

Minutes of the Special Meeting held April 11, 2011 at 5:15 p.m. in the Council Chambers.

MEMBERS PRESENT

Mayor Rogers and Council Members

Jim McDonald, Vice Mayor
Jim Buster (arrived at 5:17 p.m.)
Stephanie Karlin
Frank Scott
Charles Vierhout
Ken Weise

ALSO PRESENT

Charlie McClendon, City Manager
David Fitzhugh, Assistant City Manager
Rogene Hill, Assistant City Manager
Kevin Artz, Finance and Budget Director
Wayne Janis, Public Works Director
Sue McDermott, Development Services Director and City Engineer
Paul Adams, Fire Chief
Kevin Kotsur, Police Chief
Andrew McGuire, City Attorney
Carmen Martinez, City Clerk

1) ROLL CALL BY THE CITY CLERK

2) EXECUTIVE SESSION

An executive session pursuant to ARIZ. REV. STAT. § 38-431.03 (A)(4) for discussion or consultation with the City's Attorney in order to consider its position and instruct the City Attorney regarding the Council's position regarding threatened litigation relating to contracted services.

Vice Mayor McDonald moved to adjourn into executive session; Council Member Weise seconded the motion.

ROLL CALL VOTE AS FOLLOWS:

Vice Mayor McDonald	Aye
Council Member Scott	Aye
Council Member Vierhout	Aye
Mayor Rogers	Aye
Council Member Weise	Aye
Council Member Karlin	Aye
Council Member Buster	Absent

Motion carried 6-0.

City Council reconvened the special meeting at 6:03 p.m.

3) CITY MANAGER'S PROPOSED ANNUAL BUDGET FOR FY 2011-2012

Review of the City Manager's Proposed Annual Budget for FY 2011-2012 in the amount of \$158,960,3530. For information, discussion and direction.

Mr. McClendon presented the recommended Annual budget for FY 2011-2012, which holds steady from last year. The City does not have to make dramatic reductions this time, but cannot add to the budget either. As staff positions became vacant, they were evaluated to determine whether they were absolutely necessary. Avondale also benefited from having paid off several development agreements.

Mr. Artz provided a high-level summary of the budget. Through February, revenues were about \$60 million, while expenditures were a little over \$81 million, which included \$16.5 million for the completion of the Sports Center. Bonds had been issued in previous years but the money was spent this year. Land purchases also amounted to \$3 million. Last year's budget projected the spending down of the fund balance by \$6 million. The Highway User Revenue Fund is tracking fairly well at \$2.2 million of revenue and \$2.6 million in expenditures. This balance spend down was planned as well. The Public Safety Tax Fund had about \$3.2 million of revenue against \$3.3 million of expenditures. Water and sewer revenues are currently exceeding expenditures because debt service hasn't been posted yet. The Sanitation Fund has revenues of \$3.3 million with expenditures of \$2.5 million.

Mr. Artz reviewed several economic indicators. The national consumer price index was at 0% last year. Currently the CPI is at 0.5%, mostly because of fuel and energy costs. Last year 39,000 jobs were lost nationally, while this year 63,000 were created. The unemployment rate has dropped from 9.7% to 8.9%. This figure does not include people who have stopped looking for work. In Arizona, the unemployment rate has gone from 10.2% to 9.6%. Last year approximately 20,000 jobs were added; this year about 200 have been added. He commented that while employment growth never went negative during the 1991 and 2001 recessions, the recent recession saw significant and sustained job losses.

The City's operating budget last year was \$72 million. This year it is \$440,000 less. Debt service decreased by \$600,000. The contingency fund will stay the same and the capital projects budget has decreased significantly, mainly due to the completion of the Sports Center. The budget last year was \$185 million, and this year it is just under \$159 million, a decrease of about 15%.

Total General Fund revenues in 2008 and 2009 were a little over \$47 million. That amount dropped to \$39.9 million for the current year. Revenue growth is projected next year to be \$41.6 million due to an increase in Avondale's portion of State shared revenues and sales taxes. Growth is also projected for HURF and Public Safety funds. Water, sewer and sanitation funds will remain about the same. He clarified that the State recently swept \$500,000 of HURF revenue from Avondale, and that the budget did not include that reduction.

Mr. Artz said the base budget in the General Fund decreased 19% from FY 2008-2009 to FY 2011-2012. That pattern can be seen in the other funds as well. The only funds that are not down are the enterprise funds: water, sewer, and sanitation. The fleet fund increased by \$150,000 to cover fuel cost increases. In FY 2008-2009, Avondale had 532 FTEs, but that number is down to 483.5 FTEs now, a decrease of 10%.

In FY 2006-2007, the combined property tax rate was \$1.16. That rate dropped to \$1.10 in FY 2007-2008 and has held steady for four years. The new budget proposes an increase

to the property tax rate to \$1.33. He explained that secondary assessed valuation has decreased by 43% in the last three years, requiring a corresponding increase in the secondary rate to help offset it. Debt service is \$4.9 million. The new rate would result in \$3.6 million in revenue. The old rate would only collect about \$3 million. An average homeowner would have paid \$196 in City property taxes in FY 2006-2007. At the new rate, the average homeowner would pay \$170 in City tax. Fourteen percent of the total property tax bill goes to Avondale.

Vice Mayor McDonald queried whether the City still has the ability to decide whether the tax went into the primary or secondary sides. Mr. Artz explained that as the assessed valuation goes up, it has an inverse relationship with the primary rate. If valuations go down, the rate has to increase to keep the maximum levy. In past years, as the primary rate went down, it could be shifted to the secondary side. Now the opposite is happening and as the primary goes up, it will take from the secondary side. Eventually funding would have to come from the General Fund to make debt service payments. Council Member Weise inquired about the impact of the State's decision to cut education funding. Mr. Artz said school districts are facing the same problem as the cities. As total assessed valuations go down, they will likely increase secondary property tax rates to pay off debt service.

In response to an inquiry from Council Member Buster, Mr. Artz explained that staff's methodology was to take a median priced home in Avondale in FY 2006-2007 and examine its assessed valuation in FY 2011-2012. The example uses one specific home, but each home is assessed independently.

Mr. Artz indicated City Manager would review the supplemental requests totaling \$462,000.

City Manager Charlie McClendon said Avondale could obtain part-time graduate level student interns through ASU for only \$16,400, which is much less than a similarly qualified person in a regular position. The interns would be considered employees of ASU. The interns could do some of the research duties that are now being done in the Economic Development Office, freeing up more staff time to work directly with businesses. The federal lobbyist contract was funded with one-time funding and has been beneficial to the City. No contract increases were proposed this year, but if the City plans to continue the contract, it would have to be funded with ongoing funds.

Mr. Artz noted that a \$75,000 request for finance fees in the budget would cover the \$1.50 convenience fees for paying utility bills online. These fees are charged to the residents but the City needs an appropriation to cover them. Some money is used to cover increases in postage fees. Money is also set aside to replace a breathing apparatus and cardiac monitors over ten years. The Economic Opportunities Fund has been allotted \$182,000 to restore its normal level of \$500,000. The Avondale Centennial Heritage Festival budget line item includes all costs associated with the event, including staffing.

In the HURF fund, \$74,000 in sign maintenance would bring Avondale into compliance with federal standards by 2015. A three-year program to re-stripe arterials and intersections would cost \$85,000 in ongoing money. Increased electricity costs for streetlights would also be covered by the HURF fund. The Public Safety Fund will be used to pay for fire

equipment. Treatment plant chemicals come out of the Sewer Fund. Refuse and recycling containers for existing residents could be replaced at a rate of about 2,500 containers per year, with the program cycling through in about ten years. The total supplemental budget is about \$873,000.

Council Member Scott queried whether the Centennial Heritage Fund would also cover the cost of the Billy Moore Days parade. Mr. McClendon confirmed that it would. Council Member Scott asked whether the Fire Department is satisfied with their equipment replacement rate. Chief Adams affirmed that he is. Council Member Karlin queried how increased fuel costs were accounted for in the budget. Mr. Artz responded that an additional \$150,000 was budgeted for fuel in the Fleet Fund.

Vice Mayor McDonald inquired about the contingency plans should the Homebuilders Association be successful in removing impact fees, requiring existing citizens to pay for new development. Mr. Artz said development fees fund a significant number of CIP projects. As the income has slowed, projects have been pushed out at a slower rate. If development fees were ended completely, projects would have to be postponed or cancelled. Other revenue sources might have to be identified if development were to occur. He explained that in the current year, the portion of the budget dependent on development fees is fairly small. Mr. McClendon added that projects are demand based. If there is growth, then the new facilities are needed. Without development, those things are no longer necessary.

Mr. McGuire explained the aspects of SB 1525 that would most impact Avondale. Because development fees are not being generated in sufficient quantities, General Fund revenues are used to pay debt service on libraries. Libraries are one of the items left off the list of necessary public services in the current definition provided by the homebuilders. If the bill was passed as currently written, any library fees collected before 2013 could be used for libraries, but after that point, no new fees could be collected for libraries. That means very little would come in for libraries and library debt service would essentially be transferred to a General Fund obligation. This is just one example of how the bill would shift the debt service onto existing taxpayers, instead of on future growth.

Mayor Rogers noted that homebuilders are quick to sell their new developments based on the civic amenities that already exist. Council Member Weise agreed that if homebuilders feel that parks and libraries are not important enough to fund, they should not highlight them on their websites. The new bill would really impact those communities that are growing the fastest. Mayor Rogers pointed out that Rep. Montenegro stated that cities should not pay for libraries or parks.

Mr. Artz compared Avondale's situation to those of other Valley cities. Avondale's ratio of FTEs per 1,000 residents has traditionally been at the bottom. Avondale has 6.3 FTEs, while Scottsdale has 11.7 FTEs. This demonstrates that the City is able to operate efficiently, while providing services that citizens need. Avondale is also near the bottom in expenditures per 1,000 residents, at just over \$2 million spent per 1,000 residents. He noted that the way a city calculates their budget can change rankings significantly. General Fund expenditures per 1,000 residents for Avondale are a little less than \$600,000, which is also near the bottom. Avondale is right in the middle when it comes to General Fund public

safety expenditures, spending 30% of the General Fund budget on police, which is right at the average. Fire is at 13%, while the average is 15%.

Council Member Weise asked whether the statistics indicate that Avondale is deficient in fire safety. Mr. Artz explained that the figures show just what is coming out of the General Fund. Avondale has a dedicated tax that adds to fire funds. The ranking might look different if all the public safety expenditures were compared among cities.

Mr. Artz next reviewed the Capital Improvement Program. The CIP Committee reviewed the CIP budget in February and unanimously recommended that it be forwarded to Council. Over five years, \$164 million is programmed into the CIP. The majority of the first year's allocation goes to the Streets (\$13 million) and the Water Department (\$10 million). A potential improvement district was set up just for appropriations; there is no money behind it. This is a budget tool that allows for bonds to be issued should a developer want to do an improvement district. The entire plan for 10 years is a little over \$314 million, with the majority going to the basic infrastructure. There is also a significant amount in transit equipment replacement funds. In out years, money has been programmed for the expansion of City Hall and the Courts.

Some of the major capital projects in the Streets Fund include the city pavement overlay, the Avondale Boulevard bridge widening, the Van Buren from Dysart to Central overlay, and the Avondale/McDowell intersection improvements. Sewer and water improvements include the PIR sewer connection for \$3.5 million, tertiary filters design, the Thomas Road water line, waterlines for Avondale Boulevard and Indian Springs Road, and Well 25.

Mr. Artz said Avondale's share of the HURF funds that were reclaimed by the State amounted to a little over \$527,000. Staff proposes that the fund balance that currently exists in the HURF be spent down, since it would adequately cover the proposed expenditures. If the reduction were going to be permanent, the City would have to contemplate potential cuts. For the Department of Water Resource fee, Avondale's share is a little over \$106,000. Staff proposes that this be placed in the Water Fund.

In response to Council Member Karlin's inquiries, City Engineer Sue McDermott explained that the westbound traffic lanes of the Van Buren project would be completely replaced, while the eastbound lanes would be an overlay. Mr. Artz explained that the water project on Indian Springs is for development south of the Gila, which includes PIR.

Council Member Weise noted that Avondale uses Glendale's Police Command Vehicle for PIR events, and asked whether the City would require one of its own in the next few years. Chief Kotsur responded that the Glendale vehicle is available to Avondale for scheduled events but is impractical to coordinate its use for crime scene investigations. The Department uses a 1970s era vehicle that has been revamped but is a bit dated.

Council Member Buster inquired about the HURF fund balance. Mr. Artz explained that it was initially projected to be approximately \$2.8 million, while the reduction takes it down to \$2.3 million. Council Member Buster inquired about the net money from the State. Mr. Artz said the positive intake resulting from the census was close to \$1 million, while the HURF reduction was about \$500,000.

Vice Mayor McDonald inquired about the condition of the City's vehicle fleet and whether the budget avoids excessive maintenance costs. Mr. Artz responded that staff is confident that there is enough money in the program to replace vehicles at the appropriate rate. Mr. McClendon noted that staff examined every vehicle in the fleet to determine their usefulness. This has helped reduce replacement costs. Public Works Director Wayne Janis said the vehicle fleet is in pretty good shape, and better than average. There are few problems keeping them repaired and operational.

Vice Mayor McDonald asked whether the \$300,000 set aside each year for fire vehicles is to save for a purchase. Mr. Artz explained that there is a replacement schedule for each vehicle. Since fire trucks can be as much as \$1.5 million each, the money is placed in a vehicle replacement fund. Chief Adams said the Department tries to get 10 years of front line service out of an engine before rolling it to reserve status, and then to training status. In response to a further inquiry from Vice Mayor McDonald, Chief Kotsur explained that the five MCC7400 units are used to dispatch calls for service, and they will be out of date in two years based on Avondale joining the regional wireless system. Motorola requires an upgrade at that time and the line item is to prepare for that increase in cost. By teaming with Glendale, the Department was able to keep the consoles for three more years, thus saving money.

Council Member Vierhout inquired about the return on investment for the tertiary filters. Mr. Janis explained that currently Avondale is recharging all of the effluent possible in the McDowell Road basins. The master plan says that for the next 50 years, Avondale should continue to use groundwater by recharging. The filters would improve the quality of the water and remove particles that tend to clog the infiltration beds. The filters eliminate the need to build a surface water treatment plant, and provide a secure water supply even during times of drought. Avondale is in good shape among Valley cities when it comes to water resources.

Mayor Rogers asked what the Department of Water Resources fee pays for. Mr. McClendon explained that the fees support the DWR's effort to conduct plan reviews of city systems. It represents a cost shift away from the State's General Fund to cities. The DWR is currently a third the size that it was two years ago. Mayor Rogers proposed that the water bill make it clear that the fee is being charged because of the State's decision. Mr. McClendon agreed, noting that other cities are considering similar actions. Council Member Buster commented that the State's decision sets a dangerous precedent, since cities are being asked to fund State agencies. Care should be taken to ensure that this is a temporary thing moving forward. Mr. McClendon noted that it was initially proposed as a one-year solution, but was later made permanent.

4) ADJOURNMENT

With no further business before the Council, Council Member Weise moved to adjourn the work session. Vice Mayor McDonald seconded the motion. The motion carried unanimously.

Meeting adjourned at 7:12 p.m.


Mayor Rogers


Carmen Martinez, CMC
City Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Meeting of the Council of the City of Avondale held on the 11th day of April 2011. I further certify that the meeting was duly called and held and that the quorum was present.


City Clerk