

Minutes of the Budget Meeting held December 9, 2013, at 6:04 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  
Rogene Hill, Assistant City Manager  
Pier Simeri, Community Relations and Public Affairs Director  
Kevin Artz, Finance & Budget Director  
Dale Nannenga, Police Chief  
Andrew McGuire, City Attorney  
Carmen Martinez, City Clerk

**1 ROLL CALL BY THE CITY CLERK**

**2 UPDATE ON RESIDENT SATISFACTION SURVEY**

Pier Simeri, Community Relations Director, reviewed highlights of the Annual Resident Satisfaction Survey. The survey has been handled in-house for the past six years. Most responses were obtained in person at the Resident Appreciation Night, and through the City website. A total of 1,350 responses were collected during the month of October. Twelve questions were presented in both English and Spanish. Participants of all ages took part, but those over 50 comprised the largest group. Most respondents were female and employed full time. Responses came from all areas of Avondale.

Ms. Simeri said fire/EMS, garbage/recycling and libraries were the highest ranking services, but all services received high marks. Residents were asked to identify their top priorities for next year. They ranked job creation, youth programs and activities, neighborhood livability, and future development the highest. The survey included several open ended questions. One asked respondents to suggest what areas the City could do better in. Key responses were parks, neighborhoods, police, and traffic. When asked what the City does well, respondents cited cleanliness, police, and library. Residents posted safety and cleanliness as desirable qualities for their neighborhood. The majority of residents learned about the survey through the newspaper. Others saw it on the City website, and on street signs and banners. Respondents were invited to leave positive and negative comments about living in Avondale. All submitted comments were provided to City Council.

Charlie McClendon, City Manager, reported that each department is studying the answers to see what areas the City could do better. Some problems can be easily addressed, while others simply involve informing people about services that already exist. Some suggestions are very practical and can be worked on. A few are beyond the City's purview, but to the extent that a suggestion can be passed along to the appropriate level of government, staff will do so.

Council Member McDonald inquired about the prevailing trends compared to last year's survey. Ms. Simeri responded that top priorities tend to change depending on the circumstances of the day. Mr. McClendon added that some issues trend with the economy, though crime is usually always a top concern. Council Member Weise said the survey results present a snapshot of citizen concerns, but the City Council must operate with a broader perspective. He felt the City must follow up on those negative comments that are within its control. Mr. McClendon noted that while some people provided contact information, most participants submitted anonymously. Staff takes the results seriously and this feedback was helpful.

### **3 UPDATE ON PROGRESS TOWARD ACHIEVEMENT OF COUNCIL GOALS**

Charlie McClendon, City Manager, recalled that every department was asked to report on the goals set by City Council last year at the December planning retreat. He reported that in terms of financial stability, the City of Avondale had its bond rating increased this year, which will improve the City's prestige and lower borrowing costs. The fund balance exceeds the reserve requirements that were established by policy. The investment program continues to outperform the State Treasurer's pool. The amount that the City was able to secure in sponsorships for City events has increased. Financial software was improved to make it easier for people to make online payments, and more improvements are coming. A new CIP system will help track expenditures and keep projects on schedule. Staff holds monthly meetings to analyze revenue and expenditure trends. No budget classifications went over budget. Sales tax revenues are on the rise.

Mr. McClendon said that in terms of quality of life issues, Avondale has increased the number of volunteer opportunities available. New benches were installed at Mountain View Park. The staff of the children's library is developing story times themed around municipal careers. Car seat education classes were offered. Historic Avondale walking tours are now offered. Attendance at many City events has increased. The third Writer's Conference continues to be very popular. A golf tournament helped raise money for the Boys and Girls Club. The City Center Phase 3 transit center will be done in January. CDBG sidewalk improvements are under construction in Historic Avondale. The City entered into a design agreement with APS to study the undergrounding of utilities, and Maricopa Association of Governments (MAG) is providing money for that project. Avondale will receive grant money for the Van Buren Drainage Channel in 2017. A number of large-scale residential developments are moving through the planning process. The Rigby system has been connected to the City water supply. Park improvements at Friendship Park are moving ahead. Tres Rios recently had a cleanup event. The El Rio Demonstration Project was approved by Maricopa County. Staff is developing a master plan for City trails and parks.

Mr. McClendon said that in terms of public safety, Avondale saw a reduction in crime this past year. Police positions are being filled. The Southwest Advocacy Center added a victim's advocate. Fire Station 174 is opening ahead of schedule. Police and fire have the equipment that they need. Mayor Rogers requested information on domestic violence issues.

Mr. McClendon reported that Community/Economic Development is making great strides in the areas of emphasis that were identified at previous visioning sessions. Office and retail

sectors have very little vacancy available, which could be a sign that construction activity might resume. Council Member Weise said that without commercial and office availability, Avondale will be at the mercy of other cities until the stock is used up. Mr. McClendon said retail is the product of residential growth, so that sector likely won't grow until the population does. Council Member Buster inquired about new housing numbers. Mr. McClendon responded that 50 new houses were built this past year. This number is low, but still better than last year. The good news is that Avondale's budget can be balanced without having to rely on new homes to finance City operations.

Mr. McClendon said the City bought temporary fencing to convert fields for girls' softball, and that investment has already paid for itself through the tournaments that have been drawn. The marketing and branding of Avondale's unique character continues. The campaign is based on what residents actually feel about the city. Engineering and Development Services has redone their webpage as part of an effort to improve relations with the development community. Staff now makes better use of social media in communicating with the public.

Mr. McClendon reported that the Historic Avondale Infill Overlay District was created. The Design and Development Guidelines document is in the review stage. The design for the proposed art park at Dysart and Western is being submitted for grant funding. A national group has provided input on what Avondale can do to encourage live/work artists space on Western Avenue. The first four loans have been made in the small business microloan program. Coordination between Economic Development, Neighborhood and Family Services, and Development Services has been enhanced.

Mr. McClendon reported on Avondale's environmental leadership efforts. Staff has been researching possibilities for urban agriculture and is looking at green alternatives for fleet vehicles that make both economic and environmental sense. The Data Center footprint has been decreased, which saves energy. The paperless agenda system has saved 800,000 copies per year and reduced the number of office machines required. A new Municipal Sustainability Plan is in the works. Staff is making progress on the Street Trees Master Plan. The new building codes will have a stronger energy component.

In terms of staff retention, Mr. McClendon reported that a salary comparison study has been completed. No-cost employee morale building activities continue. Staff has been exploring partnerships with other agencies on several transportation projects. The Van Buren Drainage Channel will be a transformative project for the community because it will change the way the street looks, create a recreational amenity, and help ease drainage problems. Funding is available for the Agua Fria multi-use path and the Central Avenue multi-use path project. Zoom circulator service expanded and ridership numbers skyrocketed. New RPTA support will allow Zoom to increase to 30 minute service, making it much more viable. Lottery funding will help the City install solar ready shade structures at the transit center. A preliminary study was conducted on Thomas Road, but no project is being advanced at this time. Development Services started offering over-the-counter plan reviews. The new branding initiative will come before City Council for their review next year.

#### 4 FINANCIAL PROJECTIONS FOR FY2014-15 BUDGET GOAL SETTING

Kevin Artz, Finance and Budget Director, provided a financial update for the upcoming budget year and reviewed leading economic indicators. The consumer price index was down 0.1% in October after rising 0.2% in October 2012. From November 2012 through October 2013, the CPI rose 1%. The national unemployment rate is down from 7.9% to 7.3% and job growth continues to trend positive. In Arizona, unemployment is up slightly, but job growth for the month is positive. Council Member Buster requested information on the total number of people working in Arizona.

Mr. Artz said that State Shared Sales Tax collections for October were 8% above what was collected the same month last year, and \$2.6 million above the budget forecast for the month. Avondale's distribution of that total is about \$1.5 million and on track to meet the forecast. State Income Tax looks positive. Individual collections were 9% above the prior year. Corporate collections were \$2.5 million above forecast. Distributions to Avondale in the Auto In-Lieu Tax are almost \$700,000, about \$70,000 more than forecast. Highway User Revenue Fund (HURF) state collections are up for October by 5.1% and distributions to Avondale are down 3% below forecast. Revenues appear to be trending back to historical levels.

Mr. Artz said Local Sales Tax is the largest revenue source for the City. Year-to-date collections are at \$11.5 million, which is 7.2% above prior year, and exceeds budget projections by approximately 3%. Sales tax revenues reached their lowest point in 2010, and started rebounding in 2011, though they have not recovered to 2008 levels. Development revenue is coming up short since housing is still not growing. Permits and review fees are short by about 41%, while development fees are about 60% below forecast. He explained that just one commercial or industrial project can have a significant impact on these numbers from year to year. Court fines and forfeitures collections to date are about \$205,000, which is 6% below forecast.

Mr. Artz stated that restaurant and bar tax quarterly collections is the one sector that is higher than the peak. Collections peaked in 2007, before dropping to a low in 2010. The last two years have seen slow but steady growth. Tax on items over \$5,000 is one area where the City took the most loss. Recent growth has been substantial over the past two years, but has not fully recovered. Contracting sales tax has seen a significant loss since 2005 and has not been growing. This has impacted the City's ability to fund one-time projects. In 2007, retail made up about 40% of total tax collections, and that is up to about 46% now. Contracting comprised about 20%, but that is now down to 4%. Rental property tax has grown to about 10% of total collections. Total taxable transactions started growing in 2012/13. The first quarter of 2014 is looking strong.

Mr. Artz said the outlook is for stable growth in the tax base ranging from between 4% and 6%. Staff has estimated revenues for FY2014/15 based on the first three months of data. These numbers will be continuously reassessed. Avondale is projected to have a little over \$45 million of ongoing revenue for the next budget year. The base budget for the current year is \$43 million. The final third of the fire station appropriation is due on July 1, which will cost \$600,000. The transit fund needs ongoing maintenance and operations transfers of about \$250,000 to rebalance previous shortfalls. The balance of ongoing revenue is a little

over \$1.1 million. Additional services, staffing levels, and compensation adjustments are potential uses for this revenue. In terms of one-time costs, the projection is for about \$4 million in revenues against \$7.2 million in one-time expenditures, leaving a deficit of about \$3 million. Typically this shortfall is covered by fund balance available from the prior year.

Mr. Artz said every 1% adjustment in wage and salary costs have an impact of about \$385,000. The General Fund is structurally balanced over the next five years, and ongoing revenues are expected to meet or exceed ongoing expenditures. The fund balance should be stable over that period. This does not include the stabilization fund, which is reserved for emergencies. In both the Public Safety Fund and Water Fund, revenues are projected to exceed expenditures. Ideally, Avondale should begin planning now for the large repair and replacement costs that will become necessary in four to five decades. This can be accomplished by growing the Water Fund through an extra 0.5% per year. The Sewer Fund balance will spike following the bond issue, but will decline as bond proceeds are spent. The City can no longer charge a development fee for the Sanitation Fund, so revenue needs to exceed expenditures in order to prepare for future capital purchases.

Council Member Weise said now that the economic outlook has improved, he would like the City to start paying down debt on City buildings. He requested a comparison of options for replacing older buildings. Council Member McDonald requested a plan for raising revenue at a steady pace. Mr. Artz clarified that the City will still have to issue debt at some point to cover water and sewer replacements, but cash reserves can help offset some of those debt needs. Future residents are also expected to contribute to the cost through debt payments.

Council Member Weise said the purchase of the PIR building was a great idea that will save money for the City. It is important to enact more of these deals so that future leadership has the impetus to also plan ahead. Vice Mayor Scott noted that growth no longer pays for itself, since the City cannot charge developmental fees, so the City should start planning now. Mr. McClendon said City Council has agenda items to discuss long range asset replacement for water and sewer, and a long range debt reduction plan.

Mayor Rogers noted that traffic calming projects were removed from the budget during the recession and she asked whether they could be restored. Mr. McClendon said requests for traffic calming dipped during the economic downturn, but they are starting to rebound. Traffic calming was a fairly common theme in many of the comments submitted with the survey. Staff will develop options for City Council's consideration.

Council Member Weise inquired whether the Police Department wants or needs head-mounted cameras. Dale Nannenga, Police Chief, explained that it would take personnel and funding to implement, but this is a system that the PD would like to have eventually. There are also data storage issues to be overcome. Council Member Weise suggested exploring options to partner with other communities to share in the implementation costs. Council Member McDonald noted some potential drawbacks to using the cameras. Mr. McClendon proposed an agenda item to discuss the cost and potential implications of using such cameras.

Council Member McDonald requested a report from the Police Department to introduce more innovative ideas like the CAT team. Chief Nannenga responded that one of the major goals this year is to increase police presence in Historic Avondale. The goal is to involve

community members and the business community to come up with a long term strategic plan to address crime in that area.

Council Member Weise proposed exploring the possibility of installing a splash pad at the Sports Center. New systems can sanitize the water and a well-designed splash pad would drive traffic and serve as a work of public art. Mayor Rogers felt the City should complete the park phasing and consider restoring some of the smaller events that gave people reasons to gather together. Mr. McClendon said many groups are willing to arrange events; they just need a little help. Since the City eliminated its event coordinator position, the contract with Goosebumps would have to be increased.

Council Member Weise noted that Country Thunder draws 100,000 people. He suggested that PIR would be a perfect venue for an event like that. Mayor Rogers noted that PIR's 50<sup>th</sup> anniversary is approaching and suggested that the City should plan celebrations.

Council Member Weise inquired about using greywater discharge to water grass and plants at residences. Mr. McClendon suggested that the new Sustainability Plan would be a good place to determine the viability of that idea. City Council will also soon have an opportunity to evaluate the results of the green waste pilot program. Council Member Karlin said the City should encourage retail businesses to establish designated areas for youth activities. Mr. McClendon this would be a good project for the Youth Commission to work on.

Mayor Rogers suggested that the City develop relationships with HOAs to help upgrade their parks. Mr. McClendon responded that opportunities might exist to provide some capital improvements in exchange for use during certain City events. Council Member McDonald proposed exploring opportunities with APS or SRP to create an event on Western Avenue similar to Glendale Glitters or Zoo Lights. Lights could draw people to the street at night during the holidays. Mr. McClendon said staff would provide cost estimates at a future meeting.

Mayor Rogers advocated for the continued support of Community Development's activities in the medical/tech corridor, youth sports, office development and the City Center. Council Member Weise inquired whether it makes sense to expand the Sports Center. Basketball and volleyball have long waiting lists. Mr. McClendon suggested developing a long range plan for use of that facility. Mayor Rogers felt the City should be able to use more of the Sports Center than it has been able to.

Council Member Weise encouraged promoting staff from within rather than hiring people from the outside who are not familiar with Avondale's way of operating. Council Member Vierhout felt employees would be less willing to risk promotion without knowing they could get their old job back, if needed. Mr. McClendon said the City accommodates these types of requests when possible. Council Member Weise stated that other cities have lured talent away, knowing they are open to new challenges that Avondale cannot provide. Council Member Karlin said that Avondale should obtain commitments from employees so they don't immediately leave after they receive training. Mr. McClendon said the purpose of the Succession Plan was to give employees a fair opportunity when positions open up.

Mayor Rogers proposed that Intergovernmental Affairs office should be made into a department because it serves an invaluable and complex function. She felt employees deserved a raise in the 3% to 5% range. Council Member Buster cautioned that too aggressive a raise would use up all the new revenue. He inquired about compensation offered by other cities. Mr. McClendon responded that the other cities are in the same position as Avondale. Council Member Weise said City contributions towards health insurance and retirement represents a compensation increase. Last year, public safety employees received total package increase of between 5% and 6%. This time, the City should look after the rest of the City's employees.

Vice Mayor Scott noted that 38% of the money provided to police officers went to 17% of the sergeants. The Association decided where the money goes and they need to address why Avondale continues to struggle with retaining officers in their first five years. He wants to avoid a two-tier system between public safety employees and everyone else. Avondale is still catching up for the years when salaries were flat. Department heads should be given the flexibility to provide more to high performing employees. Council Member McDonald stated that the next MOU with the Association should give the Police Chief the authority to make deployment decisions as he sees fit.

Council Member Vierhout explained that defining a pay range for managers would allow the City to retain talented staff who would otherwise be lured away to private companies. Employees become more competitive as they develop their skills, and the City has to spend money each time to train them. Mr. McClendon explained that when an employee is promoted, they receive an incremental increase related to the promotion, apart from the cost of living increase. Every job has a minimum and a maximum salary for that job title. He said he too wants to avoid a two tier system, but acknowledged that the labor market realities sometimes dictate otherwise.

In response to an inquiry from Mayor Rogers, Mr. McClendon said a new Community Engagement Volunteer Coordinator position was created to link up citizens with volunteer opportunities throughout the city. Council Member McDonald said the people who attend the Citizens Academy understand how the City works and become its biggest advocates. Pier Simeri said the next class is almost filled, and if demand continues to grow, the academy could be offered more frequently.

Mayor Rogers said Community Relations has done a good job of involving the public and she has received much positive feedback from citizens. Council Member Weise suggested focusing the public's attention on specific projects in Avondale that could use volunteer help. Mr. McClendon said the City could try a neighborhood based, issue based, or community based approach to City Hall Comes to You.

Council Member McDonald suggested asking high school and college media groups to help create promotional videos for the City that could be aired on Channel 11. It would be free advertising and help students gain experience. Council Member Weise proposed highlighting Avondale's points of pride on the City's website, or focusing on individuals who help make the community what it is.

**5 ADJOURNMENT**

There being no further business before the Council, Council Member Weise moved to adjourn the meeting; Council Member McDonald seconded the motion. The motion carried unanimously.

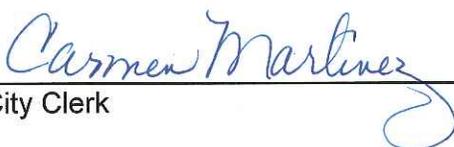
City Council meeting adjourned at 8:49 p.m.

  
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Mayor Lopez Rogers

  
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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 9th day of December. I further certify that the meeting was duly called and held and that the quorum was present.

  
\_\_\_\_\_  
City Clerk