



Minutes City of Tempe Budget Workshop December 1, 2008

Minutes of the City of Tempe Budget Workshop held on Monday, December 1, 2008, beginning at 8:00 a.m. at the Tempe Transportation Center, 2nd Floor Don Cassano Room, 200 E. Fifth Street, Tempe, Arizona.

COUNCIL PRESENT:

Mayor Hugh Hallman
Vice Mayor Shana Ellis
Councilmember P Ben Arredondo
Councilmember Mark W. Mitchell
Councilmember Joel Navarro
Councilmember Onnie Shekerjian
Councilmember Cory Woods

STAFF PRESENT:

City Manager Charles Meyer
Assistant City Manager Jeff Kulaga
City Clerk, Jan Hort
City Attorney, Andrew Ching
Chief Judge Louraine Arkfeld
Department Managers
Employee Group Presidents

The meeting was called to order by Mayor Hallman at 8:04 a.m.

City Manager Charlie Meyer summarized that this workshop is not a presentation, but will be an interactive conversation. He provided an overview of the agenda and a perspective of where Tempe is relative to its peer cities.

- Chandler – current shortfall of 8%, has instituted a hiring freeze, considering adjustments or freezes to cost of living adjustments and merit increases for next year
- Gilbert – currently in preliminary stages of assessment of FY09-10 condition, has a potential \$10M revenue shortfall
- Glendale – 8% down on sales tax, implemented 4-1/2% permanent reduction to all general fund non-personnel operating budgets, and considering implementing an additional 6% reduction for all general fund non-personnel operating budgets (other than police and fire, all general fund positions have been frozen)
- Mesa – \$30M shortfall this year, looking at approximately an additional \$25M next year, no cost of living adjustment, no market survey, 2% reduction in pay across the board, including public safety, reduction of

389 general fund FTE's through FY10-11, including layoffs (public safety reductions will be accomplished through attrition)

- Phoenix – 17% to 22% deficit, undergoing a zero-based budget review wherein all programs are being rated for priority, proposing to eliminate approximately 1,000 positions
- Scottsdale - \$30M to \$40M general fund deficit over next 12 to 24 months, cancelled January market adjustment, 2% pay cuts for executives
- Tucson – eliminated 163 positions from FY08-09 budget, with another 50 this year, no cost of living adjustments or merit increases in FY08-09
- Maricopa County – requesting departmental cuts of 20%
- Pima County – 2.5% budget cuts across the board

Item #1 – Reintroduce Budget Balancing Worksheet

Ken Jones summarized that his group, comprised of Debbie Bair, Brenda Buren, Cecilia Robles, and Jerry Hart, developed a budget balancing worksheet which will be a tool to balance the budget and show the impact on future years in order to accomplish a 5-year balanced budget. The FY2012-13 figures have been added to the worksheet and he has met with employee groups and made presentations to some departments. He noted that the goal is to keep the fund balance between 20% and 30% as a policy and the target extends to the fifth year. Any recommendations will be plugged into this tool to balance the budget.

Item #2 – Review and Discuss Fiscal Policy Proposal

Charlie Meyer summarized that staff has been working on draft language which implements two policy pieces.

- The first policy piece is that the lines representing expenditures and revenues would be balanced in any years of the five-year forecast. The five-year forecast is part of the annual operating budget, and policy would change to suggest that ultimately those lines would be in balance.
- The second policy piece looks at surplus. The current fiscal policy states that the City will not spend its fund balance for the purposes of balancing its operating budget. This proposal would allow that, at least in the next couple of years, the fund balance would be used to balance the budget. There is some downside to that, however, in that it does tie our hands a bit. The premise is that the Council expects that they will be shown a balanced budget. By allowing staff to work within that zone, it provides a little flexibility out a couple of years to be able to use some fund balance. It would be used not for the purpose of putting off problems until tomorrow, but using it to get to a solution. However, if a new program was needed and there wasn't a way over the long term to pay for it, it would be required to figure out a revenue source in order to stay in compliance with the policy.

POLICY CONSENSUS: Look forward for five years and always have a five-year plan that demonstrates a balanced budget.

Mayor Hallman noted that prior to 2001, the City's policy set then budget so that expenditures were always projected to be 2% more than they actually would be and revenues were projected to be 2% less than they likely would be. This provided a 4% margin at all times, and fundamentally, that's what we are still shooting for.

Mr. Meyer responded that the intent with this proposal is complete transparency. The numbers are what they are. The margin of error provided, is perhaps slightly more than what was done in the past. The policy would actually say that in the first year, the 5-year forecast would be between 24% and 26%. In the second, it would be between 23% and 27%, then 22% and 28%, then 21% and 29%, and then 25% and 30%. In the last year out, there would be total 10% flexibility. It would allow more ability to correct our course several years out than at the last minute.

Mayor Hallman summarized that the second policy issue is maintaining that fund balance, and for the last four years, considerable time has been spent to keep our budget tight. As a result, the fund balance has been built up. What is currently projected is to use the \$25M in the next two years to create the "soft" landing. That amount is currently in the fund balance as unallocated resources and would allow us to stay within this proposed fund balance. He asked for consensus to use this as the projection with the current year at 25% with the ability to have some flexibility moving farther out.

Councilmember Mitchell asked how the fund balance would be replenished if it is drawn down.

Mr. Meyer responded that there has been a reserve policy of 25% in the general fund for quite some time and the City has never deviated from that policy.

Mayor Hallman added that was a minimum of 25%. In the last four years, the increases in revenues were taken, and rather than treat them as continuous growth, much of that was reserved. It is true that the City maintained a fund balance that met the policy, but in the last four years, rather than treating those revenues as continuous, they were treated as one-time revenues and they were reserved, so they were added back into the rainy day fund and the capital reserve, between \$23M and \$28M. That is what is providing this cushion that can be spent now so that we end up drawing down on that extra reserve we created that keeps us within the fund balance even after we spend it. It is important, however, to never get in the habit of thinking this money is available; this is one-time money.

Mr. Meyer added that in terms of replenishing it, in future years some surplus out of the budget would begin to be generated. The \$4M is not a huge amount of surplus. But, toward the outer years, if we are not on an upward slope, then we need to do some course correction. If we are still heading in a downward direction in the fourth and fifth years out, then we have a policy problem and we would end up putting ourselves in a position in which we were unable to maintain that kind of reserve. The discipline issue is when the numbers start to show a positive direction, there will be an inclination to restore some of the cuts we will be making in the short term, and we have to make sure we don't restore them at a faster rate than we are able to sustain. For awhile, we need to keep that at an upward slope and eventually as it reaches the midpoint, we want to have it flatten out. We won't be able to see the kinds of reserves that we have established in this five-year timeframe. We will be able to get back to balanced budgets, however, without the use of any fund balance, and we should be able to generate some surplus. If sales tax rebounds better than anticipated, then that last part of the slope will increase a little more and put us back in good condition. The fund balance is built in at 25%, and we know we can achieve that. The question is whether we will be able to add more than that; eventually, we should be able to.

Mayor Hallman added that if we are going to use up the \$25M that is currently in unreserved fund balances, we are working toward rebuilding it. Future Councils will have to have the discipline to replenish that fund balance over time and not spend it.

Councilmember Shekerjian asked if there is something Council can do policy-wise that ensures that the fund is replenished at a certain level each year.

Mr. Meyer responded that a policy can be done, but in light of other policy changes being considered, it may not be necessary.

Mayor Hallman summarized that money can't be taken out of the future years to keep the current year in balance. The line needs to be as flat as possible every year with the kind of discipline to have an increasing slope until the fund balances are rebuilt.

Councilmember Shekerjian supported the fact that discipline is necessary to replenish it. It is an appropriate use of the money at this point, but she would like to see a policy that provides for the discipline to replenish it.

Mayor Hallman clarified that it could be within three years of the expenditure of fund balances that the budget has to be projected to begin to replenish them.

POLICY CONSENSUS: Maintaining an unrestricted General Fund reserve target of 25% in the current year, with the ability to spread in the out years, with the caveat that future Councils must impose discipline to ensure that the fund balances are rebuilt so that services won't be undermined and that employees know there is no risk of layoffs due to overspending.

Mr. Meyer summarized that it isn't possible to sustain low 20's in the fourth and fifth years and expect to be at 25% when that time comes current. The difficulty will be that the cuts being discussed are painful already, and the balance will determine whether or not additional painful cuts will be made in order to change the slope of that line. It is hoped that this worksheet will allow Council to provide input at the very highest levels of policy so that staff knows what they need to do to accomplish that level of funding.

Mayor Hallman added that the goal is to keep Council at a policy level and staff will determine how to implement.

Mr. Meyer added that staff is trying to build this structure around the idea that with Council's input at the highest levels giving general direction, staff can follow through in that direction.

Rich Woerth asked what percentage municipalities keep in their fund balances.

Mr. Meyer responded that this is his first experience with 70% of the revenue stream from highly elastic revenues. Other places with a much higher portion of the property tax as the revenue base would allow in the range of 8% to 12% fund balance. The policies vary.

Jerry Hart responded that in other triple-A cities of similar size in the nation, and also those that are university towns, there is variability from 20% from 40%. One of the key variables is the amount of debt, and tax base plays a key role. The City's study confirmed the Council's decision to maintain a fund balance of 25%.

Mayor Hallman summarized that it is a long-held policy in Tempe of how to approach this. Mr. Woerth raised the right question, however, and that is whether we are saving too much money. Over the last eight to ten years, two things have happened. We had excise tax bonds (which are sales tax bonds), so the rating on a large portion of our bonds comes from our fund balances in the general fund. We do have secondary property tax bonds, and that fund balance is important, but those bonds in most instances have pledged general revenues as well, so the bond houses that rate our bonds look at all of our fund balances because they are all pledged. This is the first bond election where we untied some of our general sales tax, and one of the bond issues in the election was just a secondary property tax. We had water, sewer, and secondary property tax bonds. For the first time, we didn't pledge the general revenues for water and wastewater bonds, but as a result, all of our bonds are also pegged to these reserves, as well as our secondary property tax reserves, so that provides a broader pool of revenue. That is what is getting the City a better rating and helps save money on interest.

Mr. Woerth clarified that it wasn't necessarily whether we were saving too much, but not enough.

Tom Canasi presented the "Budget-Balancing Worksheet – Effects of Potential Changes to the General Fund Budget" and summarized that this relates to a process, and the process is how we work with the employee groups to

attain a sustainable and balanced budget while working to preserve the integrity of the services that our citizens have come to expect. Staff looked at the entire range of benefits and compensation and categorized them into four general categories: base pay and compensation, additional fixed pay, employer paid benefits relating to insurance, and employer benefits that are "other." The general categories provide the general tools to make the kinds of decisions that will work toward a sustainable budget.

- 2008-09 Budget – money budgeted for employee compensation and benefits
 - \$146,511,747
- 2009-10 Projections (required to keep the current policies in place, not based on any change to compensation and/or benefits)
 - \$160,201,000
 - This would be a \$14M increase and would not be attaining the goal of an \$8M general fund reduction target.
- Potential Reduction – 5%
 - Meets the target of \$8M reduction

Mayor Hallman stated that in regards to what other cities are having to do, Tempe has essentially built into its budget from FY2008-09 to FY2009-10 the STEP increases, the range adjustments and other elements to employee benefits and costs. The potential reduction shown to get to the \$8M currently targeted on the worksheet is a 5% reduction. He didn't want anyone to think Tempe is going beyond what Mesa has done. Mesa had a 2% reduction in current salaries. This is a reduction in the increases that are currently proposed. This would mean instead of going from \$147M to \$160M, that we need to get somewhere around \$151M in order to make this all work. It is a slight increase in employee costs. Chandler is looking at no adjustments, no cost of living increases, and no merit increases, Gilbert isn't sure, Scottsdale has a 2% reduction, but no market adjustment for salaries, etc. Rather than the Council making that decision, he understood that staff is suggesting working with the four representative employee groups and the unrepresented employees to figure out how best to implement the reductions in costs as they feel are best. He asked for clarification that instead of Council wrestling with that, except to say that it agrees that it is necessary to cut this amount of money from the total overall budget, that the staff and employees will figure that out.

Mr. Meyer agreed. If the Council is comfortable with the number that gets plugged in (in this case, \$8M), that the Council operates at that level and then staff can work with the employee groups to determine how to divvy that up.

Mayor Hallman clarified that whatever the worksheet determines, it has to flow through this process with the employee groups and the unrepresented employees to figure out how to best make that work.

Mr. Meyer reiterated that there is about a \$14M difference between this year and next year and not all of that \$14M is based on increases in wages and benefits. Some of it is the number of employees; some of it is costs that are built in. Healthcare, for example, is built in, and if there is an increase in healthcare, it will show up on the worksheet.

Councilmember Mitchell asked if the employee groups would be coming up with a plan as well.

Mr. Meyer clarified that it is a balancing of interests and, in the end, it is a labor/management process. If labor was looking to make some short term decisions that would cost in the long run, from a management standpoint, it would need to be looked at.

POLICY CONSENSUS – Council will set the numbers in the budget balancing worksheet, and then staff and employee work groups and other unrepresented employees will work to implement.

Item #3 – Employee Placement Overview

Renie Broderick summarized that her department wants to do everything possible to work with the employees who are in positions targeted for elimination due to the reorganization. A “soft” landing is preferred. Staff looked at the rules and regulations in place to see what can be done going forward.

- Priority Placement Program – voluntary program
 - Employees in positions targeted for elimination can voluntarily enter the program to find other opportunities in the City.
 - Requires flexibility.
 - Changes to Rules & Regulations proposed to Council.
 - Key is to see what opportunities are available to find places where employees can use skills and/or develop new skills.
 - Provide on-the-job training.
 - Priority given to employees in targeted positions.
 - Each employee will be assigned an HR staff person to be their mentor (12 to 18 months)

Employees are interested in the program and the HR Department is committed to working with the employees to provide a “soft” landing. Staff plans to bring the plan to Council at the Issue Review Session on December 11th.

Mr. Meyer clarified that the proposal is some sort of emergency circumstance that would allow some deviation from the established rules in order to accomplish the higher purpose of getting people placed. He added that it may not be advisable to spell out in the rules every detail on how it will work. It will be important to make sure people get placed as best we can effectively and efficiently and that there will be flexibility to do that.

Mayor Hallman clarified that staff will first work with employee groups and come forward with a final plan. Once that is known and Council acts to say which positions will be eliminated, notices should go out immediately to the affected employees.

Item #4– Discuss Budget-Balancing Proposal

Charlie Meyer summarized that after this proposal was presented to Council on November 20th, staff added 75 additional positions.

Mayor Hallman clarified that the 74 and the 30 totaled the first 104 that were anticipated, and then the 75 in the second half of 2009-10 would need to be added.

Mr. Meyer demonstrated how the model works. One change made to the chart was the way the OPEB \$10M reserve, set up by Council, will be applied. Rather than applying the OPEB surplus directly to OPEB, we are throwing it into the fund balance. Mr. Woerth had asked if we had to fund OPEB at the proposed levels from the beginning and the answer is that we do not need to do that. The OPEB task force has been discussing how to manage that piece and a series of alternatives will be presented to Council on December 11th.

Mayor Hallman clarified that the original estimates have been \$10M but the obligation has risen to more than \$300M.

Mr. Meyer added that through the OPEB task force, the number has been worked to try to get it down to a manageable number as the City's general fund contribution to OPEB. Questions have been asked why the market survey is moving ahead when other cities are not moving ahead with it. The answer is that we have MOU's that specify that it will go forward.

Mayor Hallman added that the OPEB number is a one-time number each year. We can still protect our employees' healthcare if we change recurring numbers like the salaries and benefits and leave OPEB more consistent.

Councilmember Navarro stated that many changes are occurring, and asked if the City is locked into a certain number of positions being eliminated in the second year or can that be adjusted. He also asked about the 2% buffer.

Mr. Meyer responded that the 2% buffer is out. The 5-year forecast has typically been done on an annual basis and staff has agreed that it should be done at least twice a year and perhaps over the course of the next six months or a year, maybe as often as quarterly. That would provide a better sense for adjustments. That is the intent of this model.

Mayor Hallman clarified that three pieces in the budget balancing are being dealt with: number of employees, amount those employees are paid, and OPEB. OPEB is the one-time number and if we set a minimum that we think we need to fund, then any excess can go back in to bring us back up back to the full funding amount, but the real balance that has to be struck is between protecting jobs and protecting salaries. We may not be in the best position to make that decision at the moment., The employee work groups and unrepresented employees may be the ones, once Council establishes the 25% with the second year between 26% and 24%, the third between 27% and 23%, etc. The MOU states what they are currently entitled to. That sets wages and benefits, but it doesn't set the number of employees. There is still that degree of freedom outside of the MOU, but he suspected the Fire personnel, depending on whose job is at risk, might desire to change that mix. If wages and benefits don't rise as quickly, one or more jobs could get protected. Council's job is to set the policy on where the reserves need to be. The reserve now dictates where we have to be with those other numbers. He asked if it was staff's desire for direction on Council's preferences between wages and benefits and numbers of employees.

Mr. Meyer responded that to the extent staff could get input now, it would let staff get started on all of the work that has to be done in order to get the details right. He would argue that the OPEB decision is not a very important policy decision. The important policy decision is whether the Council intends to fund the OPEB liability. All indications up until now have been in that direction. Mesa also provides post-retirement health benefits and they have chosen, at least up until now, not to fund it and they are not pursuing any course of policy to fund it. That is an option, but Tempe has rejected that option. The critical policy issues are not reducing the number of employees more than we need to in order to achieve our long term financial stability; we don't want to overly penalize our employees because this is already an onerous proposal to our employees. Up until the last iteration, staff had not included any savings from the outside agencies (DTC, TCVB, and the TCC). If Council came to a consensus, staff could find some way to formalize it at a regular meeting, but it would allow staff to get started on the reduction program and the employee groups in terms of upcoming MOU's.

Mayor Hallman asked for the number of frozen positions.

Mr. Meyer responded that there are 101 vacancies.

Mayor Hallman clarified that there aren't people in those positions, so we would start by saying those positions are the frozen positions and work within those to move people around as best we can. Some of those need to get filled,

of course. Our original target for 2008-09 had to be 74 positions. If we have 101 to work with, why wouldn't we start there and only add people where we don't already have the skill sets to fill those positions?

Mr. Meyer agreed that is where to start. The concern is how far to go.

Mayor Hallman summarized that there are currently 101 frozen positions. If those are currently vacant, those may not be the positions we are eliminating, but we are going to first try to fill those jobs that need to be filled with people currently working for the City.

Mr. Meyer stated that there are three options available.

- One option, as we move ahead with the reorganization concepts, is to take the vacant positions we know would be eliminated and count that position as one toward the elimination count.
- The second option would be to take a vacant position not scheduled to be eliminated and moving someone whose position is scheduled to be eliminated into that position or through some process of leapfrog placing that person in a position somewhere in the City. The premise of the priority placement program is to move people from within the organization. Eventually there will be a vacancy in the right place.
- The third option would be to fill, for example, a police officer position and there would be little likelihood that there would be a candidate internally within the City. The decision might be made to fill those which would start to reduce the vacancy count. The vacancies frozen right now are being used to balance our current budget. Eventually we want to eliminate those positions.

Mayor Hallman reiterated that there are 101 current vacancies, but they might not be the positions to be eliminated. Why would we not recognize that we have some flexibility and the earlier we make those decisions the better off it is to maintain the balance, to keep the pressure off the wages and salaries? The reorganization process to make the operation work better and more cost effective and still deliver the same quality of goods and services that our residents have come to expect and deserve, is an opportunity to take advantage of that.

Mr. Meyer agreed that the job is better done if we know where the 100, 150, or 175 vacancies would need to be. The sooner we can get started, the better.

Mayor Hallman added that he wasn't advocating the 101 spots be the ones that are eliminated, because we want to make the City work. If we have started there, however, then we already know we have some flexibility. Why wouldn't we take that opportunity in the earlier year and move that 2008-09 number back toward 74 which would then reduce the pressure in later years. Can we get to 74 given the number of vacancies we have as a start?

Mr. Meyer responded that is unknown at this point.

Ken Jones clarified that the 101 positions currently vacant are city-wide, and this is general fund. It is probably 60 vacancies in reality. Any number that goes into the chart in 2008-09 is assumed to be on top of the current vacancies because current vacancies are used to fund the hard and soft freeze. The 2008-09 budget number now includes hard and soft freeze number.

Mayor Hallman clarified that the current spreadsheet already has a reduction in total expenditures based on the freeze in place, so additional positions on top of the freeze are needed.

Mr. Meyer added that on July 1, 2009, those positions that were frozen that were then eliminated do help out immensely. Most of the effect is felt in July.

Mayor Hallman added that the difficulty in the current year, in addition to the frozen positions, is to get an additional 74 positions in order to bring us back on track to keep the budget balanced. Are there any projections to be able to get that through attrition?

Ms. Broderick responded that it is hard to anticipate. There are currently 54 general fund positions currently vacant out of the 101. At this point, the turnover rate is about 9%. In addition, staff anticipates with the OPEB changes coming, there may be an increase in retirements. With those two factors, that will help.

Councilmember Shekerjian asked if there are any surveys on attrition. Attrition over the past few years has stayed steady at about 9% and there are slightly less than 100 employees with 80 points or more.

Mr. Meyer stated that he would be reluctant to ask those employees who are eligible for retirement whether they are intending to retire because we have to determine that specific to the positions in order to be able to track. It is a touchy issue.

Councilmember Shekerjian stated that the DROP program for public safety would provide some estimates for the next five years.

Mr. Meyer stated that staff has looked at the DROP program. Someone could retire sooner on the DROP program, but they just couldn't retire later than their final DROP date. There are employees, as the OPEB information is becoming available, who are considering July 1, 2009, which is a pivotal point in the OPEB program.

Mr. Jones stated that in looking at what was done in 2002-03, 50 retirements would be aggressive but reasonable, but that was with an incentive.

Mayor Hallman urged staff to try to cause as little pain as possible in terms of employee positions and ultimately it has to be made up between positions or wages and benefits. It will be a balancing act. It would be his preference to maintain wages and benefit as best we can, but recognize that if we don't have the positions, we have to do it on wages and benefits. If the number 50 is correct, then we can start by saying that 50 might be a reasonable estimate of permanent positions that would be picked up. Wages and benefits are the recurring expenditures, and then we have positions. It is ultimately the City's obligation to fund the healthcare benefits that have been promised over the last 30 years which is now about \$400M. The City has to pay for that eventually. In terms of balancing the budget on an annual basis, the recurring costs we have to deal with are wages and benefits and number of employees.

Councilmember Arredondo stated that he preferred the landing be as soft as possible. With the bonds and as long as a plan is in place and we continue to work toward that end, it would allow some money to flow in. He thought it needs to be reduced from the \$10M to a softer number.

Mayor Hallman summarized that currently proposals are \$2.2M, \$4.4M, and \$6.6M. With a 2% reduction in salaries, Mesa saved 170 jobs and they still have to eliminate another 329 jobs. We have to choose between wages and benefits and employees. The wages and benefits are dictated to a good degree by our contracts and our employee groups are going to have to make those decisions. If there is no willingness to change those contracts, then the only place we have left is employees. We have unrepresented employees as well as the four employee groups. Essentially, each of those budgets needs to pick up its share of the cuts, one way or the other. Ultimately, working with the staffs of those departments and those employee groups, that decision gets made. If 50 is what is likely in 2008-09, then we need to increase that number in FY2009-10 to get to 180 positions.

Mr. Meyer agreed that it helps to do it in 2008-09, but it gives less opportunity to provide a soft landing.

Mayor Hallman suggested that the employee groups might consider the market survey in January. Mesa has cut their salaries by 2% and the other cities are saying potentially "0", so that \$2M number, even if the groups insisted on a market survey, may still be a \$2M change in the budget because a market survey will result in no change. Does that also include a change in the STEP increases? What if that were changed to 4%? What if employees said to give a 3% STEP increase? Is that built into the worksheet?

Mr. Meyer responded that the numbers on the screen for 2008-09 would represent an inconvenient truth which is that we have four MOU's in place, none of which automatically allows for that \$2M to happen. We'd have to first ask to reopen based on fiscal language and negotiate a freeze in the current MOU. Three of the four MOU's are open for July 1, 2009, which gives greater flexibility and the FY 2009-10 number reflects no STEPS and no market survey.

Mayor Hallman clarified that only 3 out of 4 MOU's allow that we could negotiate to no STEPS and no market surveys.

Mr. Meyer added that it is tricky to project future wage increases and market survey amounts. Staff could put in \$5.5M rather than \$6M.

Mayor Hallman added that the point about the FY 2008-09 would be that to get a \$2M reduction may require MOU's to be reopened. Are STEPS included in the \$2M?

Mr. Meyer responded that the FY 2008-09 is only the range adjustment.

Mayor Hallman added that if it turns out that the employee groups say they are willing not to take a range adjustment on January 1st, or it turns out that the range adjustments will be "0" because no other city is changing its salaries, the \$2M would be there but we first should ask for permission of the employee groups.

Mr. Meyer added that we would be required under the meet and confer ordinance to meet with the groups and indicate why we felt that we met the fiscal crisis criteria of the ordinance and the MOU's and then we would attempt to negotiate a waiver of the market survey adjustments. One of the groups actually got their market survey in July and the other three groups, plus non-represented employees, would be anticipating getting the market survey in January. That number might be a little high.

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Break at 9:45 a.m.

Reconvened at 9:55 a.m.
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Mayor Hallman summarized that the current model is not getting us in the direction Council proposed in terms of heading back up in later years to reach the 25% reserve. We started with the recognition that fundamentally, the two items we are dealing with are the number of employees and wages and benefits; the sooner we make permanent changes the better off we are in creating that sustainable budget. We talked about the \$2M in 2008-09 as being something that either may happen because our salary adjustment is based on other salary adjustments and those appear to be closing in on "0", but it is important to note how this works in terms of the timing. If we took that \$2M out, what happens to our budget policy of getting to a reserve that doesn't get wiped out over time? If that doesn't happen, the permanent change that we would have to make when MOUs do open would be pretty significant. How do we get back into the balance just using the wages and benefits side, for example?

Mr. Meyer responded that freezing doesn't get us there as fast but it gets us there and within the policy. It is essentially flat in the fourth and fifth year.

Mayor Hallman clarified that the point would be that in FY2009-10, if we don't make the changes in holding salaries and benefits constant, cuts will have to be made because that \$8M would reflect, in addition to the reduction in numbers of employees, the people who are left would actually have to take a cut in salaries because the freeze in the salary range adjustments and STEPS cost us \$5.5M or \$6M and the \$2M extra implies cuts in salaries.

Mr. Meyer agreed. It shows the advantage that doing it sooner gets a better result in the long term.

Mayor Hallman added that if we don't hold wages and benefits flat, we will have to make cuts in salaries to get back to some point. When MOU's open, we will end up in a position where we don't have many choices. If we reduce it to \$6M in FY2009-10, what does that do? How much would we have to make up in FY2010-11 and FY2011-12 in order to bring those numbers back in sync? Even then, a 2% cut in wages and benefits doesn't get back us into balance in FY2010-11.

Mr. Meyer agreed.

Mayor Hallman summarized that it will be necessary to look to the employee groups one way or another to help us in this earlier year or we will have to face some dire results in the later years in terms of wages and benefits. The original number was about 180 positions. What happens in FY2009-10 if we take that second half of the year and bring it up to getting us to that 180 positions total? That would be 68 or 69 positions.

Mr. Meyer clarified that would get 179 positions which is within policy in the low year (FY2010-11) and moving in an appropriate direction out into the fourth and fifth years of the plan.

Mayor Hallman summarized that the reality of FY2010-11 is that we have a \$2M cut in salaries. It could be a combination of recognizing that we will be frozen through FY2011-12 but we still have to seek concessions on wages and benefits in terms of not letting them grow as much, but we also recognize that we have harder work to do in FY2009-10 in terms of numbers of employees.

Councilmember Arredondo stated that, basically, a freeze is better than cuts.

Mayor Hallman summarized that it keeps us in policy and it saves jobs. Would it be Council's preferences that we not end up in the Mesa position of actually imposing a cut in wages and benefits, but that our worst case scenario is that we are looking to freeze so that we don't ever end up in a wage and benefits cut and we reduce the number of jobs we lose.

POLICY CONSENSUS: Hope would be that our employee groups would agree that rather than face additional cuts in positions forever in the future when the MOU's are open, that we try to, at a minimum, freeze first, save jobs, and avoid future reductions in wages and benefits.

Mr. Meyer added that the \$1M figure rather than the \$2M could mean a complete waiver of the market survey, or that number could end up waiving the market survey and could end up a little higher than that.

Mr. Woerth stated that everything in the chart has a monetary figure except for the positions. Was there an average that was put into each position?

Mr. Meyer responded that when the reorganization plan was done, staff put an exact dollar amount on the positions. With this worksheet, this uses an \$82K number for wages and benefits. If the positions are in some areas of the City, that number could creep up a bit. More money would be saved with fewer position cuts in lower paying jobs.

Mayor Hallman clarified we should be indicating a number times \$82K is an absolute dollar amount in each of the years and that is the target number. If we save higher paying jobs because someone retires and we have people filling those positions at lower wages, than we don't have to cut as many positions. The goal is that underneath that number is dollars that will monetize and be able to say that we got to what is underlying that, not in terms of numbers of positions, but total dollars. Is Council comfortable with that? While we're saying the target number is an average, we may have higher-paying positions or retirements that give us more flexibility to cut less jobs.

POLICY CONSENSUS: Need to find 179 permanent reductions in positions. Reduce or increase based on actual salary. The goal is to minimally impact our services to residents. The goal is always to end up with a reorganization and budget balancing that do the least damage to the delivery of services to our residents and businesses.

Item #5– Review and Discuss Reorganization Concepts

Mr. Meyer summarized that the original plan for the reorganization was targeting \$10M, but was decreased to \$9M which is where the plan at 104 positions stands today. Those numbers would put us a little under \$15M in order to accomplish this plan. As of today, there are approximately 75 more positions to be reduced than the original 104. In the original 104, it was roughly split 50/50. The reorganization concepts allowed us to reduce staffing with a minimal impact on services. When we only got to the \$5M mark, we knew that wouldn't be enough, so we had to go back and look at position reductions that we assumed would have an impact on services. At this juncture, we don't have any way to estimate what the impacts of an additional 75 positions would be.

Mayor Hallman reiterated that looking at the actual hit to the fund balance, rather than being at the \$25M reduction when we started today, because we're reducing the likely number of employee positions to eliminate in FY2008-09, it is now closer to \$30M use of the fund balance that would need to be rebuilt over time.

Mr. Jones added that there is another factor built in. When Mr. Meyer changed the OPEB option in the worksheet, the OPEB \$10M was put back into the general fund balance, so staff would need Council consensus to add that in.

Mayor Hallman asked for the long term implications of not funding OPEB.

Mr. Meyer responded that it is unknown what the rating agencies would do because we are just starting our financial statement for the end of this past year. With one year of OPEB liability, it is not a very critical factor in the financial statement. When you have one-third of one billion dollars showing up on your financial statements that you have no way of covering, then you have a significant responsibility. It would be very difficult for a jurisdiction to carry that kind of liability on its books, and, again, the liability we are carrying is for current retirees and future retirees. We are anticipating what their post-retirement health costs would be and building it into our financial statements. That is a requirement that the government. He didn't know how you could continue to provide post-retirement healthcare without recognizing the liability because the liability becomes so large that it completely overwhelms the financial statement.

Mayor Hallman clarified that eventually every dollar of that liability actually has to be paid and it comes out of an annual budget eventually. If we don't have a reserve to pay that liability, then it has to come out of general

operations fund and that will eat up the City's general fund. All we will have left is money to pay for retirees' healthcare for current and future retirees.

Mr. Meyer added that there are two strategies. Either fund the OPEB liability, or don't provide post-retirement healthcare because the alternative of not funding it and continuing to provide it is financially unsustainable.

Councilmember Mitchell clarified that if we don't fund this at all, there is the possibility that we wouldn't be carrying that benefit for our future and current retirees.

Mr. Meyer added that it could be carried on our financial statement for a couple of years, but after that, the number becomes so huge that we couldn't carry that liability anymore. He would not have any reservation about skimming some off the first couple of years if we are serious about funding it and we show a plan. We could convince any responsible rating agency or other reviewer of fiscal policy that we have a plan in place.

Mayor Hallman asked if Mr. Meyer thought rating agencies would be convinced if we took the \$10M we put aside and spent it.

Mr. Meyer responded that he thought they would be because we are showing that even in hard financial times we are making an initial commitment, although smaller than the total amount, and we are showing how we get there. That's what the rating agencies want to see.

Mayor Hallman added that OPEB group will be coming to Council to make recommendations on how to solve it both in terms of the healthcare supplied and how to fund it.

POLICY CONSENSUS: Take the \$10M already reserved for OPEB and at some point when the OPEB recommendations come forward, have a reserve line item in our financials so that the financial institutions know we are going to fund, that our bonds won't be downgraded, and that our employees know we are serious about funding the healthcare we have committed to.

Mr. Meyer added that it is possible to change and adjust it along the way.

Councilmember Shekerjian stated that when Council started this process and gave direction on how to begin the process, one of the things indicated was for it to be a very transparent process so everyone could clearly understand. She commended the City Manager and the staff for making this tool that makes this so transparent.

Mr. Meyer advised that the worksheet will need to be reversed at some point. This is a deductive worksheet, and for long-term purposes, it would be necessary to be an additive worksheet.

Mr. Meyer summarized the major reorganization concepts:

- Consolidate the geographic information systems into the IT Department.
- Streamline Community Development and Financial Services.
 - Community Development is looked at in these concepts as being the tool by which we drive our economic engine, which is private investment in the community.
 - Focus the long term planning staff (Transportation and other land use planners) in an area of long term planning and marketing the City so that when a prospect comes in, a group that focuses on redevelopment (growth planning) will work with them.
 - Include functions of housing and code enforcement.

- Determine whether other functions in Financial Services could be integrated elsewhere.
- Better coordinate plan review between Development Services and Public Works to integrate plan review staff together in one area so that plans don't need to be shifted back and forth.
- Consolidate code inspection together (residential and commercial) so staff might be able to do both on a geographic basis.
- Use water meter readers, who observe every piece of City property, to be the "eyes and ears" and if they see a code violation, they could report it to code enforcement staff.
- Combine Transit and Light Rail operations.
- Re-integrate Rio Salado into the different departments. Rio Salado was set up for a specific purpose to develop the Lake and the property around the Lake, and the concept would be to re-integrate it back into the various component departments that manage it.
- Rebuild the CIP team in Engineering to get a better focus and pull in different staff and give them tighter control over CIP projects.
- Evaluate the third party agreements.

Mayor Hallman stated that he only saw a reference to DTC and TCVB, but Mr. Meyer had mentioned earlier that it would also include TCC. For several years, Council has discussed that the TCC staff could be added as City employees so they are integrated into the Community Services Department. He proposed that in all three instances, we have the same staff team approach offered to those agencies to look at how they could be reorganized and integrated into the City a little better. To the extent that TCC is more of an arm of the City because it is funded by the City primarily, we would be in a position to assist in looking at reorganization concepts. This isn't about the funding of agencies, but about the operations of that agency.

CONSENSUS: Look at the DTC, TCVB and TCC as places where we could do reorganization and consolidation work that might save some money.

Mr. Meyer added that when staff was developing the reorganization plan, Council funded the additional monies to the TCC. They were not included because he felt it was running contrary to Council's direction. That money was designated specifically for third party agencies, and it wasn't focused on the organization of TCC itself.

Councilmember Arredondo clarified that those three agencies are being extended the same playing rules as everyone else.

Mr. Meyer summarized that there are 85 reorganization concepts, and he has asked for input on any concepts that aren't worth continuing to look at. Some of these ideas will fall off the table and most of them will change. One of the most difficult things in organizations is that if we asked every department to cut their department by 20%, we would accomplish that. It would be accomplished at a much greater cost to our employees and service to our residents, however, and in order to generate the kinds of controversial discussions about reorganization, we had to put some ideas out there that people could respond to. Staff is looking for feedback on whether to pursue or whether there are some that should not be pursued. If the clarification is to pursue it, the critical issues are shown as well.

Vice Mayor Ellis asked for clarification that there is a description of each of the suggestions and then there is a service delivery impact. With many of them, there seem to be conflicts, especially where public safety is concerned. In the top portion it notes that these reductions should not affect first responders, yet in the service delivery impact, it is clear that it does.

Mr. Meyer responded that the reorganization concepts were developed through the skunkworks process and he put everything out there that was reasonable to look at. He knew that not all of these concepts would be acceptable.

The departments did not necessarily come up with these concepts themselves, and in all cases, these ideas were discussed with departments, but they didn't always represent the views of our department managers. The ideas came from many places. Subsequent to the request of Councilmember Arredondo for service delivery impacts, he went back and asked the department managers, based on the ideas, to give the service delivery impacts. In some cases straight service delivery impacts were given, and in other cases commentary on the value of the idea was given. That wasn't what was requested, but based on the time that was available, those impacts were listed in the way they were presented by the department managers. There will be conflicts. In the case of police and fire, the language that was put into the plan was that if we are going to reduce staffing, that the staff reduction should not affect public safety response. It was more an admonition to look to other areas to cut and not police and fire. This was the compilation of twenty different departments' responses, not one edited version of answers.

Councilmember Arredondo added that in some areas, it may be 20%, 10% in another, and it can't be straight across the board. It's too hard to go back to the way we were. At one time in public safety, there were high statistics for crime, but now the City is at the lowest.

Mayor Hallman added that Councilmember Arredondo's point is that we recognize that the cuts we will have to make are not necessarily equally distributed and that the Council has priorities. There are also a few realities. In the 2001 downturn, public safety was completely protected from any changes. Over the last four years, of the 112 positions added, 80 were in Fire and Police. That reflects that this Council's commitment to public safety, but also that there are departments that took cuts in 2001 that haven't been restored and that we need to recognize that we cut tightly. He hoped that the point is that staff has asked Council whether there are concepts listed that are unacceptable, but generally, we have to keep in mind that this only reflects 85 positions and we have to get to 179. Council recognizes that it won't fall equally, but Council does have to set priorities at some point, keeping Council at a policy level and not drawn into battles between positions. If we reward those who aren't playing to assist reducing the budget because they have raised large complaints, we are punishing those who have come forward to already offer ways to reorganize and positions to reduce. That's not a fair result.

Councilmember Arredondo added that no department will be held harmless.

CONSENSUS: Keep Council at a policy level.

Councilmember Arredondo clarified that Mr. Meyer will meet with department heads, representatives, and employees who are not represented and have a dialogue as to what will go. He wants to see an effort made in each department. Each of these representatives knows better than Council does what can and can't be done. The message is that it will be a contribution by everyone.

Councilmember Shekerjian suggested that it is important to look at the Council's budget, as well. She suggested Council's salaries should be frozen as well.

CONSENSUS: Freeze Council salaries.

Councilmember Arredondo added that Council should have the right after the dust is settled to reorganize it or to handle what best meets Council's needs. The decision on how to service our constituents should lie with Council.

Councilmember Mitchell asked Mr. Meyer if he was going to develop his own plan based on what is being presented.

Mr. Meyer responded that he will. It is his intent to bring back a plan to Council in early February after dialogues with impacted employees, managers, etc. The departments will be submitting their budgets to Finance in January, and

those budgets will in rough form be representing at least for FY2009-10 what is included in the plan, as opposed to a set of concepts like we have today. Council will ultimately decide.

Mayor Hallman clarified that it is really the organization's plan. The goal is to be working with the employee representatives, the unrepresented employees, and all of management staff. "Staff" represents all of that. Staff will then develop a plan that is a consensus that can be adopted. Are there reorganization concepts shown that are unacceptable?

Councilmember Arredondo stated that the Neighborhoods Office is a very important ingredient in fulfilling our citizens' needs and he would be cautious about moving that. He has seen the Neighborhood Office to be of service, and that is an important process.

Mayor Hallman stated that he didn't think it matters which department it is under as much as making sure they have the resources. Code enforcement is really a function of both the regulatory and the Neighborhood Office. The code enforcers are out enforcing the codes as we currently have them through Development Services. It is our Neighborhood Office that is often the liaison to which we get reports of problems that need to be code-enforced. Those are really closely related and need to be connected in some way. Maybe the Neighborhood Office becomes a part of a larger organization with the offices (functions) that relate to the quality and character of our neighborhoods being under that. He was more concerned with making sure that that office is empowered to help get our neighborhoods protected the way they need to be protected.

Councilmember Arredondo stated that he was concerned that if it were located somewhere besides the third floor of City Hall, it would be absorbed.

Mayor Hallman felt the opposite was true. Because it is such a constituent-related office, that is why the physical office may be on the third floor, but how it reports to the organization in terms of connecting to the tasks that need to be accomplished is more important.

Councilmember Arredondo stated that he was concerned that it would not be an agency of its own and that it would not oversee those agencies. He believed it is very important that it continues to answer to Council because the Council has the directive of the constituents and its location is not as important as that it stand alone or that code enforcement be under it.

Mayor Hallman clarified that it's not the organizational chart that matters for Council's purposes, but to make sure that constituent service is coming out of that. The Neighborhood Office tends to be one of the most important offices for liaison to our residents. It may be that we need to tie them more closely to code enforcement, for example, because of the complaints. The complaints come to the Neighborhoods Office and staff goes out to neighborhood association meetings. Currently, we have to do a lot of work to pass that information along instead of making it more tightly tied to code enforcement and other neighborhood related issues.

Councilmember Mitchell added that he didn't want it to be diluted and lose its primary focus.

Mayor Hallman summarized that Council wants to make sure that that office and function continue at its robust level and could potentially be empowered to more directly impact code enforcement neighborhood issues.

Mr. Meyer clarified that there are certain neighborhood-related functions that are responsive in nature, such as the code enforcement problems, the new development which requires pulling the neighborhood together to learn about

the project, etc., and there's another whole aspect which is proactive, bringing the neighborhood together, getting them working on projects, etc. We want to make sure that doesn't get lost.

Mayor Hallman added that it currently facilitates neighborhoods doing just that. It isn't the Neighborhood Office that necessarily pulls it together, but rather facilitates neighbors' abilities to do that. That is certainly important. In terms of the other point Councilmember Arredondo raised, we recognize that the reductions that will be imposed throughout the City include the City Council offices. Currently, they are showing up as reductions in the Community Relations Department, because that is where the council aides currently report, but those reductions are actually to the Mayor's and Council's offices. How we would like to see that mesh together will require Council and Mayor input.

Councilmember Arredondo agreed. While there is a reduction being proposed, Council knows what needs to be done in their area and wants input on what is done.

Mayor Hallman clarified that the Mayor and Council staffing is being cut by one-third, and we need to figure out how we best maximize the use of those employees to achieve our functions and responsiveness.

Councilmember Shekerjian was concerned with Item #66 which talks about "reducing regular full time employee staffing in the Office of the Chief by 15.8%. These reductions should not affect first responders." There is a piece under that regarding service delivery impact that does affect first responders. The City has had a tremendous success because of the reorganization by Chief Ryff, as well as the increase in the number of officers brought on over the last few years. Under service delivery impact, the third bullet speaks to crime analysis planning, research and intelligence capabilities. She didn't want this impacted. Because of the crime analysis planning, research and intelligence capabilities, the City has been able to reduce the crime rate in Tempe dramatically. Whatever is cut in the Police Department, these areas should not be touched so we can continue to provide a very high level of service to be proactive in keeping the crime rate down. Her second concern was with Item #17 under Community Relations. A lot of things are done very well in independent silos. One thing that could be done better, and a reorganization plan gives the opportunity to improve in this area, is to have a consistent message about what we are in Tempe. If we were able to put together one group that acted as a public relations firm that could then take a look at the messaging regarding what we are, we might be able to cut costs. We need to make sure to look at the one-stop shop in terms of our public relations.

Councilmember Navarro added that it is important not to lose the effectiveness of marketing Tempe. That encompasses our tourism department, and everything should be looked at.

Councilmember Woods agreed. He also addressed item #67 and has big concerns with reducing staff in patrol and traffic. His greatest duty is making sure that everyone feels safe. Also, Item #54 ties into fire and police as well. He is concerned that we are more and more inclined to high technology and that is one of the industries that is still very competitive. If we start reducing people or pay in those departments, we aren't going to be able to attract high quality people in an IT capacity. When we reduce IT people, it also impacts the kinds of services and response times in coordination with fire and police.

Mayor Hallman clarified that Items #17, #66 and #67 would account for 16 positions out of the 85, which takes it down to 70 and we would have to make up another 90 positions.

Councilmember Shekerjian clarified (concerning Item #66) that she has faith that the Police Chief will make sure that area is not touched even if he has to reduce the number of people. She was not suggesting no cuts in that area, but that the area be protected. Because of the reorganization led by Chief Ryff, as well as his staff, she is confident they

will find a way to retain their crime analysis piece. Concerning Item #17, a reduction in cost might be realized with a one-stop shop PR department that encompassed everything in the City.

Councilmember Arredondo added that it would be best if the City Manager and the department heads determine where and how much. He asked about Diversity and the .5 cut in the ADA function (#39). That is an essential function and he asked where that would be picked up?

Mayor Hallman clarified that the notes on that item stated that the function be handled through the Development Services Department. The department response is there, but this indicates that there are levels of sensitivity to issues. We recognize that we ultimately have to get to 179 positions. This function, however, as a value of our community, gets satisfied.

Councilmember Arredondo asked how we address fire protection service delivery, especially high rises (Item #49).

Mayor Hallman responded that staff is looking to make sure the service delivery continues as best we can within the constraints we have. The recommendation was that we could still staff that station and rescue truck, although we would pare it back some.

Councilmember Arredondo stated that because of the number of parks, we created park rangers. When 9/11 hit, the City Manager decided that park rangers needed to be used in secure places. That has now been privatized. A number of parks are next to our schools, so it is important that we have a plan to make sure they are secure. Every park should be visited daily by a number of rangers.

Mayor Hallman added that by increasing staffing in the Police Department, there is more direct police coverage of parks, but Item #65 is simply changing out the City Hall and Library Park Rangers, not a reduction. It's not a reduction of four staff, but is a change of the character.

Councilmember Arredondo asked where the plan would be going from here.

Mayor Hallman responded that the Development Services Department working with IT demonstrated that there are some applications of technology that will actually help reduce staffing costs, and that should continue to be encouraged. We should continue to look for those opportunities where we could have some capital investment up front and reduce permanent cost into the future. We need to use technology to help reduce continuing staff costs so we can avoid layoffs and cuts in salaries. He joined Councilmember Shekerjian regarding the messaging idea. He appreciated the reorganization concept based on the growth group of the community. In some ways, however, growth may not really capture it. He thought of growth in terms of sustainability concepts for the economy. We are looking to do a real estate development and a business development (which falls under economic development) consistently and together. Right now they are housed in Community Development. That is all part of that messaging component. Councilmember Shekerjian's point is correct. Public information officers are sprinkled throughout the City. We have messaging in Transportation, Parks and Recreation, Arts, Police, and general office, and we have not done a very good job pulling together our messaging group. Currently, the Community Relations Department is tasked with most of that messaging, but they don't have much control over it. IT deals with the technology to get messages up, but the ends of our messaging need to be consolidated. He suggested consolidation of all of those messaging groups. How many PIO's do we need to have as opposed to coordinating the message with a combined group? There is one function that does require a separate person, and that is the Police Department PIO function because of the specialized language and the legal implications. But the rest should be pulled together in a department that looks proactively at economic development and all of the City's development deals. It is a wise suggestion that we have a real estate focused person, whether in the attorney's office, or in Development Services,

or Community Services, or whatever that group is that has the technical expertise to get these deals done effectively. Maybe we should be looking more broadly at how we reorganize those departments to create a more cohesive, collective unit and pull back into that group the pieces of the communications that are now being handled from Transit, the Arts Center, Parks and Recreation, and other places.

Councilmember Arredondo stated that as a councilmember he hoped he wouldn't have to find out that the third floor in the 525 building is sitting vacant while we are still paying for office space rental. In February he will also investigate what the City's middle management might be. He also suggested evaluating the staffing and supervision ratios.

Councilmember Shekerjian stated that an office space allocation study has been in process, so whatever needs to be done to speed that up in order to get some savings, should be done. She asked if there was a timeline for that to come to Council. Also, there is space on the first floor of City Hall that is used as a gallery, but as we look at better customer service, how could we utilize the first floor to be more user friendly for our citizens? For example, maybe that would be a better place for customer service to be housed.

Mayor Hallman agreed that having the Neighborhood Office on the first floor so residents could come in to deal with neighborhood issues might be a good idea.

Mayor Hallman continued that redeployment of Rio Salado Department has been discussed. That department has served its purpose and we now have the opportunity to integrate it back into the departments it works with and it sounds like that is going forward. Concerning boards and commissions, now is the time to try to reduce some of the load on staff. The goal is not to reduce resident input, but rather to do the opposite. The Rio Salado Commission is handling some development things which are already heard by the Development Review Commission. It deals with some parks and recreation issues which also go through the Parks Board. Now would be the time to take that commission, for example, and move people into the other places where their interests lie so they can have effective input. The same would be true of the Golf Committee. The Parks Board could be handling that and Parks staff wouldn't have to attend two meetings. The Golf Committee could be brought into the Parks Board and no one has to lose a position. In summary, Rio Salado Commission could be merged into a combination of Parks and Development Review, and Golf could be merged into Parks. There may be others.

Councilmember Arredondo agreed and suggested increasing the member numbers. Review the cost of doing business on these boards.

Councilmember Shekerjian added that some adjustments are being made to the Board and Commission dinner. A lot of money is spent on plaques and a certificate is just as appropriate. That would cut cost.

Mayor Hallman added that the Council has currently decided to hold the board and commission dinner once every two years. Are we better off saving the money on the plaques and reserving it for other purposes?

CONSENSUS: Examine consolidation of appropriate boards and commissions. Change from plaques to certificates for Board and Commission dinner.

Mayor Hallman hoped that the employee groups would look at vehicle allowances and what is appropriate, as well as executive physicals. Those kinds of reductions might demonstrate leading by example.

Mr. Woerth added that cuts were very specific in the Fire Department. He wanted to make sure that the union representatives would have a chance to go back to the department head and not specifically hit those positions, but that number.

Mayor Hallman responded that staff knows what the numbers have to be and it will be a team effort. Everyone needs to recognize that the Council needs to stay at the policy level, and lobbying on this or that position is a bad way to go. We need to look to our employee groups, our non-represented employees, and the management staff to work together and develop a final consensus. At this stage, the final results will be up to the team. Council hopes to receive by February a final result that everyone can live with. Council is not looking to say "yes" or "no" on individual possibilities. Today starts the process to get to February. This represents only 104, and we still need to get another 75.

CONSENSUS: Council hopes to receive by February a final result that everyone can live with and Council is not looking to say "yes" or "no" on individual possibilities. Today starts the process to get to February. This represents only 104, and we still need to get another 75.

Councilmember Arredondo clarified that this Council has not said to cut any one position today.

Mayor Hallman added that Council's sense of comfort is a combination of these things that get us to where our basic policy is and that all staff will work together to determine which positions, which wages, and which benefits.

Item #6 – Review Next Steps

Mr. Meyer summarized:

- The priority is to get to the financial goal and to get there in a way that makes the most sense to preserve services, preserving our employees, avoiding layoffs, etc.
- An additional 75 positions will be examined beyond what was discussed today.
- Staff will continue to look at consolidations and reorganizations. Staff will continue to work with employees to evaluate these.
- Staff to return to Council in early February with some plans.
- He will start to meet with the employee groups regarding the numbers and see how to move forward with the MOU's from there.
- Human Resources is developing a policy proposal that will provide some flexibility to get people into the right slots.
- Staff will return to Council with the financial policy discussed earlier.

The Budget Workshop was adjourned at 11:25 a.m.

Jan Hort
City Clerk