

Minutes of the Regular Meeting held April 15, 2013 at 6:00 p.m. in the Council Chambers.

MEMBERS PRESENT

Mayor Lopez Rogers and Council Members

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

ALSO PRESENT

Charlie McClendon, City Manager
David Fitzhugh, Assistant City Manager
Kevin Artz, Director of Finance and Budget
Wayne Janis, Public Works Director
Cherlene Penilla, Human Resources Director
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

There were no requests to speak.

3 PUBLIC HEARING AND RESOLUTION 3097-413 – 2013-2014 ANNUAL ACTION PLAN

A public hearing to consider a resolution approving the 2013-2014 Annual Action Plan portion of the 2010-2014 Consolidated Plan, and to authorize the Mayor or City Manager and City Clerk to take the steps necessary to submit the necessary documents for receipt of Federal Community Block Grant Funds.

Charlie McClendon, City Manager, noted that City Council previously discussed this item during last week's work session.

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

Council Member Weise moved to adopt Resolution 3097-413, approving the 2013-2014 Annual Action Plan, and authorizing its submission to HUD. Council Member Vierhout seconded.

ROLL CALL VOTE AS FOLLOWS:

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

Council Member Buster

Aye

Motion carried unanimously.

4 FY 2013-14 – CITY MANAGER’S PROPOSED BUDGET ESTIMATES

Review of the proposed budget plan for the 2013-2014 fiscal year which totals \$165,865,610 along with requested supplementals/adjustments in an amount of \$6,029,910.

City Manager Charlie McClendon presented the Fiscal Year 2013-2014 Proposed Budget, noting that ongoing revenues are projected to meet or exceed ongoing expenditures, and that one-time expenses are covered through draw downs as well as a fund balance for planned capital improvements.

Kevin Artz, Finance and Budget Director, reviewed the City of Avondale’s current financial standing and details of the Proposed Budget. The beginning General Fund balance is over \$30 million, with estimated revenues of \$49.6 million and estimated expenditures of \$43 million. There are \$4.6 million of new supplemental requests which are not included in the base budget, and \$5.1 million of outgoing transfers. In total, the fiscal year is projected to end with as much as \$27 million in the General Fund. The projected unrestricted fund balance is \$77 million, while the stabilization fund balance will approach \$19 million.

Mr. Artz reported that Avondale collected a little over \$63 million in revenue for all funds through February of FY2012/13, and has expended over \$68 million. Last year’s adopted budget was programmed to spend down the fund balance, which explains why the City spent \$5.6 million more than it brought in. Likewise, the General Fund brought in \$28 million of revenue against \$38 million in expenditures.

Mr. Artz compared leading economic indicators between February 2012 and February 2013. During that time, the consumer price index decreased. The unemployment rate decreased both nationally and in Arizona, while job growth was positive. The recent recession differed from past recessions in that it produced negative net job losses for three consecutive years, and the recovery still has not come close to replacing the lost jobs. Proposed expenditures rose from \$159 million to \$171 million, a 7.5% increase. Most of that came in the operating and capital budgets. Council Member Buster requested a comparison of Avondale’s debt service to those of other Valley cities. Mr. Artz responded that historically the City has stayed within the range of 8% to 11%.

Mr. Artz said revenue assumptions for FY2013/14 show a 3% increase in sales and property tax levies. State shared sales tax is projected to go up by 4%, income tax revenue up by 10%, and total General Fund revenue is projected to grow 6%. Mr. Artz reviewed some of the supplemental requests included in the proposed budget including:

- Cisco Networks Maintenance
- Landscape and security contracts
- Tipping fees
- Banking fees
- Staffing for Northwest Public Safety Facility

- Fire equipment and start up for Northwest Public Safety Facility
- Emergency Management and EOC
- Tow program/records supervisor
- Public Works program coordinator
- Compensation and benefits

Council Member Weise inquired whether Public Works could continue to use a supervisor. Public Works Director Wayne Janis explained that the current project manager has been splitting time between supervisorial and management duties, even as demand for services increases. Council Member Weise inquired whether the fire equipment for Northwest Public Safety was a CIP expense. Mr. Artz said it would come from the General Fund.

Mr. Artz requested City Council direction on the Contributions Assistance Program (CAP Fund and Council Discretionary Funds). Council Member Weise felt the CAF should be increased by \$20,000 over time to return it to its former level. While he never uses all of his discretionary funds, those who travel to national meetings would benefit from a higher amount. Vice Mayor Scott supported either increasing the Contributions Assistance Fund or using that money on other programs to benefit the community. The National League of Cities Public Safety Committee meets four times a year, and he expressed concern that his expenses would exceed his \$5,000 discretionary amount.

Council Member Buster stated that he had no need for his discretionary funds, but those serving on other boards would. He supported either increasing the CAP or using the money for other programs. Council Member Karlin felt an increase in the discretionary funds allocation would help defray the rising cost of travel. Council Member McDonald felt that the CAP should be restored to its former level because many good charities are in need of help. Unused discretionary funds are swept and could be applied to other areas. Council Members Vierhout and Weise suggested a 10% increase to the CAP.

Council Member Karlin said the City is doing a good job with the limited amount of money available in the CAP, and other programs might benefit more from the money. She suggested putting \$5,000 in a general discretionary pot for the benefit of those Council Members who travel to meetings. Mr. McClendon advised an even \$1,000 increase for each City Council Member as none of the unused money would be wasted, and it would be easier to administer that way. He also noted that City Council could return to the CAP question once the federal government has clarified how much money they will make available to communities.

Mayor Lopez Rogers clarified that the National League of Cities pays for her travel expenses, so her discretionary budget is not used for that purpose. The fund has held steady at \$5,000 for the past 17 years, however, and an extra \$1,000 would help frequent travelers. City Council agreed by consensus to add \$10,000 to the CAP, and \$1,000 for each council member.

Council Member Weise inquired whether the City had a more efficient way to pay for the training equipment requested by Human Resources. He would rather see the money used for tuition reimbursement than for new equipment. Human Resources Director Cherlene Penilla explained that the equipment would be a cost-saving measure used to produce

training webinars and videoconferences that would save on travel expenses. Tuition reimbursement has remained constant, even as tuition costs have risen. Only 40 employees use the program, whereas every employee would benefit from the new training equipment.

Mr. Artz next turned to the capital side of the budget. The total CIP is \$298 million over ten years, with 60% going to basic infrastructure needs like water, sewer, and streets, and 10% towards equipment replacement. About \$62 million is budgeted for the first year. A potential Improvement District appropriation is listed to give the City flexibility in the event that a developer wants to create such a district. Council Member Vierhout inquired about the spike in the streets budget for the current year. Mr. Artz explained that the first year of a ten-year CIP is typically front-loaded.

Mr. Artz reviewed several street projects included in the CIP, including overlay projects in the Garden Lakes area, improvements to the Avondale and Buckeye intersection, City Center street completion, intelligent transportation system enhancements, the McDowell Road Bridge to Avondale Boulevard, and the narrowing of Central Avenue. Mayor Lopez Rogers clarified that most of Historic Avondale cannot be included in a citywide overlay because of the intensive need for reconstruction in that area.

Mr. Artz said sewer projects in the CIP include replacing the sewer line on Central Avenue, the south Avondale PIR sewer line, and the tertiary filters, clarifiers and centrifuges for the treatment plant. Council Member Weise said the treatment plant improvements are long overdue and this will extend its life. Mr. McClendon responded that staff is confident that the proposed amounts will cover the cost of improvements, even if the specific details will not be fully known until the operating improvements have been implemented. Mr. Artz reviewed water-related CIP projects, which include wellhead treatment carryover, the Avondale Boulevard water line for PIR, the Central Avenue and Western water line replacements, Well 8 rehabilitation, and a portion of the tertiary filter cost.

Mr. Artz explained that sewer rates will be impacted. The City will have to issue \$10 million in sewer revenue bonds, and this will require a 12% increase in revenue collected from sewer rates, either in one year or spread over several years. He guessed that the average sewer bill would increase about \$3 per month if the increase were done all at once. The water bill does not require an increase at this time. Mr. McClendon said a full rate analysis will be available in the fall.

Council Member McDonald stated that the budget has been cut every year, and staff did a good job avoiding rate increases when the economy was hurting. Nobody likes the idea of higher rates, but costs continue to rise. The City needs to be proactive in ensuring that the necessary improvements pay for themselves. Council Member Vierhout and Vice Mayor Scott expressed their support for stepped increases.

Mr. Artz next turned to the City's property tax. In 1999, the combined primary and secondary tax rate was \$1.78, and the assessed valuation was less than \$100 million. As valuation increased from 1999 through 2007, the City reduced property tax rates. By 2008, the rate had dropped to \$1.10. Debt costs subsequently rose from \$3 million in 2009, to \$5.5 million in 2010. Assessed valuation dropped 50% from its peak in 2010. Currently,

the combined property tax rate is \$1.33, and the City is not collecting enough to pay off its general obligation bonds. Even though citizens are paying higher rates than they were in 2008, their total bill is lower because the assessed value has dropped so much.

Mr. Artz presented three options for discussion. One option is to increase the combined property tax rate to \$1.80 to close the full debt service shortfall this year. The rate could decrease to \$1.58 in FY2014/15, and then to \$1.46 the year after. The second option is to transfer \$750,000 from the General Fund into debt service to avoid putting the full impact on the property tax rate. Under this plan, the rate would increase to \$1.59 for both this year and next year, and then drop to \$1.43 in two years. Option 1 would result in an average increase of \$40 in annual city property taxes, while Option 2 would result in an average \$18 increase. A third option could be to apply a \$1.5 million subsidy from the General Fund, which would result in rate of \$1.46 for three straight years. The average impact under Option 3 would be negligible. Mr. McClendon noted that the City plans to retire some debt soon that will not be replaced, thus easing the burden on future years.

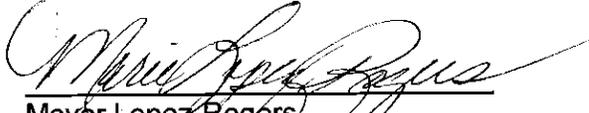
Mayor Lopez Rogers noted that neighboring cities have had to raise rates, and the hope in Avondale was that assessed value would increase enough to cover the shortfall. Council Member Weise stated that rates have been stable for a while, and he would support Option 1. Council Member McDonald said citizens never remember tax reductions, only tax increases. He preferred the more consistent rate of Option 2.

Council Member Buster inquired about the use of the stabilization fund. Mr. Artz explained that it has two components. One is to provide the working capital needed to pay bills, and the other is to offset declines in revenue. It acts as a cushion in the case of a fiscal emergency or economic downturn. Council Member Buster said he would not be averse to using some of the General Fund to stabilize the rate. While the increase of Option 1 is not that large, Avondale is not the only taxing district in the area.

Council Member Vierhout and Council Member Karlin suggested setting the General Fund subsidy between \$500,000 and \$750,000. Vice Mayor Scott inquired whether the City, under Option 2, would have to make a General Fund contribution in year two. Mr. Artz responded that projections indicate that no subsidy would be required, as the City would recover enough to cover its debt. Vice Mayor Scott stated his support for any subsidy up to \$750,000. Mayor Rogers indicated she was in favor of Option 1. Upon further discussion, City Council agreed by consensus to support Option 1. Mr. McClendon indicated staff will prepare the necessary schedules for Council's consideration in May.

5 ADJOURNMENT

Council Member Weise moved to adjourn the meeting; Council Member Vierhout seconded the motion. Meeting adjourned into executive session at 7:35 p.m.

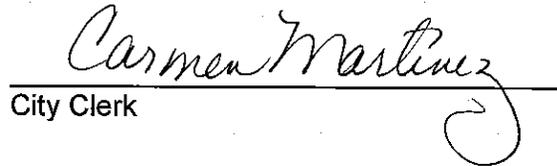


Mayor-Lopez-Rogers


Carmen Martinez, CMC
City Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Regular Meeting of the Council of the City of Avondale held on the 15th day of April 2013. I further certify that the meeting was duly called and held and that the quorum was present.


City Clerk