

Minutes of the Budget Meeting held December 10, 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
Kevin Artz, Finance and Budget Director
Pier Simeri, Community Relations Director
Christopher Reams, Parks and Recreation Director
Andrew McGuire, City Attorney
Carmen Martinez, City Clerk

1) ROLL CALL BY THE CITY CLERK

2) COUNCIL GOAL BUDGET UPDATE AND GOAL SETTING FOR FY 2013-14

A status update and request City Council direction for development of policy goals and priorities for the 2013-2014 fiscal year.

Charlie McClendon, City Manager, reviewed the City's current financial status, projections for the upcoming year, accomplishments of the past year, and laid the groundwork for developing the new budget. He explained that City Council's feedback would provide the framework for City departments as they develop their draft budgets.

Kevin Artz, Finance and Budget Director, provided data on the first quarter of the current fiscal year, and detailed the amount of money that is expected to be available for FY 2013-14. The Consumer Price Index (CPI) went from .02% in October of 2011, to .04% in October 2012. The annual CPI for last year was 3.4%. The unemployment rate dropped from 9% to 7.9%, compared to the prior October, and nationally, the economy grew by 171,000 jobs in October 2012. The Arizona unemployment rate dropped from 9% to 8.1%. October 2012 job growth in Arizona was 4,300 jobs, the fifth best among states.

Mr. Artz said state shared sales tax for Arizona in October was \$381 million, or approximately 1% above October of 2011. This amount is about \$6.5 million below the budget forecast for the month, however. Avondale's distribution through October is \$1.9 million, or about \$78,000 below what the City had forecasted. Individual income tax revenues were \$275 million in October or 5% more than the prior year. YTD revenues have grown by \$21 million above forecast. Corporate income taxes revenues were \$27 million in October, and YTD collections were up 2.7%, but almost \$10 million below forecast. Avondale's auto in lieu tax distribution YTD is \$850,000, or about \$12,000 more than budgeted. Highway User Revenue Fund (HURF) distribution is \$1.268 million or \$115,000 above the forecast.

Mr. Artz said Avondale's YTD sales tax collections are \$8 million, 4% above the prior year, and on track with the current year. Permit and review fees collections to date are \$289,000, which is 90% of the total annual forecast. Development fee collections are at \$1 million and 56% of total forecast. Fines and forfeits are right on track to meet yearly budget projections. Avondale is generating about \$6 million to \$9 million less in revenue than in the peak year of 2007. Restaurant and bar sales taxes are one of the most stable sources of revenue. Retail tax revenue has been growing in 2012. The tax on items over \$5,000 has seen significant growth since the low point, but is still below 2007 levels. Contracting tax revenue continues to be very low. All taxable transactions in the City significantly decreased from 2007 to 2010, but have grown modestly since then.

Mr. Artz prognosticated on possible budget impacts looking forward. Staff turnover in several positions impacted the budget by \$305,000. The City set aside another \$500,000 towards opening Fire Station 4. The retirement contribution increased \$68,000. The insurance trust fund received \$200,000 in ongoing contributions, and \$130,000 in a one-time payment. The regional wireless cooperative received \$13,000 in ongoing funding, and \$335,000 in one-time revenue. The current projection is for \$42.7 million of ongoing revenue, and a little more than \$5 million of one-time revenue. The budget for FY2012-13 was \$40,658,000. Projected ongoing revenue next year, less ongoing expenses, is \$955,000. The fund balance is projected to be in the \$20 million range. There will be a deficit on the one-time side of \$2.8 million. Some fund balance will be available to cover this shortfall.

Mr. Artz said total costs for all funds will require a 1% adjustment, or \$220,000, to the General Fund. The five-year forecast is for growth, as revenues are projected to exceed expenditures. Staffing per thousand residents has changed. Historically, Avondale has been second to the lowest in the Valley. Buckeye recently cut a lot of staff, moving them into second, though the ratio is still very close. Mr. McClendon said this ratio is an important predictor for the future, because employee-related costs are the single biggest inflator of expenses. Council Member Vierhout noted that Avondale is providing services to citizens of other cities, and is contracting out many services. Mr. McClendon added that when Avondale is the lead agency in a partnership, employees all show up as belonging to Avondale, even though the City is only paying a fraction of their cost.

Council Member McDonald asked about staff growth. Mr. McClendon responded that vacant positions will continue to be filled, but the City does not intend to add to the total FTE count this year. Next year, 15 positions will have to be added for the new fire station.

Mr. McClendon provided a summary of the goals for the past year and their current status. Funding has been put in place for improvements to the public areas at Friendship Park, and grant funding was aggressively pursued. The Home Rule election passed with 78% of the vote. Water and sewer rates were not increased this year. Staff has prepared a new proposal for marketing and branding the community. Phoenix International Raceway has been incorporated into Avondale's branding efforts. Staff has been working with various non-profits and other groups to provide the quality of life that residents expect. Historic Avondale continues to be a focus of new investment efforts. Staff is evaluating whether to locate Family Services in the CareFirst facility.

Mr. McClendon reported that the Police Department continues to focus on crime reduction and prevention, and is seeing results. The CAT team has had some breakthroughs in battling copper thefts. The Motors Unit has been deployed to various locations in the city to cut down on speeding violations, and Traffic Engineering makes design changes as necessary. Chief Adams and Mr. Artz have put together a plan to open Fire Station 4 within two years. The funding has been put into place for new police equipment and ongoing replacements, and some grants have been secured to help. The Southwest Family Advocacy Center continues to see success, and a new partner reduces Avondale's contribution to 25%. The new location also saves money.

Mr. McClendon said economic development remains an important priority, and every employee understands that they have some responsibility to advance it. Two new positions have been filled in the Economic Development Department. The General Plan was approved by 81% of voters. City Council discussed the state of the education system with leaders of various school districts. Avondale works with the Greater Phoenix Economic Council (GPEC) and the Maricopa Association of Governments (MAG) on regional economic development initiatives.

Mr. McClendon said that Avondale's sustainability efforts include recycling, water management, and other green initiatives. Events are planned to mark the tenth anniversary of the recycling effort. IT has redesigned their data center to fill a smaller footprint, which saves on cooling costs. A new Environmental Program Manager has been hired. The City continues to buy environmentally friendly products when it makes financial sense. The new recycling contract accepts a greater variety of recyclable items. The Southwest Valley HOA Academy taught HOAs about water conservation and how to handle stormwater areas. Low energy use upgrades were paid for by an Energy Block Grant. The solar demonstration project will soon be operational. Avondale continues to work with the Arizona Department of Environmental Quality (ADEQ) and the Environmental Protection Agency (EPA) to protect the city's interests in the superfund site.

Mr. McClendon noted that for the first time since 2008, employees were given a salary increase, which meant a lot to them. Staff is working on a broader salary survey for police and fire employees. Cost-free morale boosting activities are regularly held for employees. Avondale continues to be involved in local transit groups. The ZOOM bus expanded to Tolleson in July, and staff is evaluating several route adjustments. Other cities could be included in the program if the situation is right, and if doing so would not deteriorate Avondale's service. Steps have been taken to improve the City's presence in social media, and the number of overall interactions has increased.

Mr. McClendon asked City Council Members to submit their priorities for the upcoming year, recognizing that there is little room left for new programs and services. The feedback will be used to build the framework for the entire budget.

Mayor Lopez Rogers said staff retention efforts usually focus on public safety contracts, but the rest of the City's employees should not be forgotten. Salary increases are not keeping up with the increased cost of living. Council Member Weise said that when it comes to police, Avondale has to retain the officers it trains, but the rest of the City's employees should not be left behind.

Mr. McClendon noted that the market forces are different for different types of employees. Last year, employees received a 3% raise, but did not get raises for the four previous years. The proposal this year is for another 3% raise. Council Member Buster asked about Avondale's salary competitiveness in public safety. Mr. McClendon said in terms of police salaries, Avondale's standing has slipped relative to other cities, but fire is competitive overall. Council Member McDonald said salary compression in the Police Department is a big problem that hinders competitiveness. The Current City Council has been willing to address the issue. Mr. McClendon said the salary gap cannot all be made up at one time, but a good faith effort would go a long way towards increasing retention.

3) RESIDENT SATISFACTION SURVEY UPDATE

Review of the findings of the 2012 Resident Satisfaction Survey.

Pier Simeri, Community Relations Director, reported on the results of the Resident Satisfaction Survey. For the past few years, the survey has been handled in-house. The City is constantly getting feedback from residents through a variety of methods. The survey was conducted in October 2012 and lasted for one month. A total of 492 surveys were completed, 214 of them online, and the remainder at public facilities and Resident Appreciation Night. QR codes were posted at numerous public areas so that residents could use their smartphones to download the survey. It was touted through social media and in City emails.

Ms. Simeri said the highest ranked City services were fire/EMS, garbage/recycling, police, and library. Few people rated services fair or poor. Top priorities for the year were job creation, youth programs, and special events. The high ranking for special events might reflect that citizens were happy to have special events back. Mr. McClendon noted that half of the surveys were conducted at special events, which may have influenced responses.

Ms. Simeri said the survey also asked residents how they typically receive news about the City. Overwhelmingly, people get news through the City's website. The newspaper and email listservs were also popular options. Social media continues to grow in importance. Council Member Weise requested information on the cost per contact, which could be helpful in determining the most efficient method of news dissemination.

Ms. Simeri reported that Channel 11 ranks lower than other methods, and only about one third of Avondale households subscribe to Cox. When the channel was down for two months, staff didn't receive a single complaint. Much of that content can be provided through the website as well. Council Member Vierhout suggested that featuring children on Channel 11 programs would get parents to watch. Ms. Simeri said the school boards were invited to submit programming, but none responded.

Ms. Simeri shared some of the comments submitted with the surveys. Citizens will usually complain on their own volition when something goes wrong, but say positive things if given the opportunity. Mayor Lopez Rogers suggested videotaping citizen comments at special events to post on the website or Channel 11. Ms. Simeri concluded that residents like

living in Avondale. They compliment the customer service, graffiti control, and clean streets.

City Manager Charlie McClendon indicated staff was now ready to hear Council Member's feedback regarding items they would like to add to their goals for the following year.

Mayor Lopez Rogers stated that in terms of quality of life, much depends on what is done with the rivers. Mr. McClendon responded that a consultant could help Avondale figure out how to invest the available money to maximize its impact, and produce something that would help citizens envision the remainder of the river projects. Council Member Weise said Tres Rios is a diamond in the rough that needs a plan to address its pollution and transient problems. Mr. McClendon noted that the jumble of jurisdictions involved complicates solutions. Council Member Buster said the community has turned derelict places into nice parks before, and it can be done again. Vice Mayor Karlin said the involvement of different community groups would be integral to keeping the area maintained once it is cleaned up. A well maintained Tres Rios is a quality of life factor that aids economic development. Mayor Lopez Rogers added that PIR would benefit from Tres Rios as well, and should be involved in a solution.

Council Member Vierhout said citizens have been asking for splash pads for years. Christopher Reams said splash pads are included in Phase II of Festival Fields. Mr. McClendon said more events could be added for adults and youth, particularly if they recover their cost. Mr. Reams said the City used to have many more activities, but as the economy declined, subsidies for youth programming dropped and so did participation. Sponsors love proven events, but are wary of new ones. Once they understand what the market is, they are more willing to participate. Council Member McDonald suggested that the City provide seed money to new events until they indicate whether they can be self-supporting. Council Member Buster noted that the amount of money that Avondale spends now on special events is smaller than it was in 2007, even though the calendar of events is larger. Mr. Reams doubted that the City should return to the time when it subsidized events. Sponsorships are easier to obtain in a good economy.

Vice Mayor Karlin said parks needs permanent equipment that provides leisure activities for seniors, and for families to enjoy their time together. Mr. Reams responded that the plan for Friendship Park includes such amenities. Mr. McClendon said those features would be built this year.

Mayor Lopez Rogers felt it is important to keep the transit center a transportation management priority. Mr. McClendon reported that the property acquisition has been funded. The Engineering Department is designing the streets, parking lot, and other elements in preparation for an express bus route. Mayor Lopez Rogers said marketing and branding is another priority. Mr. McClendon explained that the branding effort is to develop Avondale's story and tell it in a consistent manner for the purposes of economic development, civic pride, and attraction of new citizens.

Council Member Buster inquired about the size of businesses Avondale is working to attract. Mr. McClendon responded that the focus for the new ED team will be to attract jobs in the areas of medicine, youth and amateur sports, and filling up the industrial space.

Avondale only has only has a couple of parcels large enough to build a 600,000 square-foot building, and Council has identified only a couple of areas where they would be appropriate.

Council Member McDonald noted that the priorities outlined by City Council line up well with what citizens identified as their most important issues, those being to address vacant retail space, future growth and development, job creation, youth activities and special events. Mr. McClendon noted that the two biggest retail spaces available have been leased and will open after New Year's Day. Council Member Scott said Economic Development should be open to attracting franchises that draw traffic to Historic Avondale. Mayor Lopez Rogers suggested that good coordination between Economic Development and Neighborhood and Family Services is vital.

Mayor Lopez Rogers requested an update on domestic violence issues, particularly at residences that generate frequent calls for service. The faith-based community could potentially help.

Vice Mayor Karlin stated that the concept of urban agriculture would shape Avondale's quality of life and community and economic development, while also contributing to open space. The U.S. Department of Agriculture and Department of Commerce support the global growth of this concept as a way to alleviate poverty and famine, while reducing the cost of food and promoting biotechnology. Avondale started out as an agricultural community, and this concept would be a logical evolution of that heritage. Mr. McClendon said it would be possible to research the possibilities. Mayor Lopez Rogers inquired whether landowners have expressed interest in this idea. Dan Davis, Economic Development Director responded that staff plans to survey agricultural landowners to get a better sense of where their interests lie. Mayor Lopez Rogers speculated that as farmers age, their children will not be as interested in continuing in that business. Vice Mayor Karlin said new investors are entering the field looking for opportunities in biotechnology. Nothing may come from this idea, but it would be worth looking into.

Council Member Vierhout suggested adding a placeholder for a comprehensive study regarding a bridge on Thomas Road. Council Member Weise said that if the City of Avondale wants to assume environmental leadership, it should begin using electric vehicles to see how they work out. Council Member Vierhout noted that some public safety agencies have even explored electric motorcycles. Mr. McClendon responded that staff could study the steps necessary to move in that direction, and explore the technology's applicability for public safety use. Council Member Buster felt that it would be a very cost-effective way to promote environmental leadership.

Mayor Lopez Rogers said the City Council is supportive of the services that City employees provide, and acknowledged the impressive amount of money they raised for the United Way. She consistently hears positive comments about the City's customer service. Mr. McClendon noted that the average United Way contribution per employee topped that of all Valley cities. He stated that staff will present a draft budget during a work session in April.

4) ADJOURNMENT

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

Meeting adjourned at 7:58 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 Budget Meeting of the Council of the City of Avondale held on the 10th day of December 2012. I further certify that the meeting was duly called and held and that the quorum was present.


City Clerk