

Minutes of the Work Session held February 8, 2010 at 6:00 p.m. in the Council Chambers.

**MEMBERS PRESENT**

Mayor Lopez-Rogers and Council Members

Jim McDonald, Vice Mayor  
Jim Buster  
Stephanie Karlin  
Frank Scott  
Charles Vierhout  
Ken Weise

**ALSO PRESENT**

Charlie McClendon, City Manager  
Andrew McGuire, City Attorney  
Kevin Artz, Finance and Budget Director  
Kevin Kotsur, Chief of Police  
Carmen Martinez, City Clerk

**1) ROLL CALL BY THE CITY CLERK**

**2) BUDGETARY UPDATE AND STRATEGY DISCUSSION**

A budget update and a strategy to address the projected revenue shortfall for the FY 2010-2011 budget year.

Mr. Artz reviewed the second quarter of the fiscal year. The national consumer price index was down to 0.1% from 1.1% last year. Job losses were still negative, but they look considerably better than they did last December, when the nation lost 524,000 jobs. This December's job loss figure was about 85,000. The national unemployment rate climbed from 7.2% to 10.0%. In Arizona, unemployment jumped from 6.6% to 9.1%. Job losses have decreased from 20,000 last December, to 1,700 jobs this December.

State sales tax numbers are \$309 million below prior year's, which translates to about 15.5%. Avondale's distribution is \$100,000 below the budget, or about 4%. Avondale's projected sales tax was more conservative than the State's, which is why Avondale's sales tax budget is only 4% down, instead of 15%. Individual YTD income tax collections are 12% below last year's collections, and 63% down on the corporate side. Auto in-lieu taxes are \$120,000 below what the City budgeted. People are buying fewer new cars, and keeping their old ones longer, which results in lower registration fees. The HURF gasoline tax disbursements are down about 16%, or about \$350,000 below what was forecast.

Mr. Artz noted that a linear projection of the State sales taxes from 1999 to 2010 reveals that the current tax is back to where the historical norm should be if the collections had not experienced a two-year bubble. This might indicate that Avondale's base budget is returning to normal. Income tax revenue, which experienced a huge bubble over the course of several years, also seems to be getting back in line with the sales tax.

City sales tax YTD collections are \$1.3 million, or 11% below forecast, and \$1.8 million, or 13%, below what was collected last year. Permit revenue is 48% down, the impact fee revenue is 53% down, and court fines are 28% below forecast. The gap between tax collections in 2010, compared to 2009, is beginning to shrink, and the hope is that this trend will continue.

Retail quarterly collections are back to about the levels they were in 2005/2006. Revenue from taxes on items over \$5,000 has taken a significant hit, with collections back to the 2004/2005 levels. Contracting tax collections is well below the 2003 levels, its lowest point ever. Construction sales tax revenue cannot sink much lower, and the hope is for some increase in this sector. Total taxable transactions rose steadily from 1995 through 2007, but declined over the last four years. Projected ongoing revenue shortfalls, in the worst-case scenario, would result in a \$7.8 million deficit, assuming collections are equal to the current fiscal year. If collections improve over the next quarter, the deficit could project to \$6.6 million.

Mr. Artz recommended steps to balance the FY 2010-2011 budget. In terms of revenue, Staff recommends direct investments in government securities and agencies. If Avondale invests in longer-term securities, it could get significantly more yield from them. U.S. Government Sponsored Enterprises do not have the full faith and credit of the U.S. Government, but are AAA rated. If Avondale were to invest \$40 million in the Federal Home Loan Bank government agency securities, a 2.11% yield would generate a cash flow of \$842,000 for the year. If that same \$40 million were retained in the State Treasurer's Pool, Avondale would only get \$16,000 of interest income for the year. The downside is a little more risk, but Staff believes that the U.S. Government will stand behind the agencies, even though there is no explicit guarantee. This investment income is considered one-time revenue, which can help increase the fund balance, though it would not solve the deficit.

Other revenue recommendations include engineering fees, recreation/facilities fees, and the hiring of an additional auditor. On City projects, engineering and planning fees have traditionally been waived. The proposal is to start charging those fees, which would reimburse the General Fund from the CIP funds. Recreation fees could be adjusted to get full cost recovery. Staff also proposes adding an additional sales tax auditor position to collect more revenue. The total estimated additional revenue from these recommendations is \$511,740.

Council Member Buster asked how far Avondale's revenues have fallen off, compared to the height of the boom. Mr. Artz responded that in 2008, the General Fund's expenditure budget was \$59 million, while next year's budget is expected to be \$43 million. Revenue tracks closely with expenditures. In response to a further inquiry from Council Member Buster, Mr. Artz explained that the Assistant Finance and Budget Director makes Avondale's revenue projections based on numbers from the League of Cities. Council Member Buster noted that the State consistently overestimated revenues. Mr. Artz said part of the challenge is in not getting too conservative in any given year, which results in unnecessary cuts. The current conditions are unprecedented. Council Member Buster inquired whether the budget shortfall would be made up from the General Fund. Mr. Artz responded that it would. Council Member Buster said it is important to keep a \$10 million cushion to avoid having to dip into the General Fund. The City has to live within its means. He approved of the investment strategy, saying the City needs to be creative, yet prudent.

Vice Mayor McDonald inquired whether the linear projection of the State sales tax collections could be used as a baseline for growth. Mr. Artz responded that he mentioned it as a point of interest only. State shared revenues are not a straight-line trend because they are based on population growth. Vice Mayor McDonald said he favors investing in the

additional securities. In response to his inquiries, Mr. Artz said he would be comfortable laddering out in securities for five-years. Avondale's direct investment would likely be \$25 million to \$30 million, and the goal would be to keep all the securities until maturity.

Mr. McClendon reviewed items that the City must add to the budget next year because of contractual obligations. The total increase is \$2,844,430. This includes \$1,795,670 worth of replacement funds that were taken out last year with the knowledge that it would only be a one-year fix.

In terms of reductions, nine staff positions have been eliminated, resulting in \$766,480 in savings next year. Staff assessed every vehicle in the City's fleet and found ways to eliminate some vehicles and make more efficient use of the remaining ones. IT equipment is going from a three-year to a four-year replacement cycle. Risk management contributions were decreased. This saved a total of \$877,300 with no service impacts. The Fire and Police Departments have changed how some of their positions are deployed and managed, saving \$395,680 in overtime costs. Every department reviewed their budget and eliminated line items, cutting \$313,950. Merging library administrative functions will eliminate duplicate services and save \$309,900.

Maintenance contract changes and energy efficiency practices resulted in \$210,000 in savings. The engineering and plan review workload has been reduced, saving \$165,500. Modifications to the way in which the Police Professional Standards Bureau is handled, saved \$121,910, without taking sworn positions off the street. Some of the functions of Neighborhood and Family Services are being combined to save \$101,960. Home-delivered meals for seniors have been reduced to four days with a frozen meal being substituted for the fifth day. This saves \$33,070. Developer rebate payoffs have declined which saves \$1 million. About \$480,000 previously had been transferred from the General Fund to the Transit Fund. Since the half-cent sales tax can now be used on transit as well as streets, this transfer is no longer necessary. The camera traffic enforcement program is not generating enough income to pay for itself, and eliminating it would save \$425,000.

The total proposed reductions are \$5,200,760. This amount, in addition to the almost \$500,000 in new revenues, means that in the worst-case scenario, Avondale would require a drawdown of \$2,315,000 from the rainy-day fund. A best-case scenario would result in a drawdown of \$590,250. Either scenario would meet the \$10 million fund-balance floor threshold set by the Council. This plan should get the City through 2010 with no further reductions beyond seven additional personnel layoffs. It keeps a majority of the services promised to citizens, without taking sworn police and fire personnel off the streets. Mayor Lopez-Rogers said Staff has done an excellent job of reducing costs without impacting services for the citizens.

Chief Kotsur presented an update on the photo enforcement program. The Police Department took a close look at this program as part of the City's effort to identify potential budget reductions. In comparing the six-month period between July and December of 2008 with the same months in 2009, the number of events fell 14%, while the number of citations fell 46%. The reason for that drop is a decision to turn off the cameras monitoring right hand turns at red lights. In the previous year, no accidents resulted from a vehicle turning right against a red light, yet a majority of the citations were issued for that reason.

In Arizona, there was a 15% drop in accidents when comparing 2006 to 2008. This can be attributed to the economic downturn. In Avondale, the traffic accident rate around intersections with photo enforcement dropped 7%. Outside that area, there was a decrease of about 10%. Citywide, the drop was 8%. The stats suggest no significant correlation between the number of accidents and the impact that photo enforcement has had on accidents. After the right-turn cameras were deactivated, the number of red light and speeding citations issued by officers increased, while those issued by photo enforcement decreased. The Department began using some automated ticket writers, which saves time. The goal is to eventually issue one to every patrol officer.

Chief Kotsur reviewed the financial impact of the photo enforcement program. Contractor fees, officer overtime, the Traffic Program Coordinator position, and Court staff costs a total \$425,000. The program was never intended to generate money, but each year it costs more to keep it going. Considering the money spent, compared to the number of traffic accidents, his recommendation is to cut the program. The contract with ATS expires in September of 2010. Council could decide to either let the contract expire with no issues, or to conduct early termination by written notice.

Council Member Weise said he initially supported photo enforcement for red lights to change public behavior, not to generate income. His concern is that once the cameras are gone, the bad behavior will return. Chief Kotsur responded that he shares that concern. The program was implemented to bring down the accident rate and create a safer environment. It is the Department's goal to fill up the currently shorthanded traffic unit to deal with these issues proactively. Avondale is one of the few cities in the Valley that is in a position to hire officers, and can subsequently choose from the best.

Council Member Weise inquired why the number of speeding citations issued by photo van increased so dramatically between December of 2008 and December of 2009. Chief Kotsur surmised that the majority of that increase was due to the location chosen for the van.

Council Member Weise queried whether Staff has done everything possible to ensure that no further staff positions would have to be eliminated. Mr. McClendon responded that Staff tried to strike a balance between minimizing the number of staff reductions, keeping public safety staffed and running, and keeping services running and maintained at an acceptable level. Given those parameters, this plan accomplishes that. Council Member Weise said the proposed budget highlights Avondale's commitment to public safety.

Council Member Scott queried the percentage of the budget spent on public safety. Mr. McClendon responded that it is about half of the General Fund. Council Member Scott commended Chief Kotsur and Chief Adams for cutting into their budgets smartly, without removing sworn officers from the street. The City has been thinking far ahead to make sure it was not caught by surprise, and forced to act in a panic.

Council Member Scott said the running of red lights a concern, but the amount of money it costs is too great. He inquired whether ATS would be willing to reduce their cut to make

the program less of a financial burden on the City. Chief Kotsur responded that, by his estimate, the amount requested is the lowest it can be.

Vice Mayor McDonald expressed appreciation for Staff's ideas for budget reductions that do not compromise service and safety. Regarding photo enforcement, the public has a misconception that it is a cash cow. If driver behaviors revert, Council should consider options to address the problem at that time.

Mayor asked for a motion to continue the work session to the regular meeting.

**3) CONTINUE MEETING**

Vice Mayor McDonald moved to continue the work session to the regular meeting. Council Member Buster seconded the motion. The motion carried unanimously.

Meeting adjourned at 7:11 p.m.

  
Mayor Lopez-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 Work Session of the Council of the City of Avondale held on the 8<sup>th</sup> day of February. I further certify that the meeting was duly called and held and that the quorum was present.

  
City Clerk

Minutes of the Regular Meeting held February 8, 2010 at 7:18 p.m. in the Council Chambers.

**MEMBERS PRESENT**

Mayor Lopez-Rogers and Council Members

Jim McDonald, Vice Mayor  
Jim Buster  
Stephanie Karlin  
Frank Scott  
Charles Vierhout  
Ken Weise

**ALSO PRESENT**

Charlie McClendon, City Manager  
Andrew McGuire, City Attorney  
Kevin Kotsur, Chief of Police  
Stacey Bridge-Denzak  
Carmen Martinez, City Clerk

**1 ROLL CALL AND STATEMENT OF PARTICIPATION BY THE CITY CLERK**

Carmen Martinez, City Clerk, read a statement of participation regarding public appearances.

**2 SCHEDULED PUBLIC APPEARANCES**

**a. Presentation by Warren J. Brown of the Warren J. Brown Foundation**

Sammi Curless, Assistant to the Mayor and Council, introduced Mr. Warren J Brown, founder of the Warren J. Brown Foundation.

Mr. Brown indicated he originally started working with youth in 1993. He briefly described how the foundation came to being, the areas of focus and the programs he provides to youth to help them grow, become responsible adults and give back to their communities by way of mentoring and service projects.

Council Member Karlin commended Mr. Brown on the work he has done to help the youth of Avondale and wished him luck with the Foundation.

Vice Mayor McDonald and Council Member Weise were complimentary of the work Mr. Brown does with young people as they have personal knowledge of the experience young people have while going through the program. Mayor Rogers recognized Mr. Brown for his efforts and stated that Mr. Brown has indeed saved the lives of young people. She encouraged Mr. Brown to tap into some of the resources offered by the City such as the Contributions Assistance Program and the City's grant writer.

Spencer Willington addressed the Council giving a testament of his experience when he attended the program.

**3 UNSCHEDULED PUBLIC APPEARANCES**

Ed Rogers, indicated that he wanted to request that the City does not accept federal monies as stated in the agenda. Charlie McClendon, City Manager, indicated that the item on the agenda is for transit funds and the City has already received those funds.

**4 CONSENT AGENDA**

Items on the consent agenda are of a routine nature or have been previously studied by the City Council at a work session. They are intended to be acted upon in one motion. Council members may pull items from consent if they would like them considered separately.

**a. MEMORANDUM OF UNDERSTANDING - A NEW LEAF**

A memorandum of understanding with "A New Leaf" to assign a part-time Counselor to the Southwest Family Advocacy Center to provide 20 hours of counseling services per week to victims served at the SWFAC.

**b. PROFESSIONAL SERVICES AGREEMENT - REGIONAL PAVEMENT MAINTENANCE OF ARIZONA, INC.**

A Professional Services Agreement with Regional Pavement Maintenance of Arizona, Inc. for construction, repair and maintenance of asphalt and concrete surfaces in an amount not to exceed \$60,000

**c. LEASE AGREEMENT - VERIZON WIRELESS CELLULAR TOWER**

A new lease agreement with Verizon Wireless including cost-sharing to construct a new communication tower in the amount of \$18,555, authorize monthly lease payments to the City.

**d. RESOLUTION 2887-210 - INTERGOVERNMENTAL AGREEMENT WITH THE CITY OF PHOENIX FOR FEDERAL TRANSIT ADMINISTRATION FUNDING**

A Resolution approving an Intergovernmental Agreement with the City of Phoenix for Federal Transit Administration pass through grant funding of \$944,470.

Vice Mayor McDonald moved to approve the consent agenda including Resolution 2887-210 as presented. Council Member Vierhout seconded the motion.

**ROLL CALL VOTE AS FOLLOWS:**

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

Motion carried unanimously.

**CONTINUED WORK SESSION ITEM:**

**2 BUDGETARY UPDATE AND STRATEGY DISCUSSION**

Continuing the discussion of this item, Council Member Buster commented that he in support of staff recommendations including the changes in the photo enforcement program.

In response to a question by Council Member Vierhout, Chief Kotsur indicated that implementation of the program took about six months and added that if the Council decided to reinstate the program, it is likely that implementation will not take as long.

Council Member Karlin indicated that in her opinion laying off people perpetuates the problem and asked if Staff has considered taking a reduction in pay instead. Charlie McClendon indicated that in order to accomplish the needed budget reductions, employees would have had to take a significant cut in pay and added that remaining employees are also bearing the burden of the budget reductions as they are having to do more with less so his decision was to strategically reduce in some of the areas rather than doing something across the board.

Council Member Weise commented that layoffs are painful but would rather be proactive.

Council Member Scott commented that he would be in favor of cancelling the ATS contract as soon as possible.

Prompted by Mayor Rogers, Charlie McClendon indicated that the City has an assistance program to help families who cannot afford the fee to have their kids participate in the city's recreation programs.

Charlie McClendon, City Manager indicated that the plan is to come back in May and June for adoption of the budget.

## **5 GENERAL PLAN 2030 UPDATE**

An update on the progress made to date on the General Plan 2030 process, a City-initiated and Staff-led effort mandated by the State of Arizona to update the General Plan every 10 years.

Charlie McClendon introduced Stacey Bridge-Denzak to talk about the progress the City has made in the General Plan Update.

Stacey Bridge-Denzak indicated that the purpose of tonight's presentation is to update the Council on progress to date regarding the update of the General Plan. She indicated that public outreach efforts include 1. The General Plan Advisory Committee (GPAC) was established and is made up of people with different backgrounds and perspectives that have provided great input. 2. A traveling information kiosk was also created and it get taken to different meetings including the "City Hall Comes to You" event. 3. A brochure including general information on the general plan explaining its importance which is made available at all meetings. 4. A survey that was available online at the libraries, senior center, sent to all board, commission and committee members, etc. 5. Participation in Build-a-City at Michael Anderson Elementary School. 6. General Plan Update webpage. 7. Facebook Page. 8. Communication with the media.

Ms. Bridge-Denzak reviewed the various meetings that have been held to update and obtain feedback from the community. She indicated that the process has been transparent

and staff has been seeking to be a guide to all stakeholders to prompt the conversation. Ms. Bridge-Denzak added that Staff is suggesting revising the format to lay it out in a more user friendly fashion and more visually appealing so that the goals and objectives are listed per element followed by an implementation strategy section.

She explained that staff has toured the entire city and has compiled an accurate inventory of all the parcels and their existing use which will be very useful to ensure that goals and objectives are in sync with actual uses. She indicated that staff is reviewing existing information included in the current plan to determine whether it is still relevant and decide whether it reflects current goals. Land use themes are being looked at closely in coordination with the Economic Development Department and as a result it's been determined that a Central Business District should be created to assist in accomplishing the goals and priorities outlined in the document.

Ms Bridge-Denzak reviewed key dates in this process and indicated that staff plans to have the first draft available for review by the Council and the public in October. She indicated that staff would like to have a joint meeting with the Council and Planning Commission in October. Final adoption should be in late August 2011.

Council Member Vierhout asked if staff is considering traffic flows into the plan as he has noticed that as the city has grown it has created roadblocks that hinder good traffic flow. Ms Bridge-Denzak indicated the technical advisory committee is looking at that and staff will be coordinating with the Engineering Department as they update their transportation plan.

Mayor Rogers encouraged all council members to complete the survey. Ms Bridge-Denzak indicated that while the survey is no longer available online, she can make it available upon request.

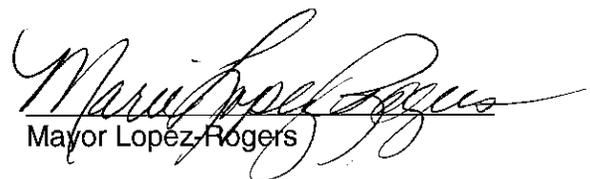
Council Members Weise, Karlin and Buster and Vice Mayor McDonald complimented staff on the work done to date in this process and the elements that are being included to make it a document that could truly reflect the City's

**6 ADJOURNMENT**

Respectfully submitted,

There being no further business before the Council, Vice Mayor McDonald moved to adjourn the regular meeting. Council Member Karlin seconded the motion. Motion carried unanimously.

Meeting adjourned at 8:21 p.m.

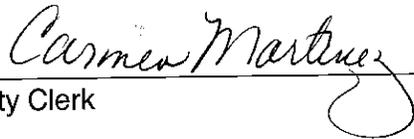
  
Mayor Lopez Rogers



Carmen Martinez, CMC  
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City Clerk