



Minutes City Council Issue Review Session March 22, 2007

Minutes of the Tempe City Council Issue Review Session held on Thursday, March 22, 2007, 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 6:10 p.m.

Call to the Audience

Sameer Parekh, Tempe, representing the Arizona Federation of Taxpayers. The tax rate is currently at \$1.40, and leaving it at the current level, given the skyrocketing assessments over the last year, would mean a 19% tax increase for the property taxpayers just for the Tempe taxes, Parekh stated. Most residents saw only a 4% increase in their income in the last year. His view of the City government getting nearly a 20% raise would equate to five times more than what residents are receiving. He urged that the tax rate be lowered to \$1.19. At that level, Council would be voting to keep the taxes at their current level, or a revenue neutral change. It may appear that lowering the rate to \$1.30 would be a tax cut, however, this would still raise taxes due to higher assessments.

Lloyd Winward, Tempe, sent a letter to Council last year and asked that the rate be reduced to \$1.21. He received a response from four councilmembers stating that they did not want to lower the rate at that time because more analysis needed to be done. Looking at his own situation, if the rate is maintained, his taxes will go from \$400 to \$573 over the course of two years. That is unacceptable to him. That is just the Tempe portion. He is not complaining about his tax bill, but is complaining about government spending. We need to be careful not to become dependant on windfall opportunities as a city government. The bonding and expense levels the City is committing to while at affluent levels will not be maintainable in the future. Reducing the rate to \$1.20 will allow him to be at parity to what he was two years ago.

Catherine Mayorga, Tempe, Vice President of Public Affairs, Tempe Chamber of Commerce. She had

distributed a letter to Council regarding the Chamber's position and recommendation of a 5-cent rollback on property tax and she read the letter into the record. There will be a significant increase in property valuation. Business property, commercial and industrial, comprise approximately 65 percent of the City's property tax base. Because of the Arizona property tax assessment ratio, Tempe businesses pay nearly 2.5 times more in taxes than any other property classifications. Businesses bear the burden of taxes for Tempe properties. The Tempe Chamber of Commerce recommends a roll-back to \$1.35 on the property tax levy rate, with the additional revenue to be used for the acceleration of park improvements. The City rate could be lowered to \$1.23 to be revenue neutral due to the valuation increases, but the roll-back of at least 5 cents will still allow for a 10% increase in revenues to the City.

Julie Lind, Tempe, moved to Tempe fourteen years ago. She owned a home for ten years until they needed a larger home, then sold their home and realized a significant profit. When they looked for another home in Tempe, they had a difficult time finding one that they could afford. After only one year in their new home, their 2007 property valuation had risen 61%. This valuation came at the same time as the City's decision to raise the property tax by 5 cents. The combination of the rate increase and the valuation increase causes their tax bill to rise substantially. She understands the City's need for the 5-cent increase to fund emergency services, and she understands that need has been fully met. She urged Council not to consider taking in more money than necessary and to establish a responsible budget to meet the needs of the citizens, yet not overburden the taxpayers. The parks are already part of the budget and should be maintained for the benefit of all. This is not "found" money, but her money, which she can use to beautify her own yard. She urged the Council to consider responsible taxation and representation of all citizens of all income levels.

Darlene Justus, Tempe, stated that from 2005 to 2007 her property value increased 81%. Her home is typical. She intends to live in Tempe. Many residents are on fixed incomes and to increase the taxes could put them into a bad position. She urged Council to take in only what is needed and not overtax the public.

Joe Pospicil, Tempe, stated that in 1993, he paid \$657 in property tax. Last year, he paid \$1401. That is a 213% increase and his income increased only 150%. He is still employed, but doesn't know if he could withstand that kind of increase over the next ten years due to retirement. During this time, there has been a shift in what the taxes are used for. In 1993, 68% went to primary, which is what it takes to run the City day-to-day. Last year his taxes increased about 12% to 14% for the City of Tempe alone. Unfortunately, when you buy bonds, you buy twice. He would like to see the City get off bonds as much as possible and go cash which is more sensible.

CIP Budget Work Session

INFORMATIONAL BACKGROUND available in City Clerk's Office.

City Manager Will Manley summarized Attachment A, page 1:

- Table 1 shows five different tax rates and shows what those tax rates would equate to for homes of \$100K, \$200K, \$300K, and \$400K. Those numbers are not the entire property tax bill that the homeowner receives; they represent the municipal tax which is only about 10% of the total property tax bill.
- Table 2 shows the same five tax rates and indicates what the 5-year bonding capacity would be. With

every 5-cent increase in the tax rate, there is an additional \$20M bonding capacity to service debt of \$20M over five years. In essence, with each nickel increase, we are actually taxing an additional \$20M plus interest from the taxpayers of Tempe. That's over and above the bonding capacity and all the bonds outstanding to date.

- Table 3 shows what Council is actually authorized to bond by the prior bond referendum. The program areas are listed as they appeared on the ballot.
- Page 2, Schedule 1, shows the list of projects approved last year in the 5-year Capital Improvement Program. Even though this was approved, we would still need to go to the voters for some of the projects.
- Page 4, Schedule 2, shows the list of projects from departments that did not make the approved funded list and did not make it into the 5-year Capital Improvement Program last year. Voter approval would still be required.
- The assessed valuation of the City's real property has gone up about 20%. Even if the tax rate were lowered to \$1.30, the homeowners' tax bill for municipal projects would still increase.

Councilmember Shekerjian clarified that \$1.20 would be the breaking point in terms of starting to increase taxes. At \$1.30 everything could be funded that we are currently funding. However, at \$1.30, that is still a tax increase. In order to be revenue neutral in terms of the municipal portion, it would have to be \$1.20. At \$1.20, we would have to back into the funded list and cut \$40M.

Jerry Hart added that staff determined that a "zero" impact to the residents would actually require a rate of about \$1.10.

Mayor Hallman added that our tax bills aren't segregated and Council doesn't have that ability. To take all property together and hold all taxpayers harmless, the rate would have to be \$1.19. The residents faced an even higher increase in valuation than 20%.

Mr. Hart added that the residential property values increased nearly 45% from 2006 to 2007. Commercial properties increased only about 6% and rental property valuation increased about 31%.

Councilmember Carter clarified that we have the bonding capacity over the five years to do what is listed and then return to the voters in 2008.

Mr. Manley responded that staff suggested 2008. Returning to the voters would be to ask for authorization for a five-year period.

Mayor Hallman further clarified that the five-year plan passed last year was actually for \$120M, and that included not just bonded projects, but projects funded through other sources. We designated \$20M from sources outside of bonding. What's left on that program is \$113M and one of the issues we could address tonight is whether there are sources of funding that would bring us back to the same benchmark. In that five-year plan passed last year, only \$101M was funded by bonds. We could discuss that as well. The cost of construction has gone up significantly in the year and a half since this original five-year plan was put together and that's the reason for the difference between that \$101M and the \$113M that is left as bonded projects. It

increased approximately \$13.5M. That still leaves open the question that if we sought to find other sources for the \$13M, for example, the bonding capacity would be sufficient from our last bond election to carry us through to at least 2009. That's one of the issues for us to address.

Councilmember Mitchell clarified that in order for Council to finish funding what was approved last year, we need to go back to the voters to get bond authorization for \$158M to complete what is on the funded list.

Mr. Hart agreed.

Councilmember Mitchell noted, regarding Table 2, that at a tax rate of \$1.30, our five-year bonding capacity is \$110M, but if we look at our funded list, it is \$113M. Even at \$1.30 we wouldn't be able to fund what we approved last year.

Mayor Hallman added that there's enough money, but not enough bonding capacity, if we use all bonds.

Mayor Hallman referred to the funded list. He compared it to last year's approved funded list. Two items stood out. Last year we used the five-year schedule to see when projects would be funded, and it happens that the first two items on the list were scheduled in the out-years (years three and four). Those items have gone up in cost more than any other item on the list. The original associated cost for those two items was \$5.2M for the Fire Station #2 rehabilitation and \$5.5M for the New Support Service Facility. It's now \$16.7M for the two of them, rather than \$10.7M. In looking at the other priorities Council has looked at over the last two years, the Southeast Fire Station #7 has been considered a higher priority. That project initially was to be funded at \$2.8M and it is now on the unfunded list at \$4.6M. That fire station is very important to the southeast quadrant and public safety and we have spent nearly \$5M rehabilitating Fire Station #2. He suggested asking the Fire Department to make that facility work another five years, as well as the new Support Services Facility. If that could happen, we could move the new Fire Station #7 to the funded list and the difference between them is \$12.1M. That would make room for additional projects that might be viewed as higher priorities.

Fire Chief Cliff Jones responded that the Fire Department would support that. The primary reason that Fire Station #7 has stayed on the unfunded list was the concern with the Operation and Maintenance (O&M) for that facility. Clearly, from a Fire Department standpoint, Fire Station #7 is the priority because it involves direct delivery of service to citizens.

Mayor Hallman added that it would take approximately \$1.7M in firefighter costs to run that station, and Council would need to examine during the operating budget process how to weave in that cost. Given the significant excess revenues over expenditures in the last two years and the likelihood of continuing at a rate, that would still allow the O&M costs to be funded, he asked for Council approval.

Councilmember Shekerjian added that public safety is important and the southeast quadrant has needed a fire station for quite awhile and therefore, she would support Mayor Hallman's recommendation.

Councilmember Carter supported it, but wondered what happened in regard to the discussion with a neighboring municipality about a partnering opportunity.

Mayor Hallman responded that Chandler built its own fire station.

Councilmember Mitchell agreed with moving up Fire Station #7. We are not immune to increasing goods and services, and everything on the unfunded list are priorities that staff has identified that at some point will need to be addressed. He still wanted to know what could be done to fund the rehabilitation of current fire stations. He didn't want to neglect that because it is an issue that will need to be addressed later.

Mr. Manley responded that much of this has come about by staff working with Council in the committee structure.

Fire Chief Jones added that Fire Station #2 has been made more livable than it was.

Councilmember Arredondo also concurred. Public safety is a priority.

Councilmember Ellis agreed. She asked for an explanation of what the new Support Services Facility entails.

Fire Chief Jones responded that the Fire Station #2 rehabilitation would not result in a direct service delivery benefit to citizens. The resources and personnel are at that facility and they operate well. To some degree this is about firefighter safety and that facility operates differently in some ways. The Support Services Facility was built in 1988, is extremely small, and is an ongoing challenge to adequately service vehicles.

Mayor Hallman asked if his recommendation would be to put in Fire Station #7 in place of those two items.

Fire Chief Jones responded that it would be his recommendation.

Mayor Hallman summarized that the switch would make a net change of available capacity of \$12.1M. Looking at the various things brought forward by Council committees, the improvement of neighborhood parks has been discussed at all the committees. We currently have two parks per year at \$15.8M in the funded list. To increase to a capacity to rehabilitate four parks per year would be an additional \$15.8M, so we are still short some money. He asked Council to consider that we currently have a capital improvements funding reserve of \$9.3M.

This year we anticipate excess revenues over expenses of between \$9M and \$12M. In addition, in May we are scheduled to close on the first 40% of the sale of the Peabody property for \$17M. That supplies us additional resources of \$35.3M that could be put into the capital improvement program. Following Mr. Hart's recommendation on page 13 of his memo, if we add the \$9.3M, and \$9M from the current year's excesses with the Peabody property, we would then have \$35.3M. On this list, we have \$113M currently proposed, and we just reduced that amount by putting in Fire Station #7 in lieu of the other two Fire projects, and that reduces that amount by \$12.1M. The current project proposal, therefore, would be \$101.8M.

Councilmember Mitchell stated that we would save the \$12.1M by swapping the Fire projects, but if we talk about costs rising, maybe all three should be there.

Mayor Hallman responded that we had \$113M on the funded list demonstrating prior Council priorities, and the

Fire Chief indicated he would like Fire Station #7, so that removes \$12.1M and leaves \$100.9M. If we then add \$35.3M, you have \$146.3M to spend. This Council has indicated that parks are priorities (at \$15.8M). There are also unfunded liabilities from prior Councils that we must fund (attachment C, adding up to \$4M). These include paying APS for the last amount of \$791K that was borrowed from APS for the failed Peabody Hotel, the \$1.4M we owe for the Apache Boulevard Police Substation, the \$900K to repay the loan for the Marketplace agreement, the \$405K to pay the TSA for its claim of damages against the City for the failed Cardinals Facility, and \$500K for the Veterans Memorial CIP. There is one other item from Council discussions that seems to be a "must-do", and that is the first payment of \$10M toward our OPEB to protect our City employees' health insurance that we are obligated to deal with. From those things, that's \$29.8M, leaving an additional \$6.5M yet to spend. We can still trade things from the prior funded list for things on the unfunded list, but at that point, based on prior Council priorities, it would leave about \$6.5M of things on the unfunded list that we could select. In summary, you would get the entire funded list, swapping out the fire stations, two additional parks per year for rehabilitation, pay for prior Councils' obligations and we would pay the first down payment toward our \$300M liability for OPEB.

Mr. Hart clarified that from the remaining balance of \$6.5M, a portion would need to be utilized to fund our pay-as-you-go funded program shown on page 8.

Mayor Hallman agreed. Council had set a policy to pay for certain items on the pay-as-you-go plan and we have always had sufficient margin between projected expenses and projected income. It is essentially \$8M. That includes America West Airlines (US Airways) every year for their incentives on that project which is \$750K. We also pay for the Maryanne Corder Neighborhood Grant Program each year, which is \$225K out of reserves from excess revenues. To make sure it gets funded, it could be put in the five-year program. City Facilities Rehabilitation is a big number. It is a swag of \$2.5M which is a big plug number. Between the two, that's \$4.5M, leaving about \$2M that could be spent.

Mr. Hart added that typically these programs are funded by whatever excess is generated each year in the general fund.

Glenn Kephart added that the "swag" for City Facilities Rehabilitation is not really a swag but is an amount of annual repairs and basic maintenance on the more than 80 City facilities. This year, we expect to spend all of that \$500K and would anticipate that to be a reasonable number for the future. Staff would like to build a facilities master plan that would look at our facilities, as currently done in the streets area, over a 25-year period so that we could predict what we would need to spend in year thirteen and then annualize that over time. Short of having a maintenance systems program, \$500K seems to be a reasonable number.

Mayor Hallman added that in adding that amount, we essentially say that if we fulfill all of the obligations of prior Councils (\$8.5M), pay for OPEB, have the capacity to do two additional parks per year for \$15.8M, and pay the City Facilities Maintenance Fund, that essentially brings us to balance.

Vice Mayor Hutson concurred.

Mayor Hallman asked how much of a margin we would anticipate on the pay-as-you-go expenses without being

too risky. Pay-as-you-go expenses have always been paid out of that difference between expenses and revenues. Is that about \$4.5M?

Mr. Hart responded that last year it was \$4M, but over the last few years it has averaged about \$3M. Historically, based upon the performance of the general fund, we have actually substantially more pay-as-you-go financing than we have been able to do over the last few years. We have done as much as \$8M to \$10M, but with the economic downturn, we lost our ability to do that. We are beginning to try to provide some source of funding for the pay-as-you-go capital program.

Mayor Hallman added that a prior Council priority was the alley rebuild program. We have been undertaking an alley rebuild program and now we will capitalize it into our capital improvement program. Modern communities are not building their communities with alleys. Why shouldn't we consider offering the option to our neighborhoods to allow people to take their alleys back, and then provide individual home garbage and recycling service for our more modest neighborhoods as we provide for our expensive neighborhoods? The alleys are a significant source of crime. We would have to retain our utility easements, and we would have issues regarding retaining access to our water and sewer lines. In the places where we've turned alleys over to residents, SRP has power lines over backyards and has done so safely. Is that something we should be thinking about?

Mr. Kephart responded that referring that concept to the Neighborhoods, Public Safety, Parks & Recreation Committee would be a good idea. There is a lot of complexity involved. There are alleys we could abandon from an operational standpoint if the neighborhood wanted to, and it would be easier for us in those cases to pick up the trash in the streets rather than the alleys. It would need to occur over time, but could be considered on a selective basis. There would be utility concerns to address, and access issues to evaluate, but it could be done.

Don Hawkes added that it might be possible, but in many alleys the City does have sewer lines and manholes and giving them up to the residents would make it nearly impossible for the City to maintain sewer systems. We would be willing to look at this with the committee, but there would be issues.

Councilmember Carter asked about page 8 and the Maryanne Corder Neighborhood Grant Program. She didn't know how many of the grants each year go to neighborhood parks, but a good share of them do.

Mayor Hallman responded that an increasing number of neighborhoods are applying for parks rehabilitation improvements and for park master plan grants.

Shelley Hearn stated that she could research the information.

Councilmember Carter thought there might be a cost savings there.

Vice Mayor Hutson asked if the actual grant is \$12K.

Ms. Hearn agreed and said the neighborhood associations get the grants and the Home Owner's Associations

have to match the grants.

Mayor Hallman proposed \$113M from the funded list, \$15.8 for the additional parks, \$4M for the obligations from prior Council, \$10M for OPEB, and \$5.5M from the pay-as-you-go financing list, less the \$12.1M for the Fire Station swap, so there's still \$12.1M that could be used. That reduces our bonding obligation to \$100M and that gets it back to exactly the \$100M expected last year.

Councilmember Arredondo stated that if we leave the rate alone, the funded list and the unfunded list could be done. We would still have \$40M to spend, plus whatever else the Mayor proposed. We could have \$65M or more.

Vice Mayor Hutson stated that the index curve is inverted, investment income for the first time in 77 years is a negative, sub-primary lending is at a negative, and foreclosures are up 13%. He didn't think it is wise to spend more money than we have talked about, so he would not be in favor of spending any more than that. We need to be very careful.

Councilmember Shekerjian stated that every dollar we spend is reaching into someone's pocket. We're talking about attaining affordable housing, for example. For us to think about keeping the rate at \$1.40 contributes to the problems we have when it comes to affordable housing for those on fixed incomes, as well as for those who are trying to become first-time buyers. She supported the plan the Mayor proposed, as well as swapping out the fire station piece, at \$1.30. To do two additional parks a year is an important piece. To not raise taxes at all would mean the tax rate would have to be around \$1.20 and she thought \$1.30 is a fair compromise.

Mayor Hallman stated that \$1.27 would be the figure.

Councilmember Arredondo added that he is here in Tempe because he likes being here, he likes the amenities, and it comes with a price. It's the price of doing business.

Councilmember Shekerjian responded that the reason she feels passionate about this is because of personal experience. Each one of us has struggled.

Councilmember Mitchell stated that in the bond election a year ago, 75% to 85% of the voters voted in favor of what we're talking about tonight---water/wastewater, fire protection, parks improvement, police protection and transportation. That's an overwhelming mandate by the citizens who voted. Tempe compared itself to eight benchmark cities: Chandler, Gilbert, Mesa, Glendale, Scottsdale, Glendale, Peoria and Phoenix. Of those eight cities, if you compare what we pay for property tax, sanitation, and water/wastewater, Tempe is the second lowest. If you add in the sales tax rate, we are the third lowest, with Mesa not having a property tax. With all that we have done, All America City twice, second time for Top 100 Communities to Raise Youth, streets, great parks in almost every square mile, phenomenal Tempe Town Lake which is a gem in our valley, and a voter-approved arts center, all of that and we are still the second lowest in cost of services. We can be very proud of that. Overwhelmingly, we support our neighborhoods, our parks, public safety, and quality of life. We share these values and values unite us. Issues divide us. This is a value. He wants his children to experience the

same type of Tempe that he experienced growing up in Tempe. In order to do that we need to maintain and enhance a quality of life, and there is a cost associated with that. Of the top 50 businesses in the East Valley, 28 are headquartered in Tempe. That doesn't happen by accident. It happens because we invested over the years, not only by Council, but by the voters when they approved bonds. Those businesses are our allies. Our job as policymakers is to lessen the burden on the taxpayers. If we can be creative and attract those kinds of businesses to help keep our tax base diverse, then we are doing a good job. There's a difference between a politician and a statesman. A politician is always worried about the next election. A statesman is worried about the next generation. We're talking about projects that are valuable to our residents. This has been a progressive community for years. Leave the tax rate at \$1.40.

Councilmember Ellis stated that she is not comfortable with making a decision on this material until she has digested it. We have not gone through the unfunded list and she was not part of the discussion last year. When reading through this, yes, we are in prosperous times. Everyone's assessed values have gone up. You would think you could increase your spending at that time. But that also means that this Council next year, if assessed values go down, will need to raise taxes, or will have to cut further. Lowering it from \$1.40 to \$1.30, with what her house is worth right now, is about \$20 per year, or \$1 a month. We're spending a lot of time making it sound like it's this huge number and lowering it that little amount is just a little over \$1 a month. True, to some people that is the difference between buying a loaf of bread and paying their taxes, but we're not talking hundreds of thousands of dollars here for each individual person for the Tempe portion.

Councilmember Carter stated that looking at the unfunded list and realizing that we are not a growing company, but are an aging community, she has concerns. If we go down the list, there are park renovations, restroom renovations, pool renovations, rehabilitation, etc. She didn't think the citizens of Tempe would stand by and not be concerned that the property they own as taxpayers is not being maintained or restored or rehabilitated. Yes, there are items that could probably be eliminated, but she would like to hear from the department heads as to what needs to be done in the next five years, whether on the funded list or not. As a steward of this built-out community, she is concerned about our neighborhoods and parks and the investment we have made in this community and she feels an obligation to make sure we maintain what we have.

Vice Mayor Hutson concurred with Councilmembers Arredondo and Mitchell. Tempe is a very unique city and home to a lot of people. We do expect from our elected leaders a certain quality of life. He has a hard time reading what he sees in the economic indicators and hopes that he is wrong in what he potentially sees as an upcoming recession. We are looking at a CIP budget. We've found the money to do everything in here, except the unfunded items. The park renovation has increased to four per year, no restrooms are going to be unattended, we've increased the fire department with another station, we increased the police department with more people, we've increased the alley rehabilitation. We are very good stewards of the citizens' money and we're doing it with a number we have come up with. He cannot raise taxes another \$40M and then look for a place to spend it. He doesn't do business at home that way. We're going to get everything we need. He's not saying staff throws everything into the unfunded list, but these are things they want to see happen, and it doesn't have to be done right now.

Mayor Hallman summarized that he didn't mean to throw numbers out that cause confusion. Last year we came up with a compromise for this kind of discussion, and sent it back to the City Manager to prepare a

concept based on his discussion with staff's priorities. This is a hard thing to do. We've tried it different ways with different materials. Last year it caused even more confusion among the Council because we had the five-year schedule set out, but we can throw that concept out again. He proposed funding everything on the funded list that prior Council selected, swapping out the Fire Station #2 and the New Support Services Facility. He thought the Fire Chief would concur with that suggestion because we had always held off on Station #7 because of the O&M. It first appeared in the budget back in 1998-99 and then we hit the recession. Because of the O&M, we could not afford it. It was not going to be built and then unstaffed. We took the North Tempe Multigenerational Center off the list, for example, because we had the capital to build it but didn't have the money to run it. Ultimately for that facility, we came up with a new solution. We built it and got third party charities to run it. We can't do that with our fire station. We have to know that we have the money in the O&M budget. Because we are going to finish this year with between \$9M and \$12M in excess revenues, he feels comfortable in saying that his priority for public safety requires moving forward with the construction of that station - knowing that once it is built in year three or four, we will have the money to pay for those firefighters. That brings the amount to \$101M. We can then spend \$15.8M giving us the capacity to rehabilitate up to two additional parks per year. He proposed moving some of that money toward neighborhood alley rehabilitation programs for those alleys we know we couldn't abandon while Councilmember Arredondo investigates whether there are some alleys the neighborhoods might like abandoned. Or, if we fund this entire program, we could find \$3M to fund alleys in the interim period. He will set that aside, however. We don't have a choice about what Mr. Hart has laid out regarding \$9.5M in expenditures: \$4M for the items on his list at page 12 and 13, and \$5.5M as the pay-as-the-go financing. That's \$9.5M. Then we have OPEB. We have to deal with it, and that's \$10M. Over the amounts projected from last year, even at the increased costs of \$113M, we would be spending an additional \$23M in this Capital Improvement Program, and that's a 20% increase in capital. We wouldn't be able to give our residents a complete "hold harmless" on property taxes because of the cost increases associated with the items which they have already approved during the bond election in 2006. He won't have anyone suggest he is un-Tempean or not a statesman because he's going to keep his word. The reality is that Tempe is an All-America City not because of what this City government supplies, but because of the people who live in this community, many of whom have been here 40, 50 and 60 years, and many of whom are on fixed incomes and cannot tolerate an attitude that it is good enough to pass on a tax increase without at least acknowledging it. It's a great city not because of what we spend but because of who we are. Issues can divide us and sometimes that will happen. Tempe is now a Triple-A bond-rated city and that didn't happen 25 years ago or 15 years ago. That happened last year due to the fiscal responsibility that this Council has brought and he will take credit for the fiscal leadership he has brought to this organization. He is worried about the next generation. He is worried about making sure the families that live in this community have an opportunity to leave their homes to their children rather than selling and moving to Gilbert or Queen Creek or Apache Junction. If we want to walk our walk about affordable housing in this community, then it needs to start right here. We have an obligation to make sure our residents can remain in their homes.

Councilmember Arredondo stated that you can look at the unfunded list as something staff just put together, or you can look at it as something that needs to be done, and better get done, or we will pay the price down the road. Every year we talk about Clark Pool Swimming Pool renovation. Every year that community has gone without (i.e., the Perry Lane Improvements). Perry Lane leads right into the Marketplace and if we don't take care of Perry Lane, we will have a lot of trouble. There is a lot to be done. He wouldn't support some of the items, but others might support the ones he doesn't support. At some point those things need to be done for

the quality of our lives. Maybe one way is to set a property tax rate and then come back and look at the unfunded list and see what needs to be done.

Mayor Hallman asked if there was consensus to have the City Manager return to staff, swap out Fire Station #7, and come back with the total amount of capacity based on a property tax rate.

Councilmember Arredondo supported \$1.40.

Councilmember Mitchell supported \$1.40, and was in favor of coming back and looking at the unfunded list to see what we need to take care of.

Councilmember Ellis was undecided.

Councilmember Carter was undecided, and if we come back, she would be interested in looking at the things that we need to maintain, not necessarily building more.

Councilmember Shekerjian supported \$1.30.

Vice Mayor Hutson supported \$1.26.

Mayor Hallman supported \$1.27.

Mr. Manley recapped that Council has a framework for a spending plan. Council hasn't reached a consensus for a tax rate. The Mayor has identified other sources of revenue to spend on the Capital Improvements Program. He asked if there was a consensus on that spending plan outside of the tax rate issue?

Mayor Hallman responded that the proposal he gave is based on the bonding needed to fund the funded program is \$101M in bonds, with the addition of \$35.3M in other sources of revenue. He asked for a consensus by Council.

There was a consensus.

Mayor Hallman summarized that there is direction at \$136.3M from all sources. Mr. Manley was directed to come back with a funded list and an unfunded list based on the priorities staff believes appropriate, and a total expenditure of \$136.3M.

Councilmember Shekerjian stated that one thing she has noted about this Council is that their priorities in terms of our community are the same. What is going to be debated is how we get from Point A to Point B. Councilmember Mitchell was born here. She chose this community because of its amenities. There is a way we can find a win/win for the taxpayers in terms of not raising their taxes up to what \$1.40 would do, and be able to continue to provide some of the amenities. That's the reason \$1.30 appeals to her.

CONSENSUS:

CIP

113,000,000	Base CIP
(6,820,667)	Fire Station #2
(9,877,525)	New Support Services Facility
4,641,588	Fire Station #7
<hr/>	
100,943,396	Subtotal
15,827,000	Parks (2)
10,000,000	OPEB
3,996,000	Unfunded Commitments
8,123,750	Pay-as-you-go Projects
<hr/>	
138,890,146	

Funding Sources

100,943,396	Bonds
9,000,000	Fund Balance (06/07)
9,341,637	Capital Reserve
17,000,000	Peabody Land Sale
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136,285,033	
3,438,750	Debt Reserve
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139,723,783	

833,637 Difference (Funding Sources less CIP)

Formal Council Agenda Items

No agenda items were discussed.

Future Agenda Items

None.

Mayor's Announcements/Manager's Announcements

None.

Meeting adjourned at 8:10 p.m.

Jan Hort
City Clerk