 sites on the database, with more to come)

She highlighted two additional GPEC activities:

- Ambassadors Program
 - GPEC took people from the private sector, colleges, finance industry, and the real estate industry, and they meet with industry on a one-on-one basis. The personal relationship gets established much easier in this way.
- Leadership Council
 - The GPEC Next Leadership Council is a program identified to help GPEC stay on the cutting edge and there are many different initiatives, including the International, CBC, and Shovel-Ready 90-day program initiatives. In addition, there is an initiative based on job creation, payroll and capital investment, and it has kept GPEC focused on what the communities are most concerned with, which is high wage jobs and job generation.

Ms. Wakefield-Saenz distributed a copy of the Business Attraction, Strategic and Tactical Plan. This speaks to the fact that GPEC has put into writing its goal to change the business development strategy, to engage the private sector more in their strategy and marketing efforts, to give the private sector more in the actual attraction piece and to bring in the interdisciplinary teams at GPEC for recruitment. She added that \$68K sounds like a lot of money. But the marketing effort which City of Tempe staff is doing in San Diego in the *Business Journal* costs from \$15K to \$40K. That is just one targeted market. GPEC spreads the money wide and deep. She also provided a copy of GPEC’s annual report.

Councilmember Mitchell supported the relationship with GPEC. Tempe gets a lot of benefits by partnering with communities as a region. Of the top 50 businesses in the East Valley, 28 are headquartered in Tempe and that didn’t happen by accident. When tech companies come, they think of Tempe.

Agenda Item 3 – Financial Update

Jerry Hart presented the most recent Tax Revenue Statistical Report for October 2007.

- Sales tax revenues will not meet the revenue projections for this year. Year-to-date actual General Fund Sales Tax Revenues are \$27M, and based on what was budgeted for this year, and based on prior collection experience, we would have expected to collect about \$28M.
- Retail sales tax revenue is the major culprit, down 5.5%. He would not anticipate that the November report number will remain at 2.9%, and would expect it to be below that.
- Retail sales growth has been negative this year. Automotive and electronics are down the most.
- The last few years, we have been very proud of the real estate activity, but we are seeing that trend down.
- Staff is currently working on an update of the long range forecast.
- Although we won't hit our revenue figure, staff believes we will still generate revenues in excess of expenditures for this fiscal year if it holds steady, but he doesn't anticipate it for next year.
- In terms of meeting revenue projections, he expects a shortfall. Of the projected \$6M of excess revenues in the General Fund, his estimate would be approximately \$2M.

Vice Mayor Hutson asked for the amount in the rainy day fund.

Mr. Hart responded that the rainy day fund has \$8M. In accordance with Council's 25% reserve policy for the General Fund, he anticipates about \$43M in the unreserved fund balance of the General Fund. If preliminary projections are correct, we will be approximately \$4M short of what was projected for the General Fund this year.

Vice Mayor Hutson asked about the \$10M for OPEB.

Mr. Hart responded that comes from last year's excess revenues and it has been set aside.

Vice Mayor Hutson asked about this year's allotment.

Mr. Hart responded that this year, the projected excess revenue over expenditures for the current fiscal year was projected at \$6M.

Vice Mayor Hutson responded that we are \$6M in the hole already.

Mr. Hart responded that the potential liability was measured as of June 30, 2005, as \$300M, dependent upon the interest rate.

Vice Mayor Hutson clarified that it was \$330M.

Mr. Hart added that the change in the revenue situation will seriously compromise the City's ability to deal with the funding issues for OPEB. Staff's main concern is ensuring that the City can continue the current service levels, much less funding OPEB. Those will be major challenges.

Cecilia Robles stated that not only are we feeling the pain at the local level, but we are feeling it at the intergovernmental level because as the State continues to deal with its problems, our share will dwindle as well.

DIRECTION: Staff was directed to send the cumulative General Fund Revenue by Activity to the remainder of Councilmembers.

Mr. Hart stated that at the last Issue Review Session, Council determined that the Ad Hoc Budget and Finance Committee would be reconvened to begin work in January. Staff has been concerned whether the committee will be able to meet in sufficient time to come up with recommendations that impact the FY 2008/09 budget, or whether the committee's real target will be the ensuing year, FY 2009/10. The last time the committee was convened, the initial meeting was in February and it went all the way through the year. He wasn't sure if convening the committee in January would allow sufficient time.

Vice Mayor Hutson stated that he was a little disappointed in the committee last time because it only identified items in the budget that the committee felt were not needed. That's not what a long-range committee is supposed to do. It's the Mayor's call, but he would recommend sending a message that this committee requests the committee be initiated as soon as possible. He didn't think it will help for this coming year.

Councilmember Mitchell added that a few years ago department heads were asked to look at ways to make immediate cuts for this year. He asked Mr. Hart if Council direction was required to do that. What would prevent staff from starting the initial stages now?

Ms. Robles added that staff sees the problem coming and it is necessary to have a City Manager at the helm to help move forward.

Vice Mayor Hutson suggested bringing this subject before Council at an Issue Review Session for direction, since it would be February before the new City Manager would be in a position to make any decisions.

Councilmember Mitchell agreed.

Vice Mayor Hutson asked about the OPEB amount.

Tom Duensing responded that staff hoped to have the OPEB number by the end of November.

Agenda Item 4 – Future Agenda Items

Next meeting will be in January.

Meeting adjourned at 3:55 p.m.

Prepared by: Connie Krosschell
Reviewed by: Jerry Hart

Jan Hort, City Clerk