

Minutes of the Work Session held March 19, 2012 at 6:00 p.m. in the Council Chambers.

MEMBERS PRESENT

Mayor Lopez Rogers and Council Members

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

ALSO PRESENT

Charlie McClendon, City Manager
David Fitzhugh, Assistant City Manager
Rogene Hill, Assistant City Manager
Christopher Reams, Director of Parks, Recreation & Libraries
Pier Simeri, Community Relations and Public Affairs Director
Andrew McGuire, City Attorney
Carmen Martinez, City Clerk

1) ROLL CALL BY THE CITY CLERK

2) CENTENNIAL FESTIVAL AND PARADE POST EVENT UPDATE

An After Action Report on the "A Tale of Two Cities" Centennial Parade and Festival.

Mr. McClendon stated that the Centennial Festival was a success. Pier Simeri, Community Relations and Public Affairs Director, said the centennial parade and festival was called "A Tale of Two Cities" this year, and was jointly hosted by the cities of Avondale and Goodyear. The parade ended with a festival at Estrella Mountain Community College. In April 2011, City Council approved a budget of \$73,000 for centennial events throughout the year. On May 9, 2011, Council provided staff with direction and approval of several event initiatives:

- A joint parade and celebration with the City of Goodyear.
- Hire an event coordinator to assist staff with the event.
- Plan several smaller events throughout the community.

Christopher Reams, Director of Parks, Recreation & Libraries, reported that the parade attracted 85 entrants, and 5,000 participants. The route provided for excellent viewing. There was no negative business or community impact. Those along the route offered their full support. Gaps formed in the parade route as groups stopped to perform, and this issue will be addressed next year. The staging area allowed for very good access. Next year the dignitary breakfast will be moved to another location to avoid conflicts with staging area activities.

Mr. Reams said EMCC was an excellent host for the festival, and the location worked very well. The college staff offered to help setup and breakdown the event, which saved money. The site had more than adequate space, and the abundant parking made it a natural place to end the parade. The City would like to consider future partnerships with EMCC. The proposed budget, before the partnership with Goodyear, was \$65,000. The actual cost was \$41,500, because of the staffing and administration costs that were shared between the

two cities. Avondale's total event cost is \$24,250, which includes \$3,500 for public safety and streets personnel.

Mr. Reams said it is difficult to manage an event of this scale without someone dedicated specifically to that task. By hiring an event coordinator, Goosebump, staff was able to pass along these responsibilities, thus saving time and money. Goosebump even managed to secure some additional sponsorships. Ms. Simeri explained that the participation from sponsors and vendors was excellent. About 30 vendor booths and several food trucks added to the festival, and they asked to be considered for future events. Better sponsorship and vendor participation is expected in future years. About \$6,000 in cash and in-kind sponsorships helped offset event costs.

Mr. Reams noted the major sponsors: EMCC, Arizona Lottery, APS, Southwest Ambulance, A to Z Rentals, Mega 104.5, Gateway Chevrolet, and Fresh & Easy. The Zoom shuttle worked really well transporting people between the southern and northern parts of the city. He thanked City Council for their support and participation. Ms. Simeri said the event generated a huge amount of goodwill in the two communities. Residents left many positive comments on Avondale's Facebook page. The parade was mentioned positively on the *West Valley View* letters-to-the-editor page. The City received no complaints following the event.

Mr. Reams reported that some money is left over from the parade and festival budget, which can be used for other Centennial events such as the Western Avenue Art Walks, the 66th Anniversary movie series at City Center, a Goodyear Farms Cemetery historic event, and the Monument Hill/Tres Rios dedication event. "A Tale of Two Cities" could potentially become an annual event. Mayor Lopez Rogers stated that all along the route, residents were shouting kudos for the parade. Goosebump did a great job organizing the event. The parade and festival made it possible for families to gather together in a positive way.

Council Member Weise said he enjoyed the event. The Fire Department's Pavement Diver group was funny throughout the route and displayed a hometown spirit. He said he spoke to 30 people after the parade and all said they loved the event and the idea of sharing it with Goodyear. This year, the parade replaced Billy Moore Days, which was an Avondale-specific event. Ms. Simeri responded that "A Tale of Two Cities" could potentially run every year. Several themes have been proposed for future years, and staff will discuss the matter with Goodyear to see if they are interested. Council Member Weise said he always liked World Fest, and there is a lot of space for it at EMCC. The carnival attractions were missed. Mr. Reams explained that the carnival can generate some income, and staff could look into the possibility of bringing it back.

Council Member Weise said people really loved the movies at City Center. They brought the community together and he would like to see the series make a return. He commended staff on the work they did on the event. Vice Mayor Karlin said Goodyear's Mayor Georgia Lord, and Vice Mayor Joanne Osborne loved the event and are open to more collaborations. The weather was great and residents seemed to be having a wonderful time. This event shows people what Avondale is about as a community. Events like World Fest and Heritage Days recognize the diversity of the area. She encouraged continued exploration of future event opportunities.

Council Member Vierhout said the partnerships between the two cities and EMCC made the event special. Council Member McDonald stated that hiring Goosebump was a great idea and they did a tremendous job on the coordination effort. They can be used on an as-needed basis, rather than requiring another full-time position that may or may not be fully utilized all year. Goosebump has the time and connections to make the event work, and it will save the City money in the future. The Thomas Road route worked okay, though Western Avenue has more of a hometown feel. If Thomas is used again, he would recommend allowing people to set up in the outside lanes of the street. By allowing them to sit closer in, they can be more closely involved in the parade. He agreed that it would be good to bring the carnival back. As the number of people who come to the event increases, the vendors will grow and the income could offset the cost of the carnival.

Ms. Simeri said a carnival was considered in the initial stages of planning, but it needed to remain set up for several days in order to be successful, and the college was concerned about the impact to their activities. Council Member McDonald noted that an empty lot near the college could potentially make a good carnival site.

Council Member Buster agreed that the parade was a success and Avondale should partner with Goodyear again. He inquired about the cost of some of the proposed events for the rest of year. Mr. Reams explained that the City could do three Art Walks for about \$10,000. The other events would cost varying amounts less than that. The big challenge to events is staffing, locations, time, and funding. Avondale has some great locations available. Once events become established, more sponsors will emerge, but never enough to fully fund them. Council Member Buster inquired about the money left over from the festival. Mr. Reams reported that \$75,000 was budgeted, but only \$24,250 was spent.

Council Member Weise said that while City Council has to remain cognizant of the budget, the City does some valuable things that are never going to be able to pay for themselves. Cities are expected to provide a certain quality of life to residents; movies, concerts, and libraries go a long way towards doing that. By taking a break from the parade for a year, the City was able to approach it from a new perspective. Working with Goodyear was a smart move in many ways, especially in terms of the budget. Thomas Road and Western Avenue lend themselves to collaborative events with Goodyear.

Mayor Lopez Rogers said the City must be cautious about its budget but the benefits of bringing people together outweigh the cost of the event, especially if there are partners that are willing to help reduce costs. The partnership with Goodyear seems to be something everyone wants to continue. Given the diversity of the community, a World Fest would work well. The City should continue using an event coordinator. Mr. McClendon reported that the budget will be reviewed by Council on April 9 and it will include an event coordinator contractor. One of the reasons that events had to be cut was because the event coordinator position was eliminated due to budget cuts.

3) ADJOURNMENT

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

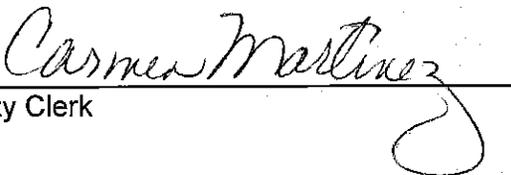
Meeting adjourned at 6:31 p.m.


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 19th day of March 2012. 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 March 19, 2012 at 7:00 p.m. in the Council Chambers.

MEMBERS PRESENT

Mayor Lopez Rogers and Council Members

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

ALSO PRESENT

Charlie McClendon, City Manager
David Fitzhugh, Assistant City Manager
Rogene Hill, Assistant City Manager
Kathy Reyes, Benefits Administrator
Sandy Lopez, CDBG Program Coordinator
Gina Montes, Director of Neighborhood Services
Kevin Kotsur, Chief of Police
Andrew McGuire, City Attorney
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) UNSCHEDULED PUBLIC APPEARANCES

Ande Huntley, City Property Management, representing the Starlight Trails Homeowners Association, stated that the neighborhood had a disagreement with the City regarding the replacement of curbside trees due to excess root rot. Since then, it seems as though the neighborhood has been under attack by the City. Neighborhood watch signs placed by a police officer had to be taken down. Neighborhood signs had to be removed a common ground notice board that has been in place for four years, or pay an \$825 permit fee.

Mayor Lopez Rogers requested that staff look into the matter. Mr. McClendon said it would likely take an amendment to the City Code to bring that sign into compliance.

3) 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. APPROVAL OF MINUTES

1. Regular Meeting of March 5, 2012
2. Special Meeting of March 5, 2012

b. RESOLUTION 3033-312 – AMENDMENT TO THE GRANT AGREEMENT FOR JOB ACCESS REVERSE COMMUTE GRANT

A resolution authorizing the First Amendment to the Grant Agreement JPA-11-027 with Arizona Department of Transportation for a Job Access Reverse Commute Grant and

authorize the Mayor or City Manager and City Clerk to execute the necessary documents.

c. RESOLUTION 3032-312 – COMMENCEMENT OF ANNEXATION OF STATE LAND

A resolution authorizing commencement of the annexation of approximately 2.5 miles of right-of-way along Baseline Road alignment, a portion of which is within land owned by the Arizona State Land Department.

Council Member Weise moved to approve the consent agenda as presented including Resolutions 3032-312 and 3033-312. Council Member Scott seconded.

ROLL CALL VOTE AS FOLLOWS:

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

Motion carried unanimously.

4) PUBLIC HEARING AND RESOLUTION 3035-312 – 2010-11 ANNUAL ACTION PLAN AMENDMENT

A resolution amending the 2010-11 Annual Action Plan to expand the target areas eligible under the Neighborhood Stabilization Plan 3 Program, to modify the recapture requirement, and authorize the Mayor or City Manager and City Clerk to execute the necessary documents.

Mr. McClendon stated that for several years, Avondale has been the recipient of funding through the Neighborhood Stabilization Program to battle the problem of foreclosed homes. The good news is that the number of foreclosures is down, but it has now become harder for program participants to find homes among the limited available supply.

Sandy Lopez, CDBG Program Coordinator, said the housing market has changed significantly, and has prompted an amendment to the City's NSP3 program. HUD received \$1 billion in NSP funding, of which, \$1.2 million came to Avondale. The funding is intended to stabilize neighborhoods by redeveloping foreclosed properties. In 2011, Avondale created an NSP Action Plan, which was an amendment to the 2010/11 Annual Action Plan. City Council approved it in February 2011, and HUD approved it in March the following month. Avondale undertook the homebuyers' assistance program, and the program to acquire and demolish blighted properties.

Ms. Lopez said the NSP Homebuyers Assistance Program has taken a majority of the funding, and is now operational. The City contracted with Neighborhood Housing Services of Phoenix to provide education and counseling. Housing rehabilitation will be administered

by City staff. The amendment is needed in order to expand targeted areas. There has been a significant decrease in the number of foreclosures and delinquencies citywide. The City also wants to change the loan terms for the assistance program to make it more competitive with other programs in the Valley.

Ms. Lopez said currently the NSP3 targets older neighborhoods for the demolition of blighted properties, and 13 newer subdivisions for the acquisition program. In 2011, when the plan was developed, there were 558 foreclosures and 1100 delinquencies city wide. In January 2012, the numbers are down to 340 foreclosures, and 460 delinquencies. In the 13 newer subdivisions, there were only 96 foreclosures in January, but only eight were on the market. That makes it tough for potential homebuyers to find a home.

Ms. Lopez said Avondale is looking to expand its targeted areas as broadly as HUD will allow. The first option is to include all subdivisions including foreclosed properties, which would technically expand the program citywide. If HUD does not allow that, the backup plan is to exclude subdivisions with combined delinquency and foreclosure percentages below 3.5%.

Ms. Lopez explained the proposed changes to the loan terms. Currently the down payment assistance is provided as a silent second loan due upon sale. At the point the home changes title, the money is due back regardless of how long it has been. This far exceeds the NSP regulatory requirement, which allows for forgivable loans, with a five to 15-year term, based on the amount invested. Staff proposes a forgivable set at 20 years, which will reward longevity and make Avondale's program more competitive. Most cities are doing forgivable loans on a tiered basis. Staff recommends that Council approve the expansion of the targeted areas to the broadest acceptable to HUD, and approve the change to the loan terms.

Council Member Weise asked what would happen in the event that time expires before all the money is used. Ms. Lopez explained that the fund would have to be 50% expended in about a year, and 100% expended in another two years, or it will return to the U.S. Treasury. Council Member Weise said the exempted neighborhoods represent a huge part of the housing stock in Avondale. Ms. Lopez said that when NSP first came out, HUD wanted a targeted focus, but because there has been such a drastic change in the housing market, the program cannot work if there aren't enough homes for buyers to buy. Council Member Weise inquired why such a low percentage of homes are available for sale. Ms. Lopez said she was uncertain why the banks have not put the homes on the market. Because of the time constraints, the City is trying to make it easier for people to find the homes that are available.

Council Member McDonald said he is in favor of opening up the options. Each family has its own needs, and the housing stock does not offer many options. He asked whether the education aspect of the program remains in effect. Ms. Lopez explained that it did. Homebuyers are required to attend the education program and get individual counseling. Staff makes certain that they get into homes they can afford and that they fall within the appropriate debt to income ratio. Nobody who has completed the program has fallen into foreclosure.

Council Member Vierhout questioned whether moving forgivable loans to 20 years would make it less attractive. Ms. Lopez said it depends. Staff is aiming for a compromise solution and is rewarding people who intend to buy their home to live in it for a while. In 20 years, if they want to take out a loan, this would not hinder them from doing that. A shorter period would be more attractive to buyers. Council Member Vierhout asked where the money goes when it is paid back. Ms. Lopez said it comes back to the City and would be used again for a NSP eligible expense.

Council Member Buster asked if the City would be at a disadvantage by going back to the 5 to 15-year forgivable program. Ms. Lopez said there are none, but if loans are being forgiven more rapidly, then it is less likely that the City would be able to re-use any of that funding. Council Member Buster asked about the typical amount that someone could receive in the existing program. Ms. Lopez explained that it would vary based on need and income. Low income buyers have a 25% satisfied requirement and could require much more subsidy than someone at 120% of median income.

Council Member Vierhout asked what neighboring cities are doing about this. Ms. Lopez said Goodyear did not receive a direct allocation, so they are part of the Maricopa County program. They are offering a 5 to 10-year forgivable based on the amount of investment. Council Member Vierhout said under the circumstances, he would buy in Goodyear. Mayor Lopez Rogers said HUD has said they are looking to change the way they do business. Now is the time to ask, and hopefully they will take it into consideration.

Mayor Lopez Rogers opened the public hearing. There being no requests to speak, Mayor Lopez Rogers closed the public hearing.

Vice Mayor Karlin moved to approve Resolution 3035-312 to amend the 2010-11 Annual Action Plan to expand the target areas eligible under the Neighborhood Stabilization Plan 3 Program, and to modify the recapture requirement. Council Member Weise seconded the motion.

ROLL CALL VOTE AS FOLLOWS:

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

Motion carried 6 -1

5) TRANSFER OF CONTINGENCY FUNDS – AVONDALE POLICE HOUSING INCENTIVE PROGRAM

A request for a transfer of \$60,600 in contingency funds for use toward the Avondale Police Housing Incentive Program.

Kevin Kotsur, Chief of Police, explained that the incentive program encourages officers to purchase homes in Avondale. It also provides for a retention program for officers and sergeants. This program would increase owner occupancy, and support Avondale neighborhoods. It invests officers in their neighborhoods, and provides a recruitment tool for officers in the future. It encourages shopping in Avondale, and shortens commute times for officers. Counseling is available for officers interested in the program to help ensure their success.

Gina Montes, Director of Neighborhood Services, stated that in order to be eligible for this program, participants must be sworn police officers or sergeants. They must have completed their probationary period, and not own another home in Avondale already. They must be able to qualify for a mortgage and provide some personal funds toward the down payment. Officers are required to complete the home buyer education class, and can opt to participate in the counseling program. Participants must choose a home at an acceptable debt-to-income ratio. The house must be occupied as a primary residence; it cannot be a rental property. If they own a home in another community, they have to agree that they are not going to walk away from it. The funds will be provided to the title company at closing.

Ms. Montes said participants have two options, both secured by a lien. The first is a forgivable loan amortized over five years. The other is the due upon sale option, which a participant might want for the tax implications. In both cases, there would be no interest accrued. If the officer separates from the City before completing five years in good standing, then repayment of the pro-rated amount is required. She requested approval of the transfer of \$60,000 in contingency funds to continue the program. Probably no more than three officers will close before the end of the fiscal year.

Council Member Weise inquired how the \$20,000 amount was decided upon. Ms. Montes explained that \$20,000 is viewed as a substantial enough amount to buy down the mortgage and make it very affordable. Council Member Weise said cities throughout the country have been using this program and the amounts are based on the cost of homes. He questioned whether it would make more sense to lower the available amount, considering that home values have decreased so much in the last five years. Doing so would open it up to more officers, or even firefighters, nurses and teachers. Officers do make good neighbors, but so do other professions. He inquired about the number of officers that need this incentive.

Mr. McClendon explained that this program could be available to all kinds of employees to anchor them in the community. The program was started in response to Avondale having to invest a lot of money training officers, only to see them lured away to another city. The program was started as a way to anchor them in the community, even if someone else is paying them more. The same market pressures don't exist in other professions. The program was targeted to respond to an area with competitive pressures. Council Member Weise inquired if more than three officers needed the help. Mr. McClendon responded that three have come forward so far and are working through the program. The present action is

simply to get through the current fiscal year. As part of the budget deliberations, City Council can consider whether to continue this item into the future. If the money is not used by the end of the fiscal year, it carries over into next year. It is difficult to say what the demand will be over the long term.

Council Member Weise said he would prefer that the loan be due upon sale, or at least a pro-rated amount due upon sale with no forgiveness date. He felt an officer who has to leave due to disciplinary reasons should not be rewarded with what is essentially a severance package.

Council Member McDonald noted that the qualifying house has to be an existing one. He inquired what would happen if an officer walks away from their existing home in another community. Ms. Montes responded that the consequences have not been described, and City Council could opt to include them. Council Member McDonald felt the loans should be forgivable after the fifth year, rather than 20% per year. Is there way to amortize the taxable income over five years, but not give it out until the fifth year? Ms. Montes said her understanding is that as participants receive the benefit, their tax liability is incurred. It will be up to the officer to understand what those implications are and make that decision. Mr. McGuire clarified that the City does not want to advise employees in tax issues. If the City does advise them and takes on that liability. The officers just need to understand how the program works. Council Member McDonald said officers could be given the option of doing it either way, the City should ensure that it gets a full five years from the officers.

Council Member Vierhout inquired whether police officers are required to live within a certain distance of the city. Chief Kotsur said there is no such requirement. Council Member Vierhout agreed that City Council should consider offering the program to other departments eventually.

Council Member Buster said it would be good to lock officers in for five years if possible. If the economy turns around, the turnover rate could be very high over the next couple of years, and it would be good to start locking some of them in now. He inquired whether this would cause problems should they change their mind. Chief Kotsur said he did not believe so. The initiative is significant enough that they would probably stay with it.

Council Member Buster noted that the program has been in place for two years but no officers have used it until now. Ms. Montes explained that the program was unable to find grant funding in its first two years, and was not marketed to the officers until the funding was available. Council Member Buster said it would be good to restrict the program to just police officers until it can get off the ground. It is an excellent idea from the standpoints of public safety, recruitment and retention, and for ancillary reasons.

Mayor Lopez Rogers indicated she had a request to speak from a resident.

Richard Childress said City Council was too caught up in the details and has lost sight of the big picture. The City has 330 other employees and none of them are getting a pay increase, nor have they been offered a housing incentive to live in Avondale. It is possible that some of the people who were laid off several years ago are still without jobs. This is not a good way to retain police officers. They commonly gravitate to larger metro agencies by nature.

The problem has to be solved from the recruiting angle. It shouldn't cost \$100,000 to bring a police officer into the force. This is an issue of fairness and there should be no favoritism. He requested that City Council table the item and think about ways to fund the program for all City employees, or just stop it altogether.

Mayor Lopez Rogers identified two issues: the program itself and moving the contingency into the program. She noted that at one time residency was going to be a requirement for police officers, but some objected citing safety concerns. If that was true then, it could potentially be true now. She suggested approving the transfer request now, but revisiting the issue later, at a time when City Council could receive input from officers on the residency issue. Mr. McClendon said the success or failure of the program itself is the best way to get data about where people want to live. As for the contingency, it is always better to handle things through the budgetary process, and that's how staff intends to do it going forward. Since people are interested in the program now, he felt it was better to use the contingency rather than make them wait until July.

In response to an inquiry from Council Member Buster, Mr. McClendon explained that the turnover rate has increased slightly recently, but is still very favorable. It is higher in the police department than in other areas, simply because it is easier to get a job somewhere else in that field. Staff will provide a turnover report spanning ten years. Council Member Buster noted that when the program was first introduced, Avondale was continuously losing officers to other cities. During recessions, turnover is normally quite low. Employee salaries have been frozen for a while now, and that is something City Council will consider addressing during the next round of budget discussions. During good times, turnover rates were significantly higher, particularly in the police department.

Vice Mayor Karlin noted that when the program was first proposed, it was to be for both police officers and teachers. Some teachers were hesitant to take advantage of the program because they were concerned about their more challenging students knowing where they lived. Police officers were concerned about similar issues. She has no issue with approving the contingency, but there still seems to be an issue regarding when to forgive loans. As such, she would be hesitant to approve the program. Mr. McClendon explained that the immediate action needed is to approve the contingency transfer only. The program as constituted is explained to employees as a five-year forgivable at 20% each year, or with the due on sale option. Those terms could be changed later, but they should apply to the officers who are currently in the program. He recommended seeing what the response is to the existing program before making changes.

Council Member Vierhout inquired about the training costs for a police officer versus other employees. Mr. McClendon responded that police officers require much more time to train than other city employees. Department heads have already paid for their required training themselves. Police officers are hired based on their physical ability, and ability to learn the required skills. Police academy takes 14 weeks, followed by the field training for 12 to 14 additional weeks. At that point, officers have been paid for six months before the City has received a single day of production from them. Comparatively, a sanitation truck driver can be trained in a manner of days to follow City policy, since they are already required to have a CDL. City Clerks are expected to come with the requisite qualifications and training would

simply be a matter of orienting them to City policies. Fire Academy is a few weeks less than Police Academy.

Council Member Scott said all the comments have validity and the program should be revisited later, but it would be unfair to change the rules now for the three who are in the program. Training officers takes a lot of time and money, and the failure rate can reach 50%. A police officer can take someone's liberty away by putting them in jail, and that requires the highest training and the best character. That is why so much effort is made to train officers. It is valuable to have Avondale's officers live in the city. Mayor Lopez Rogers suggested approving the contingency now and using this year as a pilot program. Changes can be considered next year, if deemed necessary.

Council Member Weise said this program is no different than a hospital paying for a nurse to attend nursing school in return for a commitment of service. Low-income school districts pay for a teacher's education in return for a commitment to work in their district for a minimum number of years. He disagreed that officers always move to bigger cities. People stay in jobs that they love and in cities they are comfortable in. Avondale has a problem retaining officers right now; not a problem retaining any other classification of employees. This program is an attempt to solve that problem. He would be open to revisiting the program next year, but Council should approve the funding for the three people who are currently in it.

Council Member McDonald said changes might be necessary in the future, but it would be wrong to change the program now. Public safety employees are expected to do things no other classification of employee is expected to do. Council Member Buster said it is important that the City follow through on its commitment. If Avondale can lock in officers now, they are less likely to leave once the economy improves. Mayor Lopez Rogers said officers who do not wish to live in the community have a choice not to participate in the program.

Vice Mayor Karlin moved to approve a request for a transfer of \$60,600 in contingency funds for use toward the Avondale Police Housing Incentive Program. Council Member Weise seconded.

ROLL CALL VOTE AS FOLLOWS:

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

Motion carried unanimously.

6) RESOLUTION 3034-312 – AUTHORIZING PARTICIPATION IN THE METROPOLITAN PHOENIX MUNICIPAL EMPLOYEE BENEFIT TRUST

A resolution approving an agreement and declaration of trust and necessary ancillary documents to create and authorize the city's participation in the Metropolitan Phoenix Municipal Employee Benefit Trust and authorize the Mayor or City Manager and City Clerk to execute the necessary documents. The Council will take appropriate action.

Mr. McClendon reminded Council that this item was presented in work session one month ago. In the intervening time, the documents to form the trust have been finished and some of the other cities have already voted on it. Kathy Reyes, Benefits Administrator, said the Metropolitan Phoenix Employee Municipal Benefit Trust is moving forward with four participating cities: Apache Junction, El Mirage, Youngtown and Avondale. She thanked City Attorney Andrew McGuire for his help in preparing the documents. She also thanked Aaron Collins for moving the effort forward at a quick pace. The City of Maricopa has requested a special meeting in March to look at the possibility of joining the trust again. The trust will not be hurt either way. The other three participating cities have already signed their resolutions. Fountain Hills and other outlying cities have expressed interest in the trust, as have several fire districts.

Ms. Reyes noted that as of October 2011, Avondale had approximately 396 members and 990 dependents in its current City plan. The proposed trust anticipates approximately 940 employees and 2,350 dependents. Four plans were created by the trust: an Exclusive Provider Organization (EPO), a Preferred Provider Organization (PPO), and two high-deductible health plans that meet the IRS definition for health savings accounts. The trust also brings back a wellness program. The trust would lease the Blue Cross/Blue Shield network and is able to obtain some of the highest discounts on the market.

Ms. Reyes provided a comparison of the current Avondale plan with the plans offered by the trust. The four options will provide employees with various choices to fit their needs based on their family's situation. The trust was able to create better benefits while at the same time remaining cost neutral or in some cases, realizing premium savings. Under a fully insured carrier, cities have no control over administrative costs, but the trust is able to ask questions and negotiate contracts.

Ms. Reyes said the total cost to the City represents a slight savings, even with the benefit changes, which in many cases are better. Currently the cost is a little over \$3 million. The budget for FY2012/13 is approximately \$3.1 million. By using the Blue Cross/Blue Shield network, employees can still use their same doctors and specialists. Staff recommends that City Council approve the resolution and authorize the City to join the trust.

Council Member Vierhout queried what would happen if Youngtown goes away. Ms. Reyes explained that staff does not think that will happen. Even if they were to go, they are a very small part of the trust and would have no impact on the rates. Council Member Vierhout asked whether there have been any changes since the last meeting. Ms. Reyes said there have not.

Vice Mayor Karlin commended the parties who were involved in the effort. Insurance rates go up 20% a year and less coverage is offered each time. She asked whether insurance

rates would be reduced if more cities join the trust. Ms. Reyes said it is possible, though the intent is to grow the trust in a healthy fashion, and the trust reserves the right to underwrite each municipality that requests to join. Three years worth of claims history are examined to determine if they are financially healthy. Adding healthy cities could either reduce the premium or change the benefit offerings. Vice Mayor Karlin inquired about what would happen if a city in the trust suddenly had an extremely high number of claims. Ms. Reyes responded that there is a clause that says a municipality must stay in for three years. After that period, the community could elect to leave. As the pool grows, the hope is that a reserve would stabilize the trust against bad years. Historically, trusts have been healthy and are able to navigate bad years with a surplus.

Council Member McDonald asked whether there was enough time to add Maricopa. Ms. Reyes explained that trusts are responsible for writing their own plan booklet, preparing their own contracts, and finding their own utilization review company. As a result, there was no time to add Maricopa before the plan went into open enrollment. Council Member McDonald said Avondale has often been the first to try new ideas before other cities jump in, so it should be no problem to add several cities later on.

Council Member Weise inquired about the rate increases over the last three years. Ms. Reyes guessed that they rose between 5% and 7% each year. Council Member Weise noted that the average annual rate increase nationally is 9%, and is projected to go up by 13% in 2012. If these costs can be stabilized, it helps every part of the budget for the City. He noted that the national average to cover an employee is almost \$11,000, and that cost has gone up 113% in the last ten years. The trust is a great idea and it could be used in other departments as well.

Council Member Buster stated that the trust is a very creative solution to hold down the increasing cost of healthcare. It benefits employees and the City. It shows great leadership. He asked whether any other groups of cities are partnering together in a similar fashion. Ms. Reyes said some county trusts have been together for many years, but she was unaware of any cities the size of Avondale that are in trusts. The trust is the subject of much discussion by many regional communities.

Mayor Lopez Rogers questioned whether the trust affects any existing conditions for employees. Ms. Reyes responded that none are affected at all. A transitional care report is being done to ensure that people with special conditions experience no service disruptions. The transition will be invisible to everyone. Mayor Lopez Rogers asked about the downside of going into a trust like this. Ms. Reyes said initially she felt the deal was too good to be true, but as the effort began to materialize, it became evident that the partnering municipalities worked very well together. The worst case scenario is that the parties experience a bad year all at once, which is highly unlikely. That is why there is an actuary that holds down the price in bad times. Mr. McClendon noted that by being part of a group of cities, Avondale no longer can decide everything for itself the way it could with its own plan. To this point, the cities have worked well together.

Mayor Lopez Rogers expressed appreciation that staff continues to consider new ways to do business. This value is essential to the City's vitality. Council Member Buster asked how Avondale would be affected once the national healthcare legislation goes into effect in 2014.

Ms. Reyes responded that staff has only begun to look at that. There are still so many unknowns about the program and it is too early to tell what it will be like. Arizona intends on creating its own pools and the trust will watch them carefully.

Vice Mayor Karlin moved to adopt resolution 3034-312, a resolution approving an agreement and declaration of trust and necessary ancillary documents to create and authorize the city's participation in the Metropolitan Phoenix Municipal Employee Benefit Trust. Council Member Weise seconded.

ROLL CALL VOTE AS FOLLOWS:

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

Motion carried unanimously.

7) ADJOURNMENT

There being no further business before the Council, Council Member Weise moved to adjourn the meeting; Council Member Scott seconded the motion.

Meeting adjourned at 8:39 p.m.


Marie 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 Regular Meeting of the Council of the City of Avondale held on the 19th day of March 2012. I further certify that the meeting was duly called and held and that the quorum was present.


Carmen Martinez
City Clerk