

## Minutes Tempe City Council Special Budget Session April 10, 2008

Minutes of the Tempe City Council Special Budget Meeting of Thursday, April 10, 2008, held at 3:00 p.m. in the Harry E. Mitchell Government Center, Municipal Building, City Council Chambers, 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 3:10 p.m.*

### **Operating Budget Review**

City Manager Charlie Meyer summarized that staff would be presenting an overview of the Operating Budget. Staff has put together a budget that represents a reasonable balance. A \$12M deficit had been projected in the five-year forecast. There is also the outstanding liability for Other Post Employment Benefits (OPEB) and a group will be convening shortly to address that issue. There was a question whether to attempt to also fund the OPEB liability. Staff's recommendation is to address the issue, but not as an issue to balance this year's budget. Staff has made a number of recommendations for revenue potentials, as well as expenditure cuts. He highlighted the following:

- Contingency Budget. The contingency budget is used when there are unexpected expenditures during the year. The contingency has not been expended, so a \$2.2M reduction was made to the contingency budget. That is a recurring item and it will need to be revisited next year.
- Market Adjustment. Typically, on July 1<sup>st</sup> the City has provided employees with their progression (STEP) through their salary range, which for most employees is about a 5% STEP. A market analysis has also been done to see if pay ranges are accurate, and that market adjustment has been applied retroactive to July 1<sup>st</sup>. The proposal is to institute a six-month lag for the market adjustment, moving it to January 1<sup>st</sup>, which would create a savings of about \$1M. This is not something the unions have agreed to, however, and although it has been discussed in negotiations, it is subject to additional discussion.

- Rolling Hiring Freeze. Staff is also proposing a rolling hiring freeze. The vacancies that normally would occur would be managed and if \$1.8M of vacancies are not being held open, then the period of vacancies would be extended. Staff is preparing to develop an administrative mechanism to make this work. This rolling hiring freeze would stay in place over the course of the year.

Mayor Hallman clarified that if there are vacancies in excess of the \$1.8M, then the additional amount of available vacancy space would be filled on a priority basis.

- General Fund Supplementals. Although the language of “general fund supplementals” has been used, some of the supplementals are actually programs that have been in effect for a year or several years and are part of the base budget. The recommendation is that those which have been in existence and are clearly a priority would be funded as part of the base. There are a few items that would pay for themselves with revenue. At this point, the only additional supplemental involves the Police Department reorganization plan. Council spent a good deal of time last year looking at the Police Department’s reorganization plan, funded a portion of that plan, and indicated that the Chief would need to come back with this budget process and compete for funds to complete the plan. The reorganization plan would have called for an additional 10 positions, but 6 are recommended and those 6 are only funded for half a year.
- Rainy Day Reserve. This reserve was set up for times like these. This reserve is at about \$8M, and the proposal is to draw down about \$2M (or about 25%) of it. From a balancing standpoint, if it is necessary to draw money down another year, that would be acceptable. If the need goes beyond that, it would be necessary to determine whether more drastic steps are required. In the best case scenario, the economy would revive and the Rainy Day Reserve could be replenished.

Mr. Meyer concluded that at the bottom of page 3, it says “0” which means it is in balance, but staff would like to discuss with Council whether there are other items that should be funded or whether there are other ways to look at it.

Financial Services Manager Jerry Hart summarized that page 5 is the result of collaborative efforts of the departments to find ways to address the budgetary shortfall and the listing represents the compilation of the ideas. Page 7 shows totals of recurring and non-recurring revenue and recurring and non-recurring expenditure reductions. Those numbers tie to the numbers shown on page 3, with the exception of the recurring revenue because staff assumes that possibly 75% of the recurring revenues proposals will actually be realized in the next fiscal year. The recurring revenue total on page 3 shows \$3.2M vs. the \$4.3M shown on page 7.

Mayor Hallman added that the Ad Hoc Budget and Finance Committee process is not yet complete and there is a lot that has yet to be considered.

Mr. Hart continued that the detail of the supplemental requests begins with page 9, not only for the general fund but for the other operating funds. A summary listing of all the unfunded supplementals is shown on page 18.

Mayor Hallman added that page 18 shows everything that is left unfunded from all the possible requests and this provides an idea of whether we are on track to move forward.

Councilmember Carter stated that when Mr. Hart had come to Council previously, he had listed some assumptions. She asked whether those assumptions included the sales tax that the Marketplace would generate.

Mr. Hart responded that in the long range forecast presented in January, staff did include the anticipated revenues from the Marketplace.

Councilmember Carter asked if there was any further revenue-sharing with Mills Mall.

Mr. Hart responded that the revenue-sharing ended last October.

Mayor Hallman added that the newspaper reported revenues coming from Marketplace were three times more than the developer projected. He asked Mr. Hart to explain what proportion of the revenue actually comes to the City after the obligations on that project are paid.

Mr. Hart responded that under the agreement with the developer, the City agreed to rebate 70% of the sales tax to the developer of Marketplace, and the City retains 30% of the sales tax revenues for that facility.

Mayor Hallman asked if that 30% is all general fund, or whether it all goes to the arts tax and the transit tax, or whether it is 30% across the board for each fund.

Mr. Hart responded that it is the general fund as well as the transit fund. He understood there were some transit-related improvements, but he didn't believe any portion of the performing arts tax is rebated.

Councilmember Mitchell asked for clarification that the rebate is performance-based on that project.

Mr. Hart agreed.

Councilmember Carter asked Mr. Hart to discuss line 47 and 48 on page 6.

Mr. Hart explained that he would address line 45 and 46, as well. Essentially, under the agreement for the development of the IKEA property, the City agreed to a 50% rebate of the sales taxes to that development, and what has occurred, even though our tax rate is 1.8%, the entire rebate since day one has been paid wholly out of the general fund. Neither the performing arts nor the transit fund has paid their portion of the rebate, although the agreement called for 50% rebate of the full sales taxes.

Councilmember Carter asked about line 24 and 25, page 5, which relate to the Percent for Art program. She wanted to make sure that the language was acceptable.

City Attorney Andrew Ching responded that based on what was passed by the voters for arts, this is acceptable.

Councilmember Carter asked whether "for the purpose of advancing art in all forms to benefit the public" would include personnel.

Mr. Ching responded to the extent that personnel were carrying out exactly what she just stated, he believed it

was acceptable.

Councilmember Carter asked about line 69, page 6, regarding establishing group rental fees for field facilities.

Mark Richwine responded that staff has looked at what is being charged in other localities and has developed recommendations that would provide similar fees. Currently, users do not pay a fee for the use of athletic or building facilities.

Councilmember Carter asked if that considered resident and non-resident and whether non-residents were charged now.

Mr. Richwine responded that it would be the entire group, so if the group is comprised of both residents and non-residents, those groups do not pay fees for the use of the facilities. For example, they would be looking at Little League organizations, soccer organizations, Pop Warner football, users at the Pyle Adult Center, and users of the Kiwanis Recreation Center. His department has not made their presentation to the Ad Hoc Budget and Finance Committee yet, and they were asked to look at recommendations either to reduce their budget or to provide opportunities for revenue enhancement. Rather than recommend reduction in current level of service, they are recommending consideration of fees for those who currently do not pay.

Mayor Hallman added that even if all of this were wiped out, that is \$600K of the \$1M that hasn't been dealt with yet. Council is not being asked to accept all of the recommendations today, but staff is comfortable that when the process is finished, there will be \$3.2M.

Vice Mayor Hutson added that he hoped that if some of these fees are implemented, we don't blind-side some of the Pop Warner and Little League groups and that we would give them plenty of time to change their budgets.

Mayor Hallman suggested beginning with the broad policy recommendations, such as market adjustment and hiring freeze, and then moving into the detailed items because that captures the proposed revenue enhancements of \$3.2M and \$1.27M and then the recurring expenditure and non-recurring expenditure reductions.

#### Market Adjustment

Mayor Hallman asked if Council is comfortable that staff will go forward on the assumption that the market adjustment will be undertaken as it always is, starting in July by interviewing the surrounding seven peer cities, asking them about 483 different classifications, and setting our ranges based on that. As a point of clarification, although it has recently been at the 75<sup>th</sup> percentile, for some period it was at the 50<sup>th</sup> percentile, and when good times came, it was moved back to the 75<sup>th</sup> percentile. As a policy matter, should it be allowed to slide back toward the 50<sup>th</sup> percentile? In terms of the proposal to delay implementation until January 1<sup>st</sup>, the study will still take three or four months and finalized in October, and instead of making it retroactive, it will kick in with the adjustments for the ranges on January 1<sup>st</sup>.

Councilmember Arredondo stated that he needed to see some data on what it would cost and how many people it would affect before he agrees to January 1<sup>st</sup>.

Mayor Hallman added that the Ad Hoc Budget and Finance Committee is made up of representatives of the employee groups, and he has implored upon them that almost 80% of the budget is employment costs. Feedback from the employee groups is necessary. If the range adjustments amount to less than the \$1M, more cuts or other revenue enhancements have to be found. If it amounts to more than that, it could be implemented earlier. We aren't talking about getting more than \$1M.

Mr. Meyer clarified that currently the only estimate staff can give is based on the last time a market adjustment was done, which was effective last July 1<sup>st</sup>. We know how many people were affected and by what dollar amounts, but we don't know what number of people are affected and by what dollar amount for this upcoming survey until we actually do it. Given the financial situation, staff doesn't think that last year's market adjustment would be a very exact measure.

Mayor Hallman added that the employees who are primarily affected are at the very top of their ranges. If the range adjustment is delayed six months, they are losing some increase, but it does not affect employees at the bottom of the ranges, only those at the top.

Councilmember Arredondo added that something that has never been looked at very carefully is tuition reimbursement reduction on page 6, line 64. How many employees are covered by the tuition reimbursement of \$190K? Maybe it's time to talk about that program.

Mayor Hallman added that this recommendation was presented to the Ad Hoc Budget and Finance Committee and it was fairly controversial with the employee groups. All of these items are coming before the Committee. The whole goal was to present the options and ask the groups to identify their choices with the understanding that if enough money isn't found to bring this into balance, then some general steps will have to take place. Those general steps are delaying the market adjustment, freezing the hiring, and potentially things like reducing STEPS. That's the only place we can get the money.

Jon O'Connor explained that the current total budget for tuition reimbursement is \$690K. The proposal that staff brought to the Ad Hoc committee was to maintain the benefit, currently at \$5K per employee per year, but make some adjustments to the program so that it could be potentially reduced by \$190K. Currently, the Associate's, Bachelor's, and Master's Degrees are funded.

Mayor Hallman added that most of those programs are not Master's Degrees, but rather employees getting certifications for their jobs for job advancement. Again, this Council needs to see the detail to make those decisions. What Councilmember Arredondo is saying is that he is unwilling to do the \$1M without first looking at all of the details. The \$1M in market adjustments is on the table and the employees have to help find \$1M that makes up the difference so we don't have to do that, if that is their preference. That number will be unknown until the market study is done. The same problem exists on the estimation of the deficit. The deficit estimate is based on an assumption of what the market range adjustment will be. If the market range adjustment will save only \$500K, then the deficit is overstated by at least \$500K.

Councilmember Carter asked for clarification on how the recommendations from the Ad Hoc Committee will flow into this and what the time frame is for completion.

Mayor Hallman stated that the Ad Hoc Committee will be finished by the second week of May and then the recommendations will come to Council. All the detail will be presented.

Councilmember Arredondo stated that he wasn't comfortable with the market adjustment being delayed until January 1<sup>st</sup>.

Councilmember Mitchell stated that January 1<sup>st</sup> was not an issue for him, but it would be good to have detail at the next meeting.

Mayor Hallman responded that the number won't be available until October 1<sup>st</sup>. A market study could be started now, but it would not reflect the other cities' adjustments to wages.

Councilmember Arredondo responded that it would show where they are on July 1<sup>st</sup>.

Mayor Hallman clarified that the other cities will not set their budgets and wages before we do and that's why we start the process on July 1<sup>st</sup>. Other cities use COLAs and once they say their budget is done, we can do the market survey.

Councilmember Ellis clarified that employees would still get raises on July 1<sup>st</sup>, but the ranges wouldn't be adjusted. She asked if it varies a lot from year to year. If we had historical data to show how many positions were affected because of the market surveys over the last couple of years, would that give a better idea of what we are talking about?

Mr. Meyer responded that the previous years are a fairly good predictor of how many people will be affected. The "how much" might be a little different this year because the cities are generally cutting back and the amount of the adjustment this year could be a bit lower. Police salaries are quite variable, but for the remainder of the employees, they are generally fairly stable.

Mayor Hallman added that staff has made an estimate and that is what is reflected in the \$1.2M. If that estimate is wrong, then so is the budget deficit estimate. It is not a balance problem. If we moved the implementation date to January 1<sup>st</sup>, and staff estimated it at \$1M, and instead it turns out to be \$2M, then the deficit is also short \$1M. The same assumptions are based on how big that deficit will be.

Mr. O'Connor added that staff did make the assumption based on last year's figures, and there were fairly extensive changes last year. The prior two years didn't show such extensive changes.

Mayor Hallman added that if it turns out there is no change in the ranges because no other city gives raises in terms of a COLA, then the budget deficit is over-projected, as well, by that same amount. Many of the department heads are at the top of their range and they won't get a 5% STEP because the top of the range prevents that. If we adjusted the range up because of a market adjustment, they would then get that raise. Only the people at the top of the range will be prevented from getting at least 5%.

Mr. Meyer clarified that would be true except for Police and Fire. Police and Fire operate differently from the other employees, so those in the middle of their range in the Police and Fire unions actually do move with the market adjustment. That is not true for the other City employees.

Mayor Hallman added that the question is whether there is a contracted right to a range adjustment or whether it is a one-time range adjustment. That question is not yet resolved for today. He summarized that the need is for \$12M.

Councilmember Ellis responded that every year Council has to estimate that dollar amount because it isn't done until October.

Vice Mayor Hutson stated that it is an assumption, an anticipated idea of a budget and what's going to be income and expenditure. He understands the information won't be available until the end of the year. That's the way this budget process works and he is comfortable with it.

Councilmember Carter agreed. Council is here to give staff some kind of direction. It is necessary to know which recommendations have been presented to the Ad Hoc Budget and Finance Committee.

Mayor Hallman clarified that the two big policy questions that don't get into the detail are market adjustment and hiring freeze.

Councilmember Carter stated that she agreed with staff's recommendation.

Councilmember Shekerjian stated that it is important to understand that these are not things Council takes lightly. She was comfortable with the concepts with the caveat that as more information comes in, the numbers gets massaged.

Mayor Hallman suggested the following policy concept. Regarding hiring freeze, we can't go back and re-hire someone we never hired. On the market adjustment, to the extent things go better than anticipated, we can then backfill first on these market adjustment issues and other places where current employees are affected. We prioritize to take the additional resources and make up for those who stepped up to the table to help keep expenses down. We will backfill first on those things that have affected employees directly if other expenses are reduced or revenues are increased. This is a policy discussion that Council could have at that time because the data will be available to know who was affected and how much. The goal is to reduce the impact on employees as much as we can.

Councilmember Shekerjian clarified that if the Ad Hoc Long Range Budget and Finance Committee come up with some way to do away with the deficit, then that money would be put back for corrections for the market adjustment piece.

Mr. Meyer added that whatever is decided, a clear and simple message must be delivered to the employees. The employee groups have done a great job explaining across the board what a 75<sup>th</sup> percentile means and how a market adjustment is done, and it is very complex. We want to make sure that when we are done, we can say what the policy is and be able to explain it in simple language.

**CONSENSUS:** Mayor Hallman stated that there was consensus on the market adjustment. Staff was directed to use the estimate of \$1M, knowing that is the first place to look for backfill if we are successful in further reducing expenses or generating additional revenues.

### Hiring Freeze

Mayor Hallman asked if there was consensus that the target hiring freeze should be \$1.8M. He added that when he was first elected to Council, there were 21 patrol positions in the Police Department vacant for a significant period of time. That led to a large amount of additional unspent revenues that got rolled into a capital program, but he didn't think that is an acceptable result. Council has worked diligently to resize the Police Department through reorganization. He would be hesitant to see line officer positions not filled. He asked if there are sufficient overhires to make sure enough people are in the pipeline so that at least for this first year there isn't a line officer vacancy. He explained that the overhire policy designates 8. The policy allows hiring additional officers in advance in anticipation of injuries, leaves, vacations, and retirements. Perhaps there are enough currently in the pipeline so we can say as a blanket policy to go forward with the hiring freeze.

Mr. Meyer clarified that staff has been referring to the hiring freeze as a "rolling hiring freeze." The number considered was to keep 30 positions vacant on any given day in order to cover about \$1.8M. If today there were 5 vacant police officer positions, and the Police Department was in a position to fill all of those positions on May 1<sup>st</sup>, there isn't any reason they couldn't, but for the month of April, they would be counted as vacancies. Hiring uniformed positions for patrol is a high priority so it isn't proposed to defer hiring those patrol positions in order to save money for the budget. If the positions are vacant anyway and they can't be filled for a period of time, then we would count them toward that total.

Mayor Hallman clarified that the remainder of the City doesn't use an overhire concept, so to the extent people move on to something else, keeping a job open an extra week because the process takes that long will count toward the \$1.8M.

Councilmember Arredondo clarified that last year we were going to hire about 30 officers. Then a recommendation came in at 10 and it was narrowed down to 6. It doesn't mean that the 6 have to wait a half year, it means when they are certified, they can be hired.

Mr. Meyer explained the difference between the proposed hiring freeze and the new supplemental request for 6 new police positions as a part of the Council-approved reorganization. These were 6 lieutenant positions, although only half that amount has been funded. What that means is that the Chief could hire 3 lieutenants on July 1<sup>st</sup> and carry them through the whole year, and then July 1<sup>st</sup> of the following year, there would be 6 positions open, or he could wait 6 months and hire 6 lieutenants on January 1<sup>st</sup> and carry them for half a year. That would be the Chief's call. Those positions are really unrelated to a hiring freeze.

Chief Tom Ryff explained that the positions were comprised of a security supervisor sergeant to prepare for light rail security, an asset manager which was a civilian position, and a risk and compliance sergeant which would be a sworn position.

Councilmember Arredondo asked whether we are short on police recruits and police officers.

Mr. Meyer responded that we are not short police officers.

Mayor Hallman explained that Council had worked with the Police Department in all of the budgeting and had anticipated 54 new positions, and instead, there will be 4 fewer than that, with the addition of the six new slots.

The original idea was that would start July 1<sup>st</sup>. Given the budget issues, the Chief has been working with the City Manager to balance that last 10 and it is now down to 6 that will be hired over a rolling period.

Chief Ryff added that the reason the overhire policy was implemented was that the training and recruitment take about a year. By looking at the retirements and attrition, the Council's approval to overhire was necessary to have officers in queue at all times to fill unanticipated and anticipated vacancies. Currently, the overhire positions are filled and we have people in the queue.

Councilmember Carter inquired about the notice policy in the Police Department.

Chief Ryff responded that it is not unlike other City departments. They would ask that they give two weeks' notice. Unlike other departments, they have the DROP which gives the opportunity to identify ahead of time employees who have indicated their intent to retire. It's not very often that an officer resigns without any notice.

Mayor Hallman stated that the 21 vacancies that had occurred by 1997-1998 were because there was clear desire to move cash flow over to capital.

Councilmember Carter added that there were some years where officers were leaving for better paying jobs.

Mayor Hallman responded that in 1998 a new assessment was done and that's how the concept of overhire was developed.

Chief Ryff responded that all East Valley police departments are currently filled to capacity which has a lot to do with the economy. The Tempe Police Department has stabilized sworn officer positions.

Mayor Hallman asked if consideration should be given to reducing the overhire effort. The overhire program began when we had the problem of officers moving to better positions in the private sector. In looking forward if we are not seeing the likelihood of officers leaving in the next 12 months, should we reduce overhiring for this next round which would free up O&M money to go for the other positions needed by the Police Department? His concern is that the overhiring is done for the patrol division primarily, and if we are likely to keep all of our patrol officers and there are no vacancies, we may end up not only overhiring and running people through the academy, but having an additional number of patrol officers. That's not a bad thing, but maybe a less high priority item.

Chief Ryff cautioned Council that the department is just now realizing stability in law enforcement. Up to this point, it has been struggling. Pay is just one issue, but we also lose officers for a myriad of issues, such as moving out of state, disciplinary actions, medical issues, and retirements. He is not yet in a position to feel comfortable reducing the number of overhires.

**CONSENSUS:** There was consensus on the hiring freeze.

#### Recurring and Non-recurring Revenue, and Recurring and Non-recurring Expenditure Reductions

Mayor Hallman continued with recurring revenue, non-recurring revenue, recurring expenditure reductions, and non-recurring expenditure reductions and noted pages 5, 6 and 7 for the list of the proposed initial concepts.

Councilmember Shekerjian suggested that it would be helpful to know which of these areas have been reviewed by the Ad Hoc Budget and Finance Committee.

Mayor Hallman responded that the City Attorney, City Clerk, City Manager, Community Development, Development Services, Courts, Financial Services, Fire, Human Resources, Information Technology, Police and Public Works have all presented recommendations to the Ad Hoc Committee. Community Relations, Community Services, Diversity, and Parks and Recreation have not.

Councilmember Shekerjian clarified that no decisions have been made on the recommendations.

Mayor Hallman listed the recommendations for the City Attorney's Office, the City Clerk's Office, and the City Manager's Office. There were no questions. He listed the recommendations for Community Development.

Councilmember Mitchell asked about "sale of rights on 4 electronic displays at Tempe Marketplace."

Mayor Hallman explained that the City currently has in the agreement certain public use of the electronic displays. The value of that is \$12K. There were no further questions. He noted that since Community Relations has not presented to the Ad Hoc Budget and Finance Committee, he asked Shelley Hearn to explain the recommendations.

Shelley Hearn explained that "Operation and Maintenance – Reduction in equipment needs" involves equipment in Tempe 11's area.

Mayor Hallman asked Ms. Hearn to explain "Insight Bowl" item.

Ms. Hearn explained that the item involves tickets that are purchased but unused.

Mayor Hallman asked about "Memberships and Subscriptions."

Ms. Hearn explained that this involves newspapers and the concept is to share resources.

Mayor Hallman asked about "City Sponsored Events - Prioritize."

Ms. Hearn explained that "prioritize" means that everyone needs to look at that. Typically, the department goes over budget in that area, so this proposal is to cut \$3K.

Mayor Hallman asked Tom Canasi to provide detail for the Community Services reductions. He asked about "Increase Library Collection Agency Fee from \$10 to \$20."

Tom Canasi explained that a fee is charged once material is overdue and is sent to a collection agency. There is a processing fee and it has not been increased since implementation and is below market standards.

Mayor Hallman asked about "Reduce postage and printing budget for leisure brochure to citizens."

Mr. Canasi explained that staff has looked at other communities that mail only in response to requests or

through previous utilization. In the past, they have been mailed to every household.

Councilmember Arredondo suggested returning to that item for discussion.

Mayor Hallman continued with the recommendations for Courts. He explained that the "Photo Radar Enforcement (current capacity)" is what's currently being generated from the photo radar to pay for the courts.

Councilmember Arredondo added that the amount is more than to pay for the courts. The capacity has also been increased.

Mayor Hallman explained that this doesn't go into the general fund. The cost of running the court system, police and prosecutorial staff significantly exceeds all that is collected. We fund out of the general fund to pay for the criminal and civil system.

Councilmember Arredondo added that by doing it this way, the courts will not receive an allocation of any cuts, but the City Attorney's and Police Department will.

Mayor Hallman explained that this money helps to pay for the prosecutors used in that court system but we are not anywhere near collecting the kind of money needed to pay for the police officers tied up in that program.

Councilmember Arredondo added that this is a flag for something that needs to be looked at because this will increase in the future.

Mayor Hallman added that the State gets 80% of anything collected. If the City sets a fine at \$100, then it's actually \$180 because the State gets an extra \$80.

Mayor Hallman noted the list of recommendations for Development Services. Regarding the "eliminate unfilled Management Assistant position", Mr. Anaradian has been working toward an electronic system and because of that effort, the department ends up with savings coming back into the general fund that pays for salaries.

Chris Anaradian explained that the concept supports the capital request. This is a position that was a direct report to him that would have expanded the current scope of services, but they are willing to give up that position.

Mayor Hallman added that the "One Time (5%) Fee Increases Placing Tempe at 60% of Valley Median Fees" for \$228K discusses bringing Tempe's fees for Development Services activity with developers closer in line to what is going on with the surrounding cities and this would bring Tempe to 60% of the median fees charged. That's an estimate.

Mayor Hallman noted the recommendations for the Diversity Department. He asked Rosa Inchausti to explain "Events and Promotions – reduction."

Rosa Inchausti explained that this proposes having the board and commission dinner every other year.

Mayor Hallman noted the recommendations for the Financial Services Department. He noted that the "Charge

Transit and Performing Arts share of Tait (general fund) rebate” brings forward significant revenue, and there is also an arrears payment amount that adjusts that, all on lines 45 through 48. It is non-recurring because it is the amount of money that has not yet been collected and that comes forward, and there is a recurring amount for the future years. He asked Mr. Hart to explain “Increased Property Tax Estimate from Levy Limit Worksheet.”

Mr. Hart explained that this is reflective of the information recently received from the County Assessor’s Office regarding our primary property tax valuation. The City always maximizes the primary property tax limit to help with balancing the general fund, and based on the new information, that will result in an additional \$500K to the City’s general fund.

Mayor Hallman clarified that it was moving from the secondary to the primary levy. Our entire property tax can be converted from secondary to primary every year, but it’s limited to 2%. He explained that “Interactivity Charge for Bank Service Charges” is charging back to other funds the amounts for the bank charges that Financial Services has been currently paying.

Mr. Hart added that it is specifically the merchant fees associated with credit card usage.

Mayor Hallman asked about “Reduce wages.”

Mr. Hart explained that staff identified an opportunity in the Procurement Division where some wages had not been utilized over the last few years.

Mayor Hallman asked about “Cell Phones.”

Mr. Hart explained that the Tax and License Division is offering to turn in cell phones and save that expense.

Councilmember Ellis asked whether the bank charges are being charged back to the other departments and whether the other departments consider that in their budget.

Mr. Hart explained that there has been an increased utilization of credit cards, for example, at the Tempe Center for the Arts (TCA).

Mayor Hallman added that Financial Services charges every department, but places where there are savings in the general fund is only where it charges to a fund that is not general fund paid. So it is the Arts Tax, Transit, Golf, Water/Wastewater, and every place where there are enterprises that have their own monies, and they need to pay for the cost of operating a general fund expense.

Mayor Hallman noted the recommendations for the Fire Department. He explained that the “Charge for services for currently non-reimbursed special events” is to establish a policy that special events will pay the cost of police and fire. This is the total charge the Fire Department pays to subsidize special events.

Chief Cliff Jones added that there are four primary special events with no reimbursement: Block Party, Insight Bowl, 4<sup>th</sup> of July, and Iron Man.

Mayor Hallman asked about "Fire Prevention permitting and inspection fee increase."

Chief Jones explained that they could increase the fire inspection and permit fees. It would net an additional \$15K of revenue and would still keep Tempe in the median.

Mayor Hallman asked about "Reduce Equipment and Machine Rental."

Chief Jones explained that this proposes elimination of one of two copying machine in the Fire Administration Building. That would save \$500 the first year due to timing of the contract, and then about \$2K per year.

Mayor Hallman asked about "Reduce Training and Seminars."

Chief Jones responded that this is the projection of the money needed to train new recruits. It doesn't have anything to do with the breadth and quality of ongoing training for firefighters. Fewer recruits will be trained this next year than the past year and they project it can be done for approximately \$10K less.

Mayor Hallman noted the recommendations from Human Resources and asked about "New Hire Program."

Jon O'Connor explained that are several expenses in that program that have not been expended.

Mayor Hallman stated that the Ad Hoc Committee has discussed "Tuition Reimbursement" and there will need to be discussion on that before the final budget is adopted. He asked about "TLC Training Reduction."

Mr. O'Connor responded that the TLC is a division of Human Resources and they are in the process of revamping the internal training provided to employees.

Mayor Hallman asked about "Employee Award Program."

Mr. O'Connor responded that the City currently has an award program for employees at 5, 10, 15, 20, and 25 years where dollar amounts are offered according to length of service. The intent was to reduce that program. Bonus checks are also provided for retirees, and staff recommends retaining those. Cards will continue to be provided from the City Manager for service milestones, but not the actual bonus payments for the years of service.

Mr. Meyer added that because the tuition reimbursement reduction is non-recurring, it might satisfy the Council's questions if Mr. O'Connor briefly outlined that recommendation.

Mr. O'Connor summarized that the intent is not to affect the actual program or benefit provided to employees and staff wants to maintain the \$5K per year benefit. One of the components of tuition reimbursement is the education partnership where staff works directly with various universities to set programs for Associates, Bachelors and Masters Degrees. A number of employees are currently coming to the end of all three programs and will complete their degrees in June. An RFP process has been done to re-evaluate and establish those degree programs which would start in January of 2009. This program is different from employees who take classes on their own and then are reimbursed. With the educational partnership programs, the City actually fronts the money. Because of that, there are a lot of employees who take advantage of that program. At least

50% of the cost of tuition reimbursement comes from those programs. They are proposing to go ahead with the Associates' Degree program, but delay implementation of the Bachelors' and Masters' Programs for at least one year. That would save approximately \$190K for this coming fiscal year.

Councilmember Arredondo clarified that this does not have an effect on people currently in the program.

Mayor Hallman noted recommendations from the Information Technology Department. Something not thought possible two years ago is to move the Refresh program from three years to four years for a \$200K savings. He noted the "Eliminate the Radio Refresh Program for 3 years." He explained that given the age of the equipment, implementation of any further refresh can be delayed.

Ted Hoffman agreed it is possible for three more years.

Councilmember Mitchell asked if there is anything that would help defer costs in operational budgets for other departments in terms of IT.

Mr. Hoffman responded that is a constant process in IT and the business analysts look at each department.

Mayor Hallman added that is an example of what Mr. Anaradian is doing with implementing technology for a paperless system on plans that will ultimately eliminate positions as well.

Mayor Hallman noted the recommendations by the Parks and Recreation Department. He noted "Rental income from Diablo Stadium display panel" and stated that it is new revenue under agreements coming forward that come out of this department and that may or may not be allocated by the Council in other ways.

Councilmember Arredondo stated that his desire was that the revenue go to the Tempe Community Council (TCC).

Mayor Hallman added that his sense is that these funds be earmarked to go to the TCC. This may be the place to get the money to fund the TCC's supplemental. Should we earmark these kinds of special sources of funds to these specific kinds of uses?

Councilmember Carter asked for clarification that the first display panel wasn't in play, but this is the second one.

Mayor Hallman clarified that the first display panel went into general fund. Agreement was just reached that the second panel would generate 25% of its revenues.

Councilmember Arredondo stated that his understanding was that the first one went to the TCC.

Mayor Hallman explained that the issue on this list is the \$150K.

Mr. Richwine clarified that the original display panel at Diablo Stadium was part of the initial release agreement with the Angeles when they transitioned from Goodyear to Tempe. That agreement provided for a \$25K annual payment that should be invested into stadium improvements and it goes into a capital project account that is administered by Parks and Recreation. Under the agreement, the Angels control where the money is spent.

Concerning the second display panel, the City would receive 50% of the net revenue after expenses of construction, etc. That 50% is estimated to be \$150K.

Mayor Hallman clarified that the question is whether Council has a sense that the money should be earmarked for TCC. That \$150K is probably not available to roll up into this \$3.2M. The \$150K would be spent separately from the budget balancing solution issue.

Mayor Hallman added that lines 69, 70, 71 and 72 would probably all be subject to significant discussion, but we are still well within that \$1M, although some of that money, even if we agreed to go forward with these, would begin on July 1<sup>st</sup>.

Mayor Hallman continued with the recommendations from the Police Department. He asked for explanation of "\$15 fee for Alarm Renewals."

Brenda Buren explained that currently there is no annual renewal fee for alarms and the City requires that every permit holder provide information every year. This fee would be consistent with the fees in the other cities.

Councilmember Ellis asked if a penalty is assessed if they don't register their alarms.

Ms. Buren confirmed that there is.

Mayor Hallman summarized that the "\$3 fee for Pawned Item Tickets" is for the tickets that pawn shop owners buy for tracking and there should be a fee for those tickets.

Ms. Buren added that this would be consistent with the other cities. State law requires that every pawn shop dealer check with the Police Department on items to make sure they aren't stolen. The process is already done, so they would just be paying for it.

Mayor Hallman stated that "DEA Task Force Participation" is an unknown amount of revenue but the position would offset itself. He asked for explanation of "Cable TV."

Ms. Buren responded that historically there has been a Tempe Police cable television show. The \$13K portion of that was funded by the City and an additional \$10K was funded by APS. The show has been discontinued.

Mayor Hallman asked about "Reduction in Outside Printing."

Ms. Buren responded that with the new Records Management System will have significant savings.

Mayor Hallman stated that the "Transition 17 Detective Vehicles from Take Home Status" is the savings in cost of repair, maintenance, etc. He asked for explanation of "Elimination of Weekend OT Motor Enforcement."

Ms. Buren responded that with traffic enforcement on Saturdays, two officers who have been helping patrol. This was a mechanism to support them.

Mayor Hallman clarified that this does not include the effort the Police Department is making to look at non-

emergency responses and how differently to handle those to free up police officers for more critical roles. That may also lead to some savings.

Vice Mayor Hutson had a concern with line 75, "\$15 fee for Alarm Renewals." He can remember when the alarm program was started years ago, and the citizens were told that there would not be a fee and the program pushed people to get alarm systems and to file with the City. That is a commitment and he can't support this fee.

Mayor Hallman clarified that the registration of alarms came about because there was a rash of false alarms, so an alarm registration system was developed and fines were imposed for people who had false alarms. One way to solve that problem would be to look at those fines to see whether the people whose false alarms are causing misuse of police resources could make up for some of that difference.

Vice Mayor Hutson added that he could support an increase in fees for false alarms, but not a fee for having an alarm.

Mayor Hallman noted the recommendations for Public Works. Concerning "Transfer 2 FTEs to the Solid Waste Fund", Council would need to recognize that the fund needs to carry itself, so it may have an impact on solid waste fees for businesses. The "Standard annual Engineering fee increase" and "New Engineering fees" are for better cost recovery.

Glenn Kephart added that those fees have been brought to the Finance, Economy and Veterans Affairs (FEVA) Committee with a recommendation to go to full Council. Staff will do that before the end of this fiscal year.

Councilmember Ellis asked about line 82, "Line Item Adjustments." These are listed as non-recurring, and everyone else has listed them as recurring.

Mr. Kephart stated that it should be recurring.

Mayor Hallman suggested going back to be sure they are all categorized as recurring to be consistent.

Mr. Hart added that line 83 should also be recurring.

Mayor Hallman stated that this brings the total to \$4.4M, so that provides \$1.2M leeway between things that are not likely to be acceptable and the actual implementation. Is staff still comfortable that they will be within the range on \$3.2M recurring/non-recurring items?

Mr. Meyer responded that based on the items he has heard raised by Council, this is not far off in terms of where we are with the kind of adjustments that need to be made, so staff is comfortable. He also noted that Council would like the detailed information relative to the market adjustment.

Councilmember Arredondo also asked for the total amount the City pays on travel as well as the number of people in each department and the number who actually traveled.

Mayor Hallman summarized that Council will look at travel, meetings, and cell phones for all departments.

Mr. Meyer added that staff will provide the dollar amounts, but it might be an estimate for the number of people.

Mayor Hallman added that would be an area that should be audited to see if it is being abused.

Councilmember Arredondo added that he is concerned with the total amount to see if it could be reduced.

Mayor Hallman noted the Non-Departmental recommendations.

Mr. Hart explained that the "Tempe Professional Development Club" has offered \$5K as a part in helping to solve the budget deficit. Regarding line 89, "Miscellaneous Non-Departmental", the budget office looked at the historical spending in the non-departmental cost center in the general fund and determined there is approximately \$200K that can be cut.

There is general comfort with the staff that this is within the tolerances of the plan.

Mayor Hallman noted the General Fund Operating Budget Supplemental Requests of \$1,351,863 on page 9.

Mr. Meyer summarized that the supplementals were to reflect programs that have been ongoing. The first one on the list is the HOPE Continued Funding, which is an example of a program that has been ongoing and staff has said that for those kinds of programs, they be continued as part of the budget. There are several programs that are funded by some revenue source. Not every item that was proposed to be funded by a revenue source is included.

Vice Mayor Hutson suggested that after this budget cycle, staff look at the possibility of doing a cost analysis on the performance of programs to see if we are getting the best value.

Mayor Hallman added that across the City, programs are not done programmatically, but rather horizontally across budget items, so, for example, all of the Community Services employees are in there, but we don't know what it costs for specific programs within Community Services. He suggested beginning to analyze our budget programmatically rather than departmentally.

Mr. Meyer agreed that he would prefer to do that. That is almost a new way to do business, to evaluate everything on a variety of different levels. After the budget cycle, staff could get started on that. It is really incorporating program review.

#### Rainy Day Reserve

Mayor Hallman asked if Council is comfortable with the Rainy Day Reserve drawdown. There was general consensus that the \$1M in market adjustment is something we are not happy about and we need to work with employees. To the extent additional revenue sources or expense reductions are determined, that will be the first place the impact on employees is reduced. Everything else seems to be within tolerances.

Mayor Hallman summarized that there is a \$12M target and the Ad Hoc process is not yet complete, but this effort has pulled together \$8.6M in recurring changes to the budget. In the second year, if this downturn continues, that recurring change to the base budget of \$8.6M holds in place for the second year as well. That

leaves about \$3.5M coming out of non-recurring sources so that will need to be revisited next year. Of the General Fund supplementals, only \$950K are recurring, so \$400K of that is nonrecurring expenses to fund new positions and other things. That means \$9M out of \$12M has been handled as a recurring matter that won't have to be faced again. The delta for this year has been squeezed down to \$3M. The Rainy Day Fund would be pulled down about \$2M. Because \$400K of the supplementals are non-recurring, by the time we finish analyzing the use of the Rainy Day Reserve, that Rainy day Reserve is really only about two-thirds recurring. If this current condition continues, we have an \$8M reserve and we're really only taking out that about \$1.3M to \$1.5M in recurring expenses so that next year we would have to do the same to keep this same level of service and expense. That means the Rainy day Reserve for this City will last about 5-1/2 to 6 years. If things are in this condition for 5 to 6 years, we are really in great shape compared to where everyone else is going to be. That is a lot of great work.

Councilmember Ellis clarified that Council will revisit some of the line items.

Mayor Hallman clarified that the whole list of line items totals up to \$7.4M and we are only actually going to need about \$6M, so there is a pretty large built-in cushion. Also, that doesn't include more that will come forward from the Ad Hoc Committee.

Councilmember Ellis asked for clarification that if we saved some money on the market adjustment then we would look at first funding the employees back to July 1<sup>st</sup>, rather than putting it back into the Rainy Day Fund.

Mayor Hallman agreed.

Councilmember Carter asked for clarification on the Rainy Day Reserve totals.

Mr. Hart responded that the Rainy Day Reserve is currently \$8M. The contingency budget is typically about \$3.5M, but this proposal takes it down to about \$1.3M.

Councilmember Carter asked if Council policy dictates what percentage of the budget needs to be kept in either of these.

Mr. Meyer clarified that the fund balance policy should not be confused with the contingency account. The contingency account is an amount that the Council should decide on every year based on expectations. What we have found is that we have not needed to use the contingency account to the amount it was budgeted, and that is a good thing. The fund balance policy is unchanged. The contingency account amount of \$3.5M was really more than we needed based on historic use. The 5-year forecast that was provided in January did estimate that for the 2010 budget a year from now, the projected deficit was \$15M rather than \$12M, so we're not out of the woods yet and we will obviously re-do those estimates as we get into the fall.

Mayor Hallman reiterated that we have just found between \$8M and \$9M of recurring changes that will carry to next year, so the job next year of a \$15M gap has now been reduced to a \$6M gap that would have to be addressed differently. Mr. Meyer mentioned earlier whether this should be the time, as we did in 2001, to put together a proposed contingency plan if things get worse. In 2001, we put together a 4-step plan but never implemented steps 3 and 4. Maybe this process should be started through the FEVA committee so that by fall when we start to see revenue and expense numbers, we will know that we have at least a roadmap to start

working it out.

**CONSENSUS:** Start developing a contingency plan of action. Saved some money on the market adjustment would first address funding the employees back to July 1<sup>st</sup>.

Mayor Hallman added that there are some things that are not on this list but are controversial. For example, Council talked about parking in 2002. The 168 spaces in the Brickyard were just coming forward. There was a discussion about whether we should just put those on the market or let employees use them and if employees used them, whether they should be charged a fee. It turns out that the City pays about \$50 per month per space for the homeowners' association fees and the maintenance of those spaces, or about \$10K per month. That's the kind of savings in a recurring budget when we end up with 300 new parking spaces next door. There are more things that will come forward.

Mr. Meyer summarized that staff would anticipate bringing back the formal budget proposal on May 1<sup>st</sup>. Staff may make some adjustments based on the conversations today, but if there are items the Council would like to deal with, then that budget would be amended after May 1<sup>st</sup>.

## CIP Budget Review

Mayor Hallman summarized that during the IRS Meeting on April 17<sup>th</sup>, there will be time for budget discussion. In the last meeting, Council gave direction on the Water/Wastewater programs from page 12 through page 17 and it is not necessary to see those pages again. Pages 20 through 22 are the Transit Program, as well as Golf on pages 18 and 19. Don't bring back any fund that is already done.

### Transit Program, page 20 - 22

Mayor Hallman summarized that the transit program is funded out of the transit tax.

Councilmember Mitchell asked for the critical time component for a bond election in November.

Mr. Hart responded that as long as Council makes a determination to proceed with a November 2008 bond election by early to mid-June, and also determines the size of the election, it should be acceptable.

Glenn Kephart stated that for the most part, these are not new projects. For example, the Central Phoenix/East Valley Light Rail Design and Construction will be completed the end of this year and it will then move into operating costs.

Councilmember Carter asked about the Broadway Road Streetscape.

Mr. Kephart responded that the community process will start this fall. The process is contingent on the neighborhood process. The intent is to have a project for construction in 2009 and 2010.

Councilmember Arredondo asked about increasing the hours of the Circulators.

Mr. Kephart responded that Council has discussed extension of the Circulator hours. There was some thought that it might be good to do that at the same meeting when staff comes back with the data on the Jupiter portion

of the route to make the decision whether that is a successful component of the Orbit system.

Mayor Hallman asked that pages 20, 21 and 22 not be copied for the next meeting.

Mayor Hallman stated that the remaining items are funded by general obligation bonds, which is the capital improvement program equivalent of the general fund. There are eight segments:

- Rio Salado
- Storm Drains
- Police Protection
- Fire Protection
- Parks
- General Governmental
- Transportation & Right of Way Improvements
- Traffic Signals/Street Lighting.

He suggested starting on the unfunded lists to determine any items Council might want to move, understanding that will add to the funded list. Then we would look at the funded list to see if there were items that should be dropped off. He noted that Clark Park Pool is listed as an unfunded item. Council direction at the last CIP was to bundle up \$39M and designate that for park improvements, which included Clark Park. He suggested starting with page 44 for the Capital Improvements Unfunded Program Summary.

Mr. Meyer summarized that staff moved forward anything that the Council had previously authorized and needed to be kept in the CIP for continued funded and then updated those numbers. There were a few items that staff felt would be irresponsible not to fund.

Mayor Hallman looked at pages 45 and 46, the Solid Waste program, "Solid Waste Software System."

Mr. Kephart summarized that this is the software program that would allow taking management of the system somewhat into the future. Staff's decision is to leave this off.

There was consensus and Mayor Hallman asked that this be left off the list next time.

Mayor Hallman looked at pages 47 and 48, Rio Salado Program. There was money identified in June of 2004 that is not shown on this list. That is the Rio West proceeds on the lease of property of \$8.5M. Town Lake Boathouse is on the list at \$700K. That isn't shown on the unfunded or funded lists.

Mr. Hart responded that funding that was previously authorized and allocated to projects, to the extent that it has not been spent, is still sitting in those projects. That is not identified as a funding source in the current recommended 5-year plan since it has already been allocated.

Mayor Hallman understood, but noted that the unfunded boathouse is shown, but it doesn't show that we already have \$700K for it.

Mr. Hart clarified that this was a funding request over and above what was allocated in 2004.

Mayor Hallman clarified that in addition to the \$700K, the estimate for the boathouse is \$10.6M, so the estimate of the current cost would be \$10.760M. The Plaza at Mill Avenue Bridges is \$450K. Is that the same treatment? It is on the list as \$4.3M, so your estimate of the real cost is \$4.750M. The Tempe Beach Park Upgrades for \$755K, but we have \$980K. Has that money already been spent?

Mr. Hart clarified that, as of the end of February, there is a balance of \$63K. That means there is \$63K left to spend of the \$980K that was allocated in 2004/05.

Mayor Hallman added that the bleachers got done. Was the full \$495K spent?

Mr. Hart responded that there is \$86K left.

Mayor Hallman clarified that between those two items there is \$150K that hasn't been spent. Where is the program in the CIP? Where does it show that the project has yet to have money spent on it?

Mr. Hart responded that on the general ledger, that project is still an active project that has this balance. Page 47 reflects additional funding requests for the department.

Mayor Hallman stated that he would ask the same question about the \$63K for the Beach Park Upgrades. Concerning the Town Lake Pedestrian Bridge, is that money in a CIP somewhere?

Mr. Hart responded that it is in the CIP account already set up for that project.

Mayor Hallman asked why it wouldn't show up on the sources of funding? It shows the Tempe Town Lake Pedestrian Bridge under grants for \$750K. Why doesn't it show up on the sources of funding?

Mr. Hart responded that this is not a brand new project. It was approved by Council in previous years. For example, the \$475K was allocated back then. We don't show in this report existing funding that had been authorized in prior years by Council. The intent of this report is to show the new funding requests in the new five-year period. The money hasn't been spent, but there are plans to spend it in the current year. This is not meant to be a cash flow statement.

Mayor Hallman stated that there are piles of money that haven't been spent on projects that are no longer showing up on any budget for work that has not yet been done and so if there is excess funding, for example, for the Tempe Park Bleachers which were completed two years ago, it would be nice to know if the project is done. What is that money doing sitting in an account as opposed to getting moved back into a reserve? This money was allocated and why doesn't it roll into sources of funds for the project costs for the year going forward?

Mr. Hart stated that his presumption is that the money will be spent. There are instances why the expenditures approved in prior years don't occur in the year that the department originally thought they would occur.

Mayor Hallman asked Council whether there are things on the Rio Salado unfunded list that should be moved to the funded list.

Vice Mayor Hutson asked for clarification that if Council approves \$1M for a project and \$900K is spent, and the project is completed, there is \$100K sitting there because it might be spent in the future.

Mr. Meyer stated that from his experience, that is exactly right. If \$1M is allocated for a project and \$100K is left unspent, oftentimes staff will try to keep that money in the account in case there are some claims that come forward. At some point, we can say this project is done, the money isn't needed anymore, and it is available for reallocation. That money can't be spent on that project any more because the project is done, and it can't be spent any other way without taking Council action, so we would close out the project and reallocate that \$100K to other capital purposes. There's probably a conservative bias on staff's part to hold money longer in case something comes up, but there is always some point to say the project is done and reallocate the money.

Vice Mayor Hutson stated that he would suggest a policy be set up that after a year a project is closed. If anyone wants to file a claim, that is more than sufficient time, and that money should be identified and brought back to Council for redistribution.

Councilmember Arredondo suggested a determination by the City Manager and City Attorney on an acceptable timeframe. As a general matter, refer it to the FEVA committee.

Councilmember Mitchell asked if there was a way to use some of that money for O&M?

Mayor Hallman added that these third party monies are not restricted for use on capital projects. \$5M of that \$8.5M went into O&M. It was put into the Rio Salado operating reserve to be used to fund the drawdown on the operating reserve.

Mr. Meyer clarified that revenue sources, some of which were designated for operating purposes, some of which were designated for capital purposes, are a separate issue. The issue that Councilmember Mitchell is raising is very sensitive. We need to be very careful about crossing the line between legitimate capital expenses and continued operating expenses, because we could end up funding a capital project and then having O&M on it for years. We can develop a policy that says after a certain time period if there has been no business in an account, it can be brought back to Council for the purpose of reallocation. He wouldn't want to put operating and maintenance costs against a capital project.

**CONSENSUS:** Refer to FEVA the setting of policy for closing out of excess funds from completed projects.

Mayor Hallman turned to the Parks section. On Page 55, the Clark Park Swimming Pool direction was given last year. Council designated almost \$40M for Clark Park and pool, the Neighborhood Park Rehabilitation program, and the Kiwanis Park renovation. They got split out this time and the Clark Park Pool fell off onto the unfunded list. He asked if anyone disagreed that it goes back on the funded list just as Council set it for that pool of money.

**CONSENSUS:** There was consensus to move Clark Park Pool back on the funded list.

Mayor Hallman noted on page 51, the Police Protection Program, "Cellular Phone Tracking System" and asked for an explanation by Chief Ryff.

Chief Ryff explained that this is technology that law enforcement utilizes to track the location of cellular phones, predominantly with major crimes, and can locate that cell phone anywhere within the metropolitan area within approximately 10 to 15 feet.

Councilmember Arredondo felt that was an important piece and there should be discussion. In a college town, it allows Police to track cell phones.

Vice Mayor Hutson asked if he is speaking about a cell phone in operation.

Chief Ryff explained it is a critical part of their system and is something they could use. However, the police do have the capability of utilizing this equipment as needed with ICE. His concern is that since this equipment is becoming so useful, in the event we need it, will it be available for our organization?

Mayor Hallman asked Vice Mayor Hutson if it was his request to reconsider moving this to the funded list.

Vice Mayor Hutson stated that he would like more information.

Councilmember Arredondo stated that it is for Council to decide. Does it make our community safer?

Mayor Hallman stated that this group has worked effectively as a team and he would suggest moving it to the funded list.

Vice Mayor Hutson stated that his concerns were predominantly privacy rights issue, and there might be potential for lawsuits.

Mayor Hallman asked if there were controls on this type of technology.

Chief Ryff responded that there are other ways to track individuals other than this system. His hesitancy is that this is used as a covert tool for law enforcement to identify locations of dangerous suspects and sometimes the element of surprise works on the Police Department's behalf. He hesitated to discuss the particulars of this technology in open forum.

Mayor Hallman asked if there was general agreement to move that to the funded list. The policy issues will need to be dealt with going forward.

**CONSENSUS:** There was consensus to move Cellular Phone Tracking System to the funded list.

Councilmember Carter asked if this is something on which Council can get information.

Mayor Hallman clarified this is for the budget process, and Council can receive further information as it becomes available.

Mayor Hallman noted page 57, the Edna Vihel Center for the Arts Renovation Project.

Councilmember Ellis stated that the library is being renovated and the museum renovation will start soon. This is a whole complex and the Vihel Center is not being utilized to its full extent.

Mayor Hallman asked if this should be examined as an item.

Tom Canasi responded that eventually the issues at that building will need to be addressed. It is not a critical item, but Council has the options to conduct a renovation that would put that facility back into more public use, or put that facility through a renovation, or raze it or re-do it and include some City offices.

Mayor Hallman suggested removing this item from the CIP and referring it to Shana's committee to look at the appropriate space plan. It has been five years since a space plan was done. If we look at our true space planning needs, we might get more dollars out of this location than it will cost us to solve the problem.

**CONSENSUS:** Remove the Edna Vihel Center for the Arts Renovation Project from the CIP and refer it to the Transportation, Housing and Environment committee to analyze appropriate space plan.

Councilmember Shekerjian noted page 57, Information Technology. There are a variety of unfunded items and she asked if there is any movement in the department to look at moving away from a server based operation to being web based.

Mayor Hallman suggested referring that discussion to the Education, Technology & Economic Development Committee. Are there other areas where we should be implementing technology that could save dollars on the O&M side in the long run?

Mayor Hallman noted page 57, Development Services, "Closeout of Building Plan Archive."

Chris Anaradian stated that it would be a "nice-to-have", but they can continue to operate business. At some point in the future, however, it needs to be addressed.

Mayor Hallman asked if it saves cost to do it now rather than in the future.

Mr. Anaradian responded that this is a room full of rolled-up plans that need to be archived. It was requested because it is important and we will come back every year and identify it as a need. There are a couple years' worth of plans that have not been archived to the standard they would expect.

**CONSENSUS:** Move "Closeout of Building Plan Archive" to the funded list for consideration. Refer to the Education, Technology & Economic Development Committee looking at moving away from a server based operation to being web based.

Councilmember Shekerjian noted page 57, Public Works, "Microbial Remediation" and stated that she would like this moved to the funded list.

Mayor Hallman stated that given the concerns at Corona Del Sol, it would make sense to move it to the funded list for consideration.

Glenn Kephart added that this is for mold abatement. The City contracts for the remediation, but is responsible for the reconstruction

**CONSENSUS:** Move "Microbial Remediation" to the funded list.

Mayor Hallman continued with the Funded Projects, pages 27 to 38. He suggested looking for anything that should not be funded and removing it. In terms of presentation, there are things in these pages that have sources of money that won't change. For example, in Police, there is funding that comes from the TOPS grant for \$1.625M. It would be helpful if we could segregate this into two different piles. Everything where Council makes the decision in a rational way, the things we want to fund and the money will come from one or two sources: General Bonds and built-up monies. Separate out the grant items. We can reduce the pages if we just run the funding sources together with the items. Get rid of issues already handled. All that's left is the general obligation options and the other sources of money that fund these things. Page 42 shows three options for bond elections. From our last meeting, Mr. Hart stated that there was \$125,710,000 in general obligation bond authority we will need in order to fund everything in the funded list. So the things we have moved from the unfunded list to the funded list is within the \$7.7M left, so the analysis won't change. Council could be given spreadsheets with options to consider. For example, if we don't have a bond election in November of this year, how do we fund all of this, when do we have to have a bond election, when do we run out of other sources of money? That would help us decide the timing of a bond election and the size. Also mentioned in Option 2 is the issuance of approximately \$65M in excise tax bonds to finance the Water/Wastewater program for FY 2008/09. Can we take all of Water/Wastewater as an excise bond rather than as a general obligation bond so it doesn't have to go to the ballot? What is that cost?

Mr. Hart responded that it is five basis points.

Mayor Hallman added that it is not 5%, but .05%, so on \$100M over 20 years instead of using general obligation bonds, we could use Water/Wastewater excise tax bonds and spread that \$25K per year in extra cost. If we were to instead go out with an excise tax bond to fund all of Water/Wastewater, it could cost an extra \$50K a year total in expenses to the water/wastewater fee for \$200M. It would be helpful for Council if that were all put together. Council would determine when, how much, and the various sources of funding. He heard from a reporter that the current rate of tax to service every bond we have outstanding, the 8% reserve and all the bonding authority we have, which is \$61M, that the tax rate, depending upon when you sell the bonds, is either \$1.03 up to \$1.11. That is based on new valuations.

Mr. Hart responded that was correct. That also assumes we don't finance any more projects.

Mayor Hallman added that if we finance more projects, the difference between that and the current \$1.40, the 29 cents, gets the additional \$133M in bonding authority that we would need to fund every new project we have listed. If we had a spreadsheet that shows all of that, the whole Council could look at when we sold bonds, how we sold bonds, and what the amount of money we would need to borrow and the rate needed to service those bonds. It would give Council all the options to pursue.

Mayor Hallman continued that the next meeting to discuss this is on April 17<sup>th</sup>. We are down to eight pages of choices, and we will need detail of how we are to fund those choices. This funded list, plus what we added is about \$130M. We had \$125M and we added less than \$1M. From your last analysis, there was still \$7.7M in

unallocated money, and that money was to fund some new projects. The CIP will be on the IRS for April 17<sup>th</sup>. Councilmember Carter asked if there is some way to prioritize.

Mayor Hallman stated that there is an analysis of long term/short term on pages 62 to 72. That hasn't been done on the new items, and that would be helpful.

Mr. Meyer responded that would produce almost unlimited options which might be difficult to handle. Staff could take something with a 20-year life and finance it over a shorter time period, but although staff would like to develop options and alternatives, they haven't done that yet.

Councilmember Shekerjian added that, for example, lap top computers might be financed for a shorter term so we're not paying for a computer for twenty years that only has a life of maybe five years.

*Meeting adjourned at 6:35 p.m.*

I, Jan Hort, the duly-appointed City Clerk of the City of Tempe, Maricopa County, Arizona, do hereby certify the above to be the minutes of the City Council budget meeting of April 10, 2008, by the Tempe City Council, Tempe, Arizona.

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Hugh Hallman, Mayor

ATTEST:

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Jan Hort, City Clerk

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2008.