

Minutes of the Work Session held July 12, 2010 at 6:01 p.m. in the Council Chambers.

MEMBERS PRESENT

Mayor Rogers and Council Members

Jim McDonald, Vice Mayor
Jim Buster
Stephanie Karlin

ABSENCE EXCUSED

Frank Scott
Charles Vierhout
Ken Weise

ALSO PRESENT

Charlie McClendon, City Manager
David Fitzhugh, Assistant City Manager
Rogene Hill, Assistant City Manager
Sue McDermott, City Engineer and Director of Development Services
Kevin Artz, Finance and Budget Director
Christopher Reams, Director of Parks, Recreation & Libraries
Andrew McGuire, City Attorney
Carmen Martinez, City Clerk

1) ROLL CALL BY THE CITY CLERK

2) PAVEMENT PRESERVATION PROGRAM

An update regarding the Pavement Management System that has been implemented over the last three years and information on the overall condition of City streets.

Ms. McDermott stated that Avondale created a Pavement Preservation Program in 2007. The program analyzes current pavement conditions, and identifies cost-effective treatments. A Pavement Management Technician was hired in 2007. Last year, Avondale purchased a web-based program at a cost of \$2,500 per year. Data collection is very labor intensive. Avondale has over 240 centerline miles of paved roadways, which equate to 600 lane miles of maintenance. The data have been broken down into 3,200 roadway segments, basically intersection-to-intersection. The city has over 5,700,000 square yards of pavement. Every square yard requires scheduled treatment, and ultimately rehabilitation or reconstruction.

The goal of the pavement management system is to extend the life of pavement which is about 20 years. Over 50% of Avondale's roads have been constructed in the last ten years. Through this system, data has been collected on each segment in the City and rated based on their condition. The collected information is used for modeling, forecasting, and determining depreciation of the roadway system in the form of remaining service life (RSL). Avondale aims to reevaluate the inventory on a two-year basis. The rating system is based on an industry standard called PASER that was developed by the Federal Highway Administration.

Ms. McDermott reviewed pavement conditions in Avondale demonstrating examples of cracking, oxidation, raveling, loss of fines, rutting, settlement, edge failing, and block cracking. Every segment is rated for RSL. The average RSL in Avondale is a little over 11 years, which is fairly good. The information suggests best treatments for each segment,

and helps with the budgeting process to get the best value for the money. The program also is used for asset valuation. Avondale's roadway network has a replacement cost of \$230 million. The current RSL value is \$130 million.

For the next five years, Avondale has budgeted about \$400,000 for preventative maintenance. Over the next three years, \$500,000 has been budgeted for rehabilitation, and this would climb to \$600,000 in years four and five. The reconstruction budget averages about \$1.5 million over the next five years. The RSL of the entire network is slowly shrinking. Over the next five or six years, the loss in value is projected to be about \$16 million, using the current budget. One dollar of preservation, in the five to seven year-range, saves six to ten dollars on rehabilitation or reconstruction, in the 15 to 20-year range.

Ms. McDermott demonstrated that the City could maintain the RSL at its current level by increasing preventative maintenance to \$800,000 per year, rehabilitation to \$600,000, and reconstruction to about \$2.6 million. In summary, by spending an extra \$1.5 million per year, or \$7.5 million over the next five years, average street life could be maintained to current levels.

Council Member Karlin requested a definition for fines. Ms. McDermott explained that fines are small sand particles that bind the aggregate together. They begin to breakdown as the road ages. Council Member Karlin inquired about streets that Avondale shares in common with other communities. Ms. McDermott said the City has been working with Goodyear on a maintenance agreement to address roadways on their common border. Council Member Karlin asked about attempts to prolong pavement life a bit longer. Ms. McDermott responded that staff works to determine which streets would benefit from less expensive treatments within the first seven years of their life, thus prolonging their overall life and confirmed that road usage does impact the life of roadways.

Vice Mayor McDonald inquired about oxidation. Ms. McDermott explained that oxidation occurs when asphalt surfaces begins breaking down in reaction to the sun. In response to an inquiry from Vice Mayor McDonald, Ms. McDermott recommended that the City stay on top of technological trends and understand what techniques to use where. The amount of anticipated traffic on a road helps determine the thickness of the road surface, and the materials used. Vice Mayor McDonald queried whether the rutting on MC-85 was premature. Ms. McDermott responded that the rutting appears normal for the amount of truck traffic the road experiences.

Vice Mayor McDonald noted that 30% of the roads are expected to come due in the twelfth year. Ms. McDermott explained that the roadways are due for preventative maintenance at that time, which would prolong their life. Vice Mayor McDonald suggested the City consider spending \$1.5 million per year to maintain RSL to current levels to create a steady and predictable maintenance plan and avoid having 30% of the roads torn up at any one time. Citizens have made their views clear. They are tired of having roads torn up repeatedly. He suggested projects either be moved forward or pushed back to soften the impact in the twelfth year.

Mr. McClendon said optimal funding levels would provide proper treatment at the proper point in the life cycle of the road, and ensure that the City gets the most wear out of its streets. The budget situation of the last few years has prevented this, but when the capital plan and operating budget are updated, the City's goal is to reach these levels.

Mayor Rogers said most residents are unaware of how the City determines which roads to pave. Federal money helps with certain projects, but the funding is never enough to cover everything. Residents need to be able to understand why road projects are not finished before others begin. Ms. McDermott explained that the City currently has four projects underway but coordination is complicated and unfortunately things don't always go smoothly.

3) DISCUSSION OF HB 2450 AND OPTIONS TO REQUIRE CITY UTILITIES TO BE IN THE NAME OF THE OWNER FOR ALL RESIDENTIAL PROPERTIES

Information regarding House Bill 2450, and discussion of options to offset the impacts of this legislation and protect the City's ability to collect delinquent utility accounts.

Mr. McClendon stated that Avondale has long had a policy for dealing with renters who skip out without paying their water bills. The water is not turned back on until the account is brought current. This method prevents all water rate payers from having to assume the cost of delinquent accounts. The State Legislature recently passed a law that precludes the City from using this policy. Council is being presented with two alternatives in response to this legislation.

Mr. Artz reviewed the options City staff identified in response to the passage of H.B. 2450. They are designed to protect the City's ability to collect some of the delinquent accounts. Currently, the City collects a \$75 deposit to establish water service, in addition to a \$20 connect fee. The deposit is waived for owner-occupied housing, or when the tenant has a letter of credit from a utility. The City code provides for collection of delinquent accounts from the landlord, and aims to collect for at least three months of the delinquency. HB 2450 states that municipalities shall not contract with the tenant, and hold the landlord responsible for their water bill.

Option A would require the utility contract to be linked to the service location by making the owner of the property sign up for water services. The advantages, from the City's perspective, are an enhanced ability to collect on the delinquent accounts, since the delinquency would stay with the service location. The City would have the ability to lien the property which would result in a reduction in the number of delinquent accounts at any one time. Currently 20% of tenants are more than 30 days delinquent, whereas owner-occupied delinquency is around 10%. It would also improve efficiencies in water billing and public works. Last year, the City conducted an average of 66 work orders per day to connect, transfer, and disconnect service. If owners become responsible, service orders would not be required to transfer service each time a tenant enters or vacates a rental property.

The drawbacks to Option A include increased potential for landlord/tenant disputes. For instance, tenants could pay the landlord, but the landlord could fail to pay the City. Tenants would therefore be more likely to turn to the City for dispute resolution. Another drawback

is that the City would no longer have access to rental agreements. This information is used to determine which properties are renter-occupied, versus owner-occupied and ensure appropriate licensure and collection of taxes.

Mr. Artz reviewed additional Option A considerations. Service applications would need to be modified, since they would essentially be contracts between the City and the owner. Owners could use agents, such as property management companies to establish service. Connection fees could be increased to \$100 as a way to discourage owners from turning off the water for a month when someone moves out. Up to now, fees have been kept artificially low for affordability reasons. If the fee is only charged one time, it should reflect the actual cost. Existing tenants could be grandfathered, and the new policy would become effective with the next service application. A public notification process would be required to inform citizens of the changes.

Mr. Artz reviewed Option B. This option would entail increasing the deposit amount for tenants to something in the vicinity of \$250. This option would enhance collectability, though not as effectively as Option A would. This amount would still not cover the cost of some bills. This option would also allow the City to collect the rental agreement information, and would limit the potential for landlord/tenant disputes.

A drawback to Option B would be that residents would have to pay a higher deposit amount which could be phased in over two or three months. The biggest drawback to Option B is that it would not correct inefficiencies created by the work order process. Staff would still have to spend an inordinate amount of time dealing with work orders under the current system. Mr. Artz concluded that City staff recommends Option A.

Mayor Rogers said the House Bill is a perfect example of unintended consequences. She inquired how other cities plan to address it. Mr. Artz responded that El Mirage presented an ordinance to their Council, and several other cities are discussing their options.

In response to an inquiry from Council Member Buster, Mr. Artz said the City lost about \$600,000 last year due to unpaid water bills. Council Member Buster asked whether the stakeholders have provided input yet. Mr. Artz said there was no attempt to approach stakeholders, prior to receiving Council feedback. Council Member Buster felt that Option A could pose a lot of problems for landlords, and they are not likely to be happy. Their input is important consideration before Council takes action. He queried how the \$600,000 loss is accounted for. Mr. Artz explained that if a bill is ultimately not collectable the cost is eventually passed on to all customers. Delinquent accounts are pursued, but this is difficult to do if the tenants move out of state and is sometimes not cost effective.

Council Member Buster questioned the purpose of the provision on letters of credit. Mr. Artz responded that letters of credit often do not carry much weight. APS can still collect when the tenant moves to another city and reestablishes service with them, but cities lack enforcement once the tenant moves beyond their boundaries. Council Member Buster inquired about the amount Avondale receives in tax revenue from landlords. Mr. Artz estimated that it is in excess of \$1 million per year for rentals. That policy has been in place for a while, but Avondale only began aggressively pursuing it about 5 years ago.

Mayor Rogers noted that the Realtors Association, whose members include landlords, sponsored H.B. 2450. They do not want to be responsible for the delinquencies, but somebody has to pay, otherwise the burden falls to citizens.

In response to Vice Mayor McDonald's inquiry, Mr. Artz explained that it would be up to the landlord to determine how their payment methods work. The City would only establish contracts with owners of properties who would then pay the bills. It would be up to the owners to determine the best way to pass that cost onto the tenants. Vice Mayor McDonald said the best way would be to get the bill to the person who is using the water. People are obviously not going to want their water turned off. He proposed that the City contact landlords to inform them when their tenants are past due. Landlords could then threaten to withhold the tenant's deposit until the payment is made.

Vice Mayor McDonald inquired about the number of work hours that would be saved under Option A. Would it outweigh the delinquencies? Mr. Artz said he could not estimate what the savings would be. Option A would allow the Water Billing staff to focus more on delinquent accounts, and on disconnecting them in a more timely fashion. The Water Department would no longer have to pull people off maintenance to do work orders. Vice Mayor McDonald asked whether the \$100 connection fee would reflect the true cost of the job, or simply serve as a deterrent. Mr. Artz estimated that it actually costs \$60 to \$80 to disconnect service. The \$100 proposed fee would partially be used as a deterrent. Vice Mayor McDonald felt that tenants should have the opportunity to pay the connection fee over multiple months. He proposed that refunding part of that fee could take away some of the pain. If part of the cost is refunded to the landlord, instead of the tenant, the process of sending a check could reveal the presence of a separate property.

At Mayor Rogers' request, Ms. Gunther explained that the same House bill failed last year, but the Realtor's Association came back with another version this year. A large number of stakeholders were involved, including realtors and cities. The realtors argued that cities should not be going after landlords. They do not want to be responsible for delinquency problems. The Legislature recognized the cities' argument that these properties are essentially businesses, and that cities should be able to collect from whomever they contract with.

Vice Mayor McDonald asked whether options were discussed in the Legislature. Ms. Gunther responded that they were not discussed in detail, but they clearly understood that cities would have the option to go after landlords, and that landlords would have to include water costs in their rental fees. Landlords are limited by statute in what they can collect in the form of a deposit. It really comes down to business relationships.

Council Member Karlin noted that it is easier to go after landlords because the City could always put a lien on the house. Option A would place responsibility on landlords to go after tenants. Option B would require a lot of employee hours. She agreed that Council should get feedback from the stakeholders. Both options have clear pros and cons.

Council Member Buster supported the suggestion that landlords be given notice when renters are behind on their water bills. He called for creative solutions to make the situation palatable so that the landlords are not left with a big surprise.

Mr. McClendon said City staff would work on the suggestions and present an update at a future session. He noted that this change would apply primarily to single-family rental homes, because apartment complexes already collect water bill money from their tenants. He identified the feasibility of making it easier for people to have several single-family rental properties as a future policy question for Council to address.

4) AVONDALE BILLY MOORE HERITAGE DAYS 2010

An update and seeks direction regarding the 2010 Avondale Billy Moore Heritage Days Event.

Mr. McClendon reminded Council of their goal statement to find cost-recoverable events to include as part of Billy Moore Heritage Days 2010. He introduced Christopher Reams to present this item.

Mr. Reams stated that Billy Moore Days has been around for 50 years. The Southwest Valley Chamber of Commerce managed it until 2006, when Avondale took it over. Under the previous agreement, the Chamber served as event coordinator, while the City paid for City services. The average cost is about \$60,000. The budget restrictions forced postponement of the event after 2008. The City has been successful in finding ways to hold other events without costing money, and those models were applied to Billy Moore Days.

In 2008, the festival itself cost the City about \$29,000, while the parade cost about \$31,000. Making the parade cost-recoverable has been a challenge. People enjoy it because of its history. It could make a return in 2012 as part of the centennial celebration. By that time a sponsor might emerge.

Staff proposes a revised format that would consist of a series of events under the Billy Moore umbrella each of which would either promote the history of Avondale, or have some kind of a western theme to it. These events would include a softball tournament which would generate revenue; the Boys and Girls Club Golf Tournament would change its focus to tie into Billy Moore Days; Food City and Basha's are proposing a carnival they would fund that could become an annual Billy Moore event; and a Masquerade Ball and Poker Tournament to be held at the Avondale Hilton. To assist in promoting these events, the Triple Threat Dance Group will attend Art Walk in full western gear. Other events and projects that will happen around the time of the City's celebration will include the Gallery 37 Project to be themed to Avondale's history this year; the Agua Fria High School links their homecoming game each year to Billy Moore Days and the American Legion proposed an open house breakfast at their Legion Hall as a tie in.

Mr. Reams explained that these events would be fully cost-recoverable, and require no additional funding from the General Fund. They would be funded by participants, sponsors, donors, and jointly promoted under the Billy Moore Days umbrella. The schedule would create a month-long celebration of the heritage of Avondale, and attract visitors from outside the city. An alternate option would be to postpone Billy Moore Days until the budget could support it.

Mayor Rogers said Billy Moore Days, for long-time residents, has always been about the parade. The parade had neighborhood roots. She understands why it needs to be put on hold this year because of budget constraints, but at some point, it has to be restored. She questioned whether it would mislead people to call the schedule of events Billy Moore Days without offering a parade. Perhaps some events are better than none at all, however.

Council Member Karlin commented that the parade was one of best features of the festivities because it brings the community together and provides a showcase for Avondale. She inquired about the cost. Mr. Reams said the majority of the cost is to cover barricades, and security. Some of the cost is recovered from participants, but not enough. Council Member Karlin said the parade is one of the biggest events of the year, and she encouraged its inclusion as a component. She approved of Option 1, particularly the notion of holding events throughout the entire month to allow for wider participation.

Council Member Buster noted that an entrepreneur once proposed holding a wild west event in conjunction with Billy Moore Days. Mr. Reams responded that the City met with that group to discuss adding that component in some fashion but the group is looking to recover their own costs. Council Member Buster agreed that the City has to watch the budget closely, but felt the parade should return no later than the centennial. In response to a further inquiry from Council Member Buster, Mr. Reams explained that the Masquerade Ball and Poker Tournament will have a western theme and will be coordinated by the Triple Threat Dance Company. The City would help advertise it as part of Billy Moore Days events. The goal is to include diverse events in different parts of the city, instead of having everything on one weekend, in one location.

In response to a question from Council Member Buster, Mr. McGuire explained that poker tournaments for charitable purposes do not require a license. Mr. Reams clarified that the event would benefit the Boys and Girls Club and other youth charities. Council Member Buster indicated his support for Option 1 as it would continue the Billy Moore Days concept but he reiterated the need to commit to a centennial parade.

Vice Mayor McDonald queried the reason behind the City taking over the parade from the Chamber. Mr. McClendon responded that it was a cost saving measure for the Chamber. The City was able to control costs better by managing the event. Vice Mayor McDonald agreed that the list of events was good, but they need something to lead up to which should be the parade. He suggested that an event could be held in conjunction with the opening of the sports complex. He supported Option 1, but felt it could be expanded further.

Vice Mayor McDonald noted prior discussions that Billy Moore Days be moved from October to spring, to avoid competition with so many other events. Mayor Rogers said the event has historically been in October to tie into the homecoming. Mr. McClendon confirmed that there was discussion to change the date, but it came right when cuts were being made. The parade was cancelled in 2009, and a purpose of this conversation is to determine how to best proceed. Vice Mayor McDonald commented it is important to bring it back soon as the longer it remains cancelled the more likely that people will forget about it and Billy Moore Days tradition will die. He suggested that money be taken from the General Fund to pay for it.

Council Member Karlin said that while tradition supports an October event; she suggested it could be moved to March or April to fall in conjunction with an event like the EcoFair. She agreed that the parade should return sooner rather than later.

Vice Mayor McDonald inquired about the possibility of hiring a contractor for the parade, rather than restoring a full-time position. Mr. McClendon agreed that would be a possibility. Mr. Reams added that the parade would always drain money unless a sponsorship was secured.

Mayor Rogers commented that PIR has been a neighbor for a long time and it would be nice if there were a NASCAR parade sponsored by them. She added that Avondale's heritage includes many other cultures in addition to and should be included in the celebration. The City has many partners that could help, and they could recover their own costs in the process. She summarized Council's support for Option 1 and agreed that the longer the parade is put off, the more people will forget about it. Mr. McClendon said staff would assemble a budget package for the parade for Council consideration next fiscal year.

5) ADJOURNMENT

There being no further business before the Council, the meeting was adjourned at 7:37 p.m.
