

Minutes of the Budget Meeting held November 28, 2011 at 6:01 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  
David Fitzhugh, Assistant City Manager  
Rogene Hill, Assistant City Manager  
Pier Simeri, Community Relations and Public Affairs Director  
Kevin Artz, Budget and Finance Director  
Wayne Janis, Public Works Director  
Carmen Martinez, City Clerk  
Andrew McGuire, City Attorney

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

**2) COUNCIL GOAL BUDGET UPDATE AND GOAL SETTING FOR FY2012-13 BUDGET**

Pier Simeri, Community Relations and Public Affairs Director, presented the results of the 2011 Resident Satisfaction Survey. For the past three years Avondale has been conducting the survey in house, seeking input through the City website, at City facilities, and at special events. It was publicized through a press release and on the website. During four weeks in October, 355 surveys were collected.

Ms. Simeri said most people in the online survey gave the highest ratings to the garbage/recycling services, followed by public safety. The Resident Appreciation Night survey showed highest marks for garbage/recycling, library services, and customer service. The lowest rating was for traffic flow, largely due to the construction on Avondale Boulevard. In other surveys, water pressure received low ratings in surveys collected at the Mirabella Apartments, but this was not reflective of overall results.

Ms. Simeri reviewed that when residents were asked about their top priorities for Avondale during the next year, the themes of job creation, future development/growth, vacant houses, and youth programs and activities were a common theme in all versions of the surveys. Residents essentially want a clean and safe community. The City received high ratings for customer service, police services, and communication. Residents felt Avondale could improve in the areas of job creation, road construction/traffic flow, and graffiti cleanup.

Mayor Lopez Rogers inquired whether the City could take steps to improve water pressure at Mirabella Apartments. Wayne Janis, Public Works Director, responded that the City recently took water pressure measurements every minute at the street connection to the apartments. He gave a brief explanation of their findings relating to water pressure and the configuration of the infrastructure at the site and indicated that staff will continue to work with the property owner to find a solution to the problem.

Vice Mayor McDonald said the road construction on Avondale should be considered in a separate category, since it is a temporary problem. Its inclusion in the survey makes it more difficult to identify the top overall priorities.

Charlie McClendon, City Manager, reviewed City Council accomplishments from the past year, and provided an update on the status of the goals set last year. The first goal was financial stability. City Council wanted to ensure that the public could always get information on Avondale's financial position and outlook. To that end the Budget and Financial Report and fee schedules are now posted online. Periodic updates are provided at Council work sessions. To protect State shared revenues and local control, Avondale has taken a leadership position in legislative efforts. New and current state legislators are well-informed regarding the importance of State shared revenues. The Intergovernmental Affairs Manager works regularly with legislators, mayors and city managers, and attended a forum with legislators in October.

Mr. McClendon said public safety was another City Council goal. The CAT Team is now operational and will provide an update at the December 12 meeting. Those positions have been funded by the stimulus program, but starting in 2013, Avondale will have to take them over. City Council's objective of developing a plan and funding mechanism for public safety equipment replacement was achieved. In crime reduction efforts, the Police Department is using a comp stat method to improve effectiveness. The crime rate has been reduced by 8% over the past year. The IGA with GITEM was renewed, which will help the effort to fight gang activity. The City established a partnership with the West Valley Access Point, which resulted in saved police time and improved effectiveness. He reported that the City has also been successful in promoting positive news coverage related to public safety. A city wide shred event helped reduce identity theft. A DEA drug take back initiative received good response from residents.

Mr. McClendon said the City goals also included Community Development. In developing a plan for attracting a wide range of quality jobs to Avondale, the 2030 General Plan includes new land use categories related to employment, and broadening the type of development possible, particularly along the freeway. Several strategic sectors have been identified for increased focus, including youth and amateur sports, medical/health services, advanced business/information technology, and higher education/lifelong learning. These are the areas Avondale is best positioned to take advantage of. Incentive packages have been designed to attract the right type of industries. Staff is aggressively recruiting businesses and employers and has identified two sites as being suitable for big distribution facilities.

Mr. McClendon stated that in terms of community development, Avondale has enjoyed some increasing occupancy rates in smaller industrial spaces. Staff responds to all Arizona Commerce Authority (ACA) and Greater Phoenix Economic Council (GPEC) leads on a regular basis. The Shop QA Business Directory helps Avondale businesses promote their services. Avondale is active in the Business Retention and Tourism Committee. The City participated in the passage of the Arizona Jobs Bill, though it is too early to tell what the results will be. Stone and Youngberg is working on a study to evaluate how taxing increment financing was allowed in Arizona, and Avondale is contributing to that effort. Unfortunately the City's efforts to extend the film tax credits were unsuccessful. An ad hoc

committee to attract tech-based businesses to Avondale is being established; Avondale has joined the Arizona Technology Council and a draft strategic plan for the Committee has been developed. The Gangplank-Avondale Agreement was recently finalized.

Mr. McClendon stated that Avondale has been very active in environmental leadership. The recycling program continues to divert 20% of the waste stream from the landfill, saving the City money. New backflow installations have been finalized. Over 15,000 pounds of hazardous waste were disposed of during Household Hazardous Waste Day. Staff is drafting a citywide sustainability plan. The mitigation measures put in place by the Crane Company at the superfund site have been helping.

Mr. McClendon said the staff retention goal has been successful. Holding staff salaries constant for an additional year helped to avoid staff reductions. For three years, employees have remained loyal to the City despite not receiving any increases. The labor negotiations with the Police and Fire Associations have been positive so far. Health insurance remains an issue. Some high-deductible options were added this year for those employees who did not want their premiums to go up. A committee is working to re-bid the health plan. Several cities, including Avondale, are considering pooling their resources for a health plan.

Mayor Lopez Rogers pointed out that City employees' salaries have actually decreased. Mr. McClendon agreed, explaining that ASRS contributions have gone up every year, and this year the PSRCS contributions that employees make went up for the first time. Most people have to pay more for health insurance premiums each year as well.

Mr. McClendon reviewed that City Council's goals of representing Avondale's interest in transportation management continue at MAG, RPTA, ADOT and at the federal level. The SR 30 alignment issue seems to be settled, though there is no money for it. It has been difficult to promote cohesion among West Valley cities. MAG has agreed to fund a Southwest Valley circulator study. The City is actively engaged in seeking funding for transportation projects. The Southwest Valley Rail Alliance is working to be a participant in whatever develops regionally. Avondale partnered with the RPTA to implement the ZOOM circulator, which has been much more successful than any of the studies anticipated, as ridership more than doubled in four months. Staff is pursuing the transit center in the FTA reauthorization. UZA designation has been secured for the next ten years. The City's website now contains a link to provide information on construction projects.

Mr. McClendon said Avondale continues to be very active in community involvement. Neighborhood and Family Services implemented a bi-weekly e-mail listserv for Avondale HOA Board members and residents. The General Plan 2030 has offered many public involvement opportunities. A board and commission newsletter is released quarterly. Preliminary information has been released to inform voters about changes to the upcoming fall election. The monthly City Hall Comes to You meetings have been successful. The City has continued to offer low-cost/no cost events, including Resident Appreciation Night, Veteran's Day, Memorial Day, and Fire Prevention Week open houses. Sponsors were found for Art Walk, ECO Avenue and the IMS Marathon. A farmers market was established at Friendship Park. The second annual Writers Workshop was able to recover its cost through fees.

Kevin Artz, Budget and Finance Director, provided a report on the financial status of the City of Avondale. Comparing national numbers for October 2010 with October 2011, the consumer price index dropped from 0.2% to -0.1%. Last October 171,000 jobs were added, while this October 80,000 were added. Unemployment over the past year has dropped from 9.7% to 9.0%. State sales tax collections are up \$304 million, or 7.7% above October 2010. Cities did not receive anything from the temporary one-cent increase. Avondale's distribution was a little over \$1.4 million, which is 5.6% above what the City forecasted. Individual income tax revenues were \$264 million, or almost 30% above the prior year. Collections were \$54 million above forecast.

Mr. Artz cautioned that these numbers were posted on the state's website in summary, and staff would like to dig into the numbers further before taking action. He expressed doubt that the income tax revenue grew that quickly. It could be a bubble that goes back down again, making it unreliable as ongoing revenue. He recommended holding onto some of that revenue to make sure that the state could sustain those types of collections. Cities receive their money two years after the state does, which means there will be some advanced indication if the numbers drop. Auto in-lieu tax disbursement to Avondale was a little over \$800,000. HURF is at \$1.3 million, or a little below forecast. The state did a sweep of HURF funds at the beginning of the year, after the City did its budget.

Mr. Artz noted that local sales tax revenues are at \$7.7 million, or 4% above budget and 9% above prior year. Development revenue permits and revenue are about 13% above budget, or \$36,000, which is due mainly to one fairly large project. Development fees are still lagging significantly. Court fine collections are at 14% or \$55,000 above forecast. Avondale has had positive revenue growth from its sales tax for eight of the last nine months. It appears that the bottom of the economic downturn has passed. The past three quarters have seen positive growth in retail collections. Tax revenue on items over \$5,000 has grown through 2011. Contracting taxes are still not doing very well. Taxable transactions over the last three quarters have shown some growth.

Mr. Artz reported that the five year forecast for the General Fund shows stability over the next three years and some growth in later years, if there are no additions to the current year budget. The FY 2012-13 budget impacts include the CAT officers who will no longer be funded through ARRA, the Gangplank contract, position changes, PSPRS, and the Regional Wireless Cooperative. Staff projects about \$39.5 million in ongoing revenue. The base budget is a little over \$37.5 million.

Council Member Weise inquired whether the water fund expenditure forecast included the cost of any tertiary filters. Mr. Janis responded that supplementals are additive. He said for the next year or so, the tertiary filters will not be a problem, but will be necessary soon to ensure regulatory certainty. The tertiary filters would cost between \$6 million and \$7 million total. Mr. Artz noted that the CIP currently has \$3.5 million allocated for the filters.

Council Member Weise inquired about water storage possibilities. Mr. Janis explained that Avondale has applied for permits to recharge more water at the McDowell Road facility. A consultant is also being hired to review the conditions and back up the assertion that more

water can be recharged there. Mr. McClendon added that Avondale is also a partner in the NAUSP, which allows for underground storage.

Mr. Artz reported that the projected balance of available ongoing revenue is \$1.3 million. One-time revenues are projected to be down about \$900,000, and typically the fund balance covers the difference. If the contingency is not spent, it can be rolled into next year without reducing revenue. Each 1% adjustment in wages and salaries would require a little over \$250,000 from the General Fund, and \$350,000 over all funds combined. The five-year forecast for the Public Safety Tax Fund is back in balance, and positive revenues are projected in the next five years. The Water Fund did not need a rate increase this year. With no additions, the fund balance appears fairly stable, and the City should be able to maintain existing water rates. A similar projection is expected for the Wastewater Fund. Avondale has historically been near the bottom in terms of the number of staff per thousand residents, with just over 6.3 employees. Scottsdale has the most at 11.3.

Mayor Lopez Rogers stated that City Council has been very interested in looking at salary increases for employees. She also said she would entertain staff presentations on a youth center, though that project is a long way off.

Council Member Weise said any discussion on salaries should include comparisons on City employee salaries versus their counterparts in the private sector. He also requested information on growth figures to prevent decisions that would handicap the City in the future. Mr. McClendon noted that not all City positions have private sector equivalents. The department budgets will be influenced by whatever is left over from the salary discussions. Council Member Buster said he shared concerns about the lack of raises over three years, but said it would be fairer to compare Avondale's salaries to what other cities in Maricopa County pay.

Mayor Lopez Rogers said Avondale should take steps to keep quality employees because they could otherwise go somewhere else that pays more. Council Member Vierhout felt that Avondale should take care of employees first before buying anything new. Parks can wait another year. Council Member Weise responded that the City's first job is to look out for the needs of residents. They do not need to give a raise to employees. They are asking for park upgrades, and places to bring their families. Mr. McClendon noted that employee salaries and parks are funded from two different sources. Salaries come out of ongoing revenues, whereas the capital plan can be rearranged to make some money available for park upgrades. Salary increases do not necessarily exclude those things.

Council Member Karlin said staff has been asked to do more with less for a long time. Staff retention has a lot to do with morale. City Council should look for ways to increase morale. Council Member Weise said if the City can save money by not hiring new employees in some departments, it would make sense to reward those employees who have been with the City a long time.

Council Member Vierhout felt that Avondale should focus on jobs that increase the overall income of the residents. If the jobs being created bring in below average wages, the overall wage scale of Avondale is subsequently lowered. This in turn drives down home values, and lowers retail revenue. Council Member Weise agreed that while higher paying

jobs are a good long term goal, something needs to be done right now and wondered if it makes sense to have Avondale residents travel to other cities to work in fulfillment centers. Mayor Lopez Rogers said Avondale does not have many places for those types of jobs. She felt it did not matter where residents worked as long as they bring their money back into the city. People will not choose to live in Avondale if they have to live next to a big box, but the community is well positioned to be home to the employees that work at those places in neighboring communities.

Vice Mayor McDonald said Avondale has to brand itself and not allow developers to establish the city's brand for it. The types of jobs that Avondale wants might not come right away, but they will come. He felt that in terms of parks and activities, Avondale should continue to add them as long as they can pay for themselves. Regarding salaries, it is not fair to compare city employees to the private sector, because few companies offer pensions anymore. He felt City Council should consider at least a 2% increase, and hopefully next year do even better than that.

Council Member Weise noted that the Sears headquarters is threatening to leave Hoffman Estates in Illinois because of a 2% tax increase. This will have a ripple effect on the whole community, which currently enjoys a good quality of life. Avondale needs to attract businesses that thrive on their own, and are not dependent on one type of industry. Avondale should plan on spending at least ten years developing a very stable base, and then as companies decide where they want to locate, Avondale will be able to demonstrate a strong quality of life foundation. Right now, the city cannot offer them the entire package. Avondale needs to have the types of retail opportunities that will make subsequent quality of life investments possible.

Mayor Lopez Rogers stated that Avondale's branding should emphasize not that the city is becoming a community of choice, but already is one, and is getting stronger in that regard. Council Member Weise said the economic development survey from 2006 was very useful, and if it does not cost too much, it would be worth doing another one. The 2006 survey revealed that over 50% of Avondale jobs were in retail and government.

Council Member Karlin stated that sustainability and good environmental policies go hand and hand with quality of life. The resident survey shows that people and businesses evaluate a community's garbage and recycling programs when they determine the quality of life they can get there. Council Member Weise felt that Avondale must not mimic what other cities do just because it is easy, but instead should move forward in a direction that is best for the community. This means City Council should at least consider new ideas like allowing personal windmills for homes, or neighborhood farming, to determine if they are feasible. The public should be given an opportunity to express whether they are interested in these ideas. Council Member Vierhout advocated looking at the long-term issues and coming up with solutions such as converting the City's fleet to use more efficient energy sources.

Council Member Weise inquired about government funding running out for ZOOM. Mr. McClendon explained that staff has already worked out a plan that fits the program cost into the existing funding structure. Council Member Weise suggested that if ridership is low at night, it would be more efficient to cut those hours and use that money to increase the

service during busier hours. Mr. McClendon reported that the MAG Southwest Valley Transit Study contains much information that will be useful for transit planning decision making. Vice Mayor McDonald stated that the transit center will be critical for regional transportation and for Avondale's City Center. It will also create a parking structure that the City could charge fees for. Mayor Lopez Rogers said the system must not forget to be inclusive of all modes of transportation.

Mayor Lopez Rogers noted that one city in North Carolina, which is home to another major racetrack, paints its crosswalks in the pattern of a checkered flag. She felt this would be a good way to brand Avondale locally. Council Member Weise said the city that benefits the most from PIR is Scottsdale, because of the hotels. He suggested that there might be a way to shuttle people between the racetrack and the City Center. As City Center becomes bigger and better, the people that come to the race should be made aware of what has developed there.

Council Member Weise felt that the City should help build community awareness that residents have a responsibility to look out for their neighbors' houses. If they do not, it might be theirs next time. He described instances of copper theft and air conditioner theft in neighborhoods with a high number of foreclosed homes, or when people go on vacation. Council Member Karlin added that when copper has been stripped from vacant houses, the owners cannot sell them.

Council Member Weise inquired whether the City could help residents monitor speeding in their neighborhoods, especially in those areas that generate a high number of complaints. Mr. McClendon responded that staff can gather data on problem areas, and work to educate residents on what can and cannot be done in terms of traffic control. Enforcement can potentially concentrate on certain areas for a while. The Speed Hump Program had to be cut out of the budget when HURF was raided by the State legislature.

Vice Mayor McDonald said there has been no funding available for the riverbed improvements. Residents want places they can go to ride bikes, and with enough connectivity, the river could serve as a transportation corridor for cyclists. Mr. McClendon responded that the Transportation Plan update will contain information on that project. Vice Mayor McDonald said residents are happy to see police officers patrolling the city, but officers cannot do that if they are responding to false alarms all day. The City needs to use social media to inform people about City-related issues. It is a simple and efficient way to get people to read about what is really happening without having it filtered by a media source.

Council Member Weise said City Council does not get many updates on the Fire Department. He inquired whether new technology exists that would assist the FD to do their job better. Is the Northside Public Safety Building a priority for the next year? Mr. McClendon said it would take more money to staff that facility than is available. He felt it would not be possible in FY2012-13.

Mayor Lopez Rogers requested a report on Avondale's housing stock. Council Member Karlin said Avondale has to decide how to address its infrastructure issues. Council Member Vierhout stated that Avondale could take a leadership role by having grey water

plumbing systems pre-installed in new buildings in preparation for the day when this becomes a necessity. Mr. McClendon responded that Development Services is evaluating that part of their sustainability planning efforts.

Council Member Scott offered his impressions on the discussion points. In terms of economic development, the Sports Center is an incubator that will generate activity in the City Center. The Phoenix Children's Hospital is another investment that will drive higher paying jobs. The Chamber of Commerce is paying for a \$30,000 tourism study that ASU will conduct. Avondale is participating in that effort. The City is viewed as a regional leader.

Council Member Scott said that in terms of community involvement, Avondale is one of the most accessible cities. The Mayor's home phone number is available on the webpage. People are much more understanding about the road construction on I-10 and Dysart Road once they realize that a water line is being installed at the same time. He said Avondale has done a good job of providing quality of life amenities, but they should be self-sustaining. The Police and Fire Departments are both outstanding. Because of the wide variety of unique fire engines, it would make sense to contract out the repair work to a company that specializes in this. The CAT Team is controlling the small number of people who cause the majority of the problems. It has been everything the City council wanted it to be. Public Safety should get their equipment replaced as necessary.

Council Member Scott said Avondale's transportation system is developing well. Every nearby city wants to be involved in ZOOM when it is expanded. Staff provides the City Council with a clear understanding of the City's financial picture. It makes it much easier to make decisions. Regarding environmental issues, the City is on the right track. He felt the grey water reclamation system effort is a good idea, but it would be helpful if Council understood the costs involved before deciding whether to impose them on new homes. In addressing staff retention, he said he believes in pay for performance. Every department has good performers, and they should be rewarded. Employees have made sacrifices, yet have decided to stay with the City. Avondale has a good reputation for getting in front of the economic downturn. Cuts were made when they had to be, and plans were made well in advance to avoid surprises.

Mayor Lopez Rogers said the City Clerk's Office has done a good job with customer service and community relations. It is important that the City treat residents well. The City must continue to maintain clean streets and environment. Staff has done a commendable job. Vice Mayor McDonald said Avondale has done well to partner with organizations like CareFirst to provide necessary services to the community. The City should continue to find ways to share costs with neighbors or partnering agencies.

Council Member Weise said if Old Town Avondale is to be perceived the way City Council wants it to be, it has to be called something else: the Historic District, Legacy District, or another name. The promotional video that shows on Avondale's Channel 11 has to be updated so that it does not show businesses that are closed down and no longer exist. City Council should continue to find partnerships that work, like Care First, and work with other cities that can also share in the benefits.

Council Member Buster stated that Avondale has done a great job monitoring cash flow, but must continue to do so. Technically the recession is over, but unemployment remains high, and there are many vacant houses. Growth may still be slow or nonexistent for a while. City Council owes it to employees to at least look at raises, even if other agencies are not. The biggest priority is economic development, and Avondale should be aggressive in that regard, especially when it comes to attracting smaller employers.

Council Member Karlin said Avondale is fortunate to have a Council that works together. The staff makes Avondale look good. She once viewed economic development as the most important priority, but now feels that investments in parks and recreation will build upon Avondale's reputation as a community of choice, which will persuade people to move and spend their money here.

Vice Mayor McDonald inquired whether the City has ever considered allowing online water billing. Mr. McClendon explained that web extensions would allow people to view their account balance. The City's software upgrade after the first of the year will allow for applications like that.

#### 5) ADJOURNMENT

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

Meeting adjourned at 8:29 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 Budget Meeting of the Council of the City of Avondale held on the 28th day of November 2011. I further certify that the meeting was duly called and held and that the quorum was present.

  
City Clerk