

Minutes of the Work Session held December 14, 2015 at 6:02 p.m. in the Council Chambers.

**MEMBERS PRESENT**

Mayor Kenn Weise and Council Members

Stephanie Karlin, Vice Mayor  
Bryan Kilgore  
David Iwanski  
Jim McDonald (initially telephonic)  
Sandy Nielson  
Lorenzo Sierra

**ALSO PRESENT**

David Fitzhugh, City Manager  
Gina Montes, Assistant City Manager  
Kevin Artz, Assistant city Manager  
Cindy Blackmore, Director of Public Works  
Abbe Yacoben, Finance and Budget Director  
Alicia Mendez-Schomer, Customer Service Manager  
Andrew McGuire, City Attorney  
Carmen Martinez, City Clerk

**1 ROLL CALL BY THE CITY CLERK**

**2 WATER AND SEWER RATE ANALYSIS**

David Fitzhugh, City Manager, said the water and sewer rates have not been adjusted since 2007, in large part because of the recession. However the time has come where the rates need to be adjusted. Assuring the long-term financial stability of the City is an important goal for the current fiscal year.

Cindy Blackmore, Public Works Director, stated that staff has been working to develop a plan for the City's operations and infrastructure needs over the next ten years, with a focus on the next five years. The primary goal is to provide high quality reliable services to customers that the customers feel are good value. They want to ensure they are operating a fiscally responsible capital program that meets the growth goals of the City while being realistic with the City's current resources. Preventative maintenance is an important component of meeting these goals. Staff has worked hard to ensure that the preventative maintenance program is effective and that the asset management system accurately reflects the maintenance schedule. Staff development is another important factor so that the City's infrastructure and equipment is operated by well trained, knowledgeable staff. Ms. Blackmore added that the City is responsible for meeting or exceeding all regulatory requirements.

Ms. Blackmore said operating costs will rise as the City grows and needs to add more wellheads and operating sites. The plan calls for two additional operators to be hired. The plan also proposes a SCADA technician which is a 0.5 FTE to be split with the waste water systems. Some systems are not currently on refurbishment plans and staff plans to add those to the preventative maintenance schedule and life cycle planning. Examples are reservoirs, chlorine generation systems and chemical storage units. As the City continues to grow, staff will consider pressure improvements to the system, particularly in the northeast area of Avondale.

Ms. Blackmore noted that the White Mountain Apache Tribe Water Lease remains in the plan so that Avondale can fund leasing the 882 acre-feet of water once the Tribes and the federal government have completed negotiations. Two to three additional wells will be needed at a cost of approximately \$2.5 million each. The treatment project at the Gateway site is currently underway. Additional treatment will be needed in the system at the Coldwater site. Each treatment site is estimated at \$3.6 million. Once the new wells at Coldwater are in place the booster station will need to be expanded. Among other infrastructure improvements, aging water lines need to be maintained and replaced as needed.

Ms. Blackmore said growth also entails increased wastewater operations. Aging infrastructure requires more maintenance and replacement, more staff, and a .5 FTE for the SCADA technician. The lift station rehab program is a large component of the plan. The City's ten lift stations are not currently on a replacement or refurbishment program; that needs to be put in place. Relining of small diameter pipe is another new addition to the plan. Security system upgrades are needed at the lift stations.

Ms. Blackmore stated that the water reclamation facility upgrade project is currently underway. This is the biggest project in the first five years of the plan. Large diameter pipe rehab involves checking sewer pipes of 15 inches and larger to ensure that they are structurally sound. A force main runs from the 10th Street lift station that carries about one million gallons per day. There is currently no redundancy and staff proposes building a backup pipeline in case of any failure.

Council Member Kilgore inquired about existing security systems. Ms. Blackmore said they have security cameras and alarms on the sites. Technology upgrades are proposed.

Mayor Weise inquired about the proposed additional operators and Ms. Blackmore clarified the proposal is to add two operators to both water and wastewater, plus one SCADA technician whose responsibilities would encompass both water and wastewater. Mayor Weise asked whether the systems are being operated to failure at this point. Ms. Blackmore said staff is making every effort to use preventative maintenance techniques. The asset management system is in place and staff works hard to properly maintain infrastructure. The challenge is to put all components into a cycle so that they are not running the systems to the point of failure. However the budget does not allow staff to put everything onto a cycle to plan and budget for replacement. Mayor Weise commented that the City cut back on preventative maintenance during the recession. Ms. Blackmore agreed. Staff understands the principles of preventative maintenance and is codifying, planning and budgeting for it. Mayor Weise asked how the pressure testing of the large diameter pipes is done. Ms. Blackmore replied that a study was done where the pipes were examined and assessed. Staff has a five-year plan prioritizing the pipe maintenance.

Council Member Sierra asked what the threshold for activation of a new well is. Ms. Blackmore said staff has a master plan in place which specifies when additional wells are needed, based on growth. She undertook to provide more detailed information later.

Mr. Fitzhugh added that this year two well pumps failed. Had they been able to do continuous preventative maintenance it might have been possible to avoid this expense.

Mayor Wiese asked how decisions to add new wells had been taken in the past. Mr. Fitzhugh said staff looks at system capacity and tries to project and time these infrastructure projects. Impact fees are used to pay for new projects and sales tax is used to pay for existing system capacity. However the operating costs will be ongoing and must be taken into consideration.

Council Member McDonald asked if the preventative maintenance program has windows for replacement so that equipment is used for as long as possible. Ms. Blackmore replied that is an excellent point. Life cycles are set up as infrastructure and equipment is acquired. The expertise of operators is an important factor as well trained operators can prolong the life of assets. All factors are analyzed before the decision to replace is taken. Council Member McDonald recalled that he started serving in 2008 so for his first five years on Council they had to implement cutbacks in many areas. He asked Ms. Blackmore if the current proposal will accomplish everything that is needed. Ms. Blackmore replied that she cannot give an exact percentage but this is a good realistic program that operators can carry out. The entire staff met and brainstormed to come up with the plan.

Ms. Abbe Yacoben, Finance and Budget Director, presented a financial overview of the water and wastewater enterprise funds. Over the past five years the water fund has been functioning at a deficit. In 2011 the deficit was \$5.2 million. Although in the last fiscal year the deficit was smaller, revenue from water rates has consistently exceeded expenses. Much of this is due to depreciation. If depreciation expense were to be removed she estimated that the surplus would be approximately \$3 million. The sewer fund is in a similar situation. However she noted that depreciation must be included from an accounting standpoint. Rate increases over the last ten years have been minimal. She compared the rate increases to the Consumer Price Index over the last five years. The Phoenix-Mesa CPI has risen by about 8.4 percent over the last five years, while water and wastewater rates have had no increases.

Ms. Yacoben said staff has worked diligently over the last six months to develop a proposed new rate structure for the next five years. She noted that they assumed two per cent population growth annually. Expenses were forecast on a category by category basis. As a result of the work done to develop rate recommendations, staff is also recommending adoption of a net position policy for the reserves on these enterprise funds, and some changes to the City Code.

Ms. Yacoben discussed the proposed change to water rates, which is 7.5 percent for the first year and 6 percent for the following four years. This would go into effect 30 days after the public hearing and adoption of the ordinance. This is tentatively scheduled for February 16, 2016 so the rate would go into effect on March 17, 2016. The new proposed restricted reserve category is for replacement and refurbishment. It would represent 5 percent of the assets of about \$300 million excluding depreciation. Ms. Yacoben said she feels this is a low number but is a starting point. This approximately \$15 million would be for capital replacement. Staff proposes to hold nine months' worth of the prior year's expenses on the books for operating emergencies or tight economic times when customers are paying their bills more slowly.

Ms. Yacoben said that the sewer fund analysis is similar. The proposed rate change would be an increase of 6 percent in FY2016/17 and each of the following five years. The restricted reserve is proposed to be 5 percent of undepreciated assets. The working capital reserve proposed is smaller in the sewer fund as the expenses are lower.

Council Member McDonald asked how the depreciation relates to replacement costs. Ms. Yacoben replied that they use straight line depreciation based on a best estimate of the useful life of the asset. However in most cases the replacement cost will be greater than the amount being depreciated.

Council Member McDonald inquired about the proposed restricted reserve. Ms. Yacoben said this would be held in cash for asset replacement emergencies or unforeseen situations.

Mr. Fitzhugh added that the proposed restricted reserve will not be funded immediately, but will be built up over a period of years. The current projections show the break-even point in 2023.

Council Member McDonald asked what staff's desired end result is for the reserves. Ms. Yacoben said they would like to be in compliance with the proposed 5 percent restricted reserve and hold nine months' worth of operating expenses. She believes that 5 percent of \$300 million is light, however staff felt that all of the proposals as a whole are a wonderful start. Council Member McDonald agreed that 5 percent is light. He asked what would be a good goal for, say, 20 years from today. Ms. Yacoben replied she would say between 10 and 15 percent, however she cautioned that this was off the top of her head and there are many factors to be taken into consideration for enterprise fund reserves. The recommendation of the Government Finance Officers Association is a reserve of 35 percent of prior year expenses for a municipality's general fund. However there are no capital assets in the General Fund, so that amount is about \$20 million, for perspective.

Council Member McDonald said these proposals are not a surprise. He has asked staff to prepare an alternative model where there would be a larger rate increase up front and no price increase for a couple of years, to be followed by another substantial rate increase, which might be more palatable to consumers than constant annual increases.

Vice Mayor Karlin recalled that in 2008 when rates were increased, Avondale had the lowest water and wastewater rates in the Valley. She agrees with Council Member McDonald that a higher rate increase up front would be preferable. However not increasing the rates annually lulls consumers into a false sense of security. Incremental increases are more palatable. She said the City needs to do a better job of comparing Avondale's rates with the services that are provided.

Council Member Nielsen said the increases proposed total 37.5 percent. She suggested an initial 20 percent increase and 20 percent the third year. This would provide cash for any unforeseen emergencies. Although the increase seems large it is comparable to one family dinner at a restaurant and people will get used to the larger bills.

Mayor Wiese asked staff if there is an advantage to this approach. Mr. Fitzhugh said even with 15 percent annual rate increases their model showed it would take five years to fund

the restricted reserve and the operating expense reserve. This seemed too aggressive, while the current staff recommendation would take eight years to build the reserves. Ms. Yacoben said she could do a different structure for the increases.

Council Member Iwanski agreed that the first year's increase should be greater. Avondale has been very fortunate not to have experienced any major issues with water and wastewater services. He argued that taking eight years to build up the reserves is a risk that is not worth taking. A penny a gallon for treated drinking water is the most incredible bargain on the planet. If a major incident were to incur and the City did not have the funding they would be even further behind. Water and sewer infrastructure is a long-term, very expensive investment, but nothing is more important than making that investment.

Council Member Kilgore asked whether staff considered residents on fixed incomes. Ms. Yacoben said the first 4,000 gallons of water is cheaper, although that rate will also have to increase. This encourages conservation and helps people on fixed incomes. Council Member Kilgore said he understands that the rates need to increase but it is important to consider the people on fixed incomes.

Mayor Wiese commented that when the price of gasoline rose to \$3.50 per gallon people conserved and switched to more fuel efficient vehicles. Water conservation is easy to do, so residents can offset the majority of the increase. Lower rates for lower users makes a lot of sense. However gas prices have dropped and food costs are expected to drop also. This will make it easier to people to absorb water rate increases. He is inclined to favor an increase of 15 percent for the first couple of years, and then take stock of the situation. Mayor Wiese said he does not want to see the increase lower than what is truly needed.

Council Member Nielsen said she is on a fixed income and believes that the proposal would only cost her and her husband a few dollars each month.

Mr. Fitzhugh noted that there are pressure issues in the northeast area of Avondale. Although 95 percent of the time the City is meeting the minimum standard of 40 pounds per square inch pressure at peak times, demand will increase with projected population and commercial growth. Staff recommends that starting in 2017 money be set aside to cover pressure improvements.

Mr. Fitzhugh explained that the City built a reclaimed water line at the wastewater treatment plant and this becomes essentially free water for the water fund. Since it is not appropriate for the wastewater fund to subsidize the water fund, it is proposed that the water fund pay the wastewater fund for the water, just as it pays for water from other sources.

Mr. Fitzhugh summarized that several concepts have emerged in tonight's discussion:

- 15 percent increase every two or three years
- 20 percent increase in year 1 and year 3
- 15 percent increase for the first two years with possible later adjustments
- 10 percent increase in year 1 and annual incremental increases

Mr. Fitzhugh said staff has a preferred timeline for implementation since it is always preferable to increase rates when water usage is lower in the winter. He asked for direction from Council.

Council Member McDonald said the total increases under the staff proposal is 43.86 percent over the next six years, taking compounding interest into account. He suggested increases in alternate years of 15.0 percent, 12.0 percent and 12.0 percent for a total increase of 44 percent. In the years in which no increase is planned Council should nonetheless review the data to ensure that they are on track. He pointed out that the proposed increase is not what staff believes is truly needed but rather what is considered palatable over this period. Council needs to look at something higher. Increases of 15.0 percent in alternating years would yield an increase of 46 percent over the period.

Council Member Iwanski concurred with Council Member McDonald's remarks, pointing out that the staff proposal does not allow for inflation. Ms. Yacoben confirmed that this is correct. Council Member Nielsen agreed.

Council Member Sierra said new people moving into the City will have to pay for what the City did not do in the last few years. He prefers the rate increase as proposed.

Council Member Kilgore said he likes the staff proposal and reiterated his concern for residents on fixed incomes.

Vice Mayor Karlin said the City is losing money and needs to catch up. She believes annual increases are preferable. She would agree to an initial increase of 15 percent. Avondale still has the lowest rates in the Valley.

Mayor Wiese agreed with Council Member McDonald's plan. Avondale offers good rates for excellent water quality. There are treatment issues in the northern part of the City that need to be addressed. He acknowledged Council Member Sierra's comments that new residents will have to pay, however they will still enjoy the lowest water rates in the Valley.

Council Member Iwanski said people in other states are used to much higher water and sewer rates.

Ms. Alicia Mendez-Schomer, Customer Service Manager, discussed the impact on customers of the proposed rate increases. The average residential customer uses approximately 9,000 gallons per month with an average bill of about \$21. The proposed 7.5 percent increase would add about \$3 monthly to the water bill. On average, residential customers generate about 6,000 gallons of wastewater per month with an average bill of approximately \$21. A 6 percent increase would cost about \$1.84 per month. These represent an excellent commodity at low cost.

Ms. Mendez-Schomer confirmed that Avondale has the lowest water rates in the Valley for residents using up to 15,000 gallons per month. The wastewater rates are reasonable and below average compared to other Valley municipalities. The staff proposal would add about 12 cents to the monthly water bill for residents who use the least water. She compared the water and wastewater rates to other utility cost such as cable, approximately \$47 monthly or

internet access at \$45 per month. Ms. Mendez-Schomer presented a bill calculator that customer service reps will have to be able to answer customer questions with specificity.

Ms. Mendez-Schomer presented proposed Code changes, since rate changes are codified in the municipal code. It has been a while since this section of the Code was reviewed so there are some housekeeping issues to take care of. Fees need to be included in the Code. Staff would like to eliminate the section that allows the City to charge for a special meter reading. Currently if a customer has a question about their bill, staff will work with the customer and re-read the meter if necessary and perhaps have Water Conservation help the customer understand their bills. No fee is charged for that, so it makes sense to remove it from the Code. Very few meter tests are conducted and staff wants to change the charge in the Code to reflect cost recovery, since the City works with an outside company. Finally the Code does allow for late payment fees to be collected and staff plans to start implementing that provision. Currently the customers who pay their bills on time are subsidizing those who do not.

Vice Mayor Karlin asked about water deposits. Ms. Mendez-Schomer replied that deposits are a liability account. The funds are held against the customer's account to ensure payment. The customer's final bill is reduced by the deposit amount. Any remaining funds are returned to the customer and conversely if the final bill is greater than the deposit the customer is responsible for settling the account. Vice Mayor Karlin said the deposit is \$250, which is sizable. She is concerned that a resident who moves within the City has to pay that deposit even though they may have paid promptly for many years. Although the deposit was instituted because of outstanding unpaid water bills totaling \$1.3 million, she is sensitive to this question. Ms. Mendez-Schomer said new residents can pay their deposit in installments. Effective bill collection helps keep the rates low.

Council Member McDonald suggested placing the bill calculator on the website so residents could check the impact of increases for themselves. Ms. Mendez-Schomer said she would have to discuss this with IT. She confirmed that wastewater rates are based on 80 percent of average winter water usage and not metered per se. Noting that the water meters are now read remotely, Council Member McDonald asked if there is any software tracking unusual spikes in water usage so the City can alert households of possible leaks. Ms. Mendez-Schomer clarified that meters are read by staff driving past homes. The meter readings are downloaded into the software. Any unusual peaks or valleys in usage are flagged by the software and staff then visits the home to check that the meter is operating correctly and to visually check for any possible explanations for the anomaly ( e.g. vacant home, new landscaping).

Council Member Nielsen asked whether residents' deposits transfer if they move within Avondale. Ms. Mendez-Schomer said each account is reviewed. Those with good payment history and moderate bills can transfer their deposit. However if someone has a large outstanding final water bill their deposit can be used to reduce that bill, after which the new deposit can be collected in four installments at the new home. Council Member Nielsen inquired about electronic billing. Ms. Mendez-Schomer said that staff has the goal of starting e-billing next year. Council Member Nielsen welcomed this, since if even half of the residents opted for it there would be considerable postage savings.

Vice Mayor Karlin recalled a water leak beneath the foundation of her home some years ago when she was told she would have to wait three months before staff could investigate. She had also suggested to the police department that water usage patterns could alert them to houses being used for illegal immigrants, but was told that it took time to compare water use patterns. The new software is a significant improvement. She commented that water is amazingly important to so many aspects of life.

Council Member Iwanski commented that the Global Water Company can track water usage in real time and might be cost-effective to investigate.

Council Member Sierra asked staff to elaborate on their thinking regarding the proposed structure to rate increases.

Mr. Fitzhugh said staff was trying to build up a restricted reserve of 5 percent of assets and nine months' worth of operating expenses within five years. When the model was run, it quoted annual increases of approximately 15 percent. At that point Mr. Fitzhugh met with staff and noted this would be an unprecedented annual increase, despite there being good reasons to do so. He wanted to be sensitive to residents' concerns. Even though the dollar amounts are comparatively small, the percentages are of concern. He directed staff to develop a proposal with more modest increases that would cover costs and system maintenance. This led to the current staff proposal which would build up the reserves as recommended within eight years. He assured Council that staff will bring this to Council for review every year.

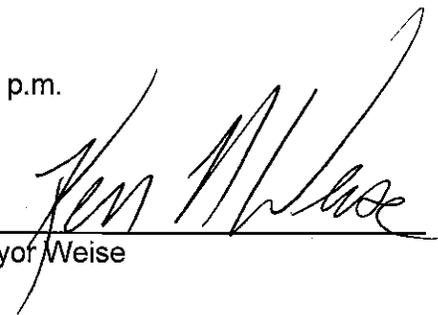
Ms. Yacoben summarized that staff is proposing a rate increase. They are proposing a tiered rate structure to encourage conservation and help people on fixed incomes who would have an increase of 12 cents per thousand gallons. Staff requests that a net position policy be implemented, as presented. Final staff is requesting that the Code changes be approved and that they be allowed to implement the late payment penalties already provided for in the Code.

Mayor Wiese told her he supports the Code changes. Other Council Members concurred.

#### 4 ADJOURNMENT

There being no further business before the Council, Council Member Nielson moved to adjourn the work session. Council Member Council Member McDonald seconded the motion, which carried unanimously.

City Council work session adjourned at 7:26 p.m.

  
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Mayor Wiese

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 14th day of December, 2015. 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 December 14, 2015 at 7:35 p.m. in the Council Chambers.

**MEMBERS PRESENT**

Mayor Kenn Weise and Council Members

Stephanie Karlin, Vice Mayor  
David Iwanski  
Bryan Kilgore  
Jim McDonald  
Sandy Nielson  
Lorenzo Sierra

**ALSO PRESENT**

David Fitzhugh, City Manager  
Gina Montes, Assistant City Manager  
Kevin Artz, Assistant City Manager  
Pier Simeri, Community Relations and Public Affairs Director  
Abbe Yacoben, Finance and Budget 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 address the Council.

**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. SIXTH AMENDMENT TO THE FINANCIAL ASSISTANCE AGREEMENT- CARE1ST HEALTH PLAN OF ARIZONA, INC**

A request to approve the sixth amendment to the Financial Assistance Agreement with Care1st Health Plan of Arizona, Inc. to receive continuing funds for operation of the Care1st Avondale Resource and Housing Center and authorize the Mayor or City Manager and City Clerk to execute the necessary documents.

Council Member Nielsen moved to approve the consent agenda as presented. Council Member McDonald seconded the motion.

**ROLL CALL VOTE AS FOLLOWS:**

Council Member McDonald	Aye
Council Member Iwanski	Aye
Council Member Nielson	Aye
Mayor Weise	Aye
Vice Mayor Karlin	Aye
Council Member Kilgore	Aye

Council Member Sierra

Aye

Motion carried unanimously.

#### 4 CITY STRATEGIC PLAN

The Mayor and City Council will review strategic initiatives and key outcomes from the strategic planning process executed by Council and staff during 2015. Input received will shape the finalization of the City Strategic Plan by the City Manager and set priorities for the FY2016-2017 budget process as the first step in executing the plan.

David Fitzhugh, City Manager, stated three presentations will be made: an overview of the residents' survey conducted in October; a review of the strategic plan to date with a request for Council support for the work done thus far; and thirdly an overview of revenue projections for 2016. The goal is for Council to provide guidance to staff for next year's budget and to complete the strategic plan they have been working on for some time. This is the kickoff of the budget process.

Pier Simeri, Community Relations and Public Affairs Director, presented the results of the 2015 residents survey. Paper surveys were available at all City sites and online, publicized through email blasts. Tablets were provided at Resident Appreciation Night for the first time. The majority (57 percent) of respondents were female. Most respondents were aged 30 to 59. Almost 60 percent are employed full-time.

Ms. Simeri said respondents were overwhelmingly satisfied with garbage and recycling services, followed by water services and police services. She noted that residents may not have personal experience with all of the other services mentioned in the survey.

Ms. Simeri said in all four zones many residents felt that Council is already addressing issues of importance to them. Comments on issues some residents wanted to have considered were included with the comments. In Zone 1, residents' biggest concerns were street improvements and repairs, some of which will be addressed through ongoing construction and CIP projects. Zone 1 residents were the only respondents to mention Billy Moore Days. Zone 2 respondents talked about Friendship Park and were interested in parks and recreation. Again, some of the concerns will be addressed through current renovations. Zone 2 respondents also talked about street maintenance. Zone 2 respondents were the only ones to mention schools. Zone 3 respondents also mentioned Friendship Park, recreation equipment and streets. They mentioned more police presence in the zone. In Zone 4, residents expressed concerns about trash and cleaning up the streets rather than improvements. Respondents from Zone 4 expressed concern about the cost of water and said that community events and recreation amenities are important.

Ms. Simeri said the majority of respondents rated the quality of life in Avondale as good or excellent. Almost 50 percent of respondents said the quality of services received from the City is good and 30 percent said excellent.

Ms. Simeri stated that questions designed to elicit feedback on the businesses and amenities available in Avondale drew positive responses. The majority said they would be

likely to recommend to a friend or family member to live in, visit or conduct a business in Avondale. Most respondents said they shop mainly in Avondale, while 41 percent said they shop equally in Avondale and outside the city. When asked which stores they frequent outside of Avondale respondents mentioned Trader Joe's and Target. Outside spending is predominantly on retail, restaurants and bars. Of the 1100 respondents almost 400 provided additional comments. Staff has reviewed and classified all comments for review by City departments.

Ms. Simeri noted that Ingrid Melle, the PIO, spearheaded the survey with the help of intern Yesenia Castaneda. Ms. Castaneda read every single comment and said she was especially moved by a respondent who wrote: "I take my kids, all five of them, to Friendship Park. I hope they fix the park in the front. It would be nice for all the kids in the neighborhood. And splash pads too. I know there's a lot of low income families around Avondale. I am one of them. The struggles are real and the sacrifices we do for our kids and our families are sometimes unbearable. I thank the City of Avondale because always have these free events for families and I always try to take my kids whenever I can. Thank you, thank you, Avondale."

Council Member McDonald suggested weighting responses in future surveys so that if respondents check something as not applicable Council can gain a truer picture of how residents feel about different aspects.

Mayor Weise said survey results often reflect how people are doing in their personal and business life. While playing Santa at the Wigwam employee party he spoke with many children and their parents and could tell that the economy is improving by the children's Christmas wishes, although one girl told him that her family does not have enough food. Staff there told him that in the past children wanted their dad to find a job, or for food items. This is the reality for some Avondale residents. The fishing derby at Friendship Park was a great free family event. He hopes the City can continue doing free events. He suggested the possibility of reinstating Billy Moore Days as Avondale's 70th anniversary approaches.

Council Member McDonald commented that people were not specifically asked about Billy Moore Days, so the fact that only two people mentioned it of their own accord indicates that many other residents would concur. The only way to gauge community feelings would be to ask the question. Ms. Simeri said a separate survey on Billy Moore Days was conducted on the new citizen engagement tool. Approximately 50 people looked at the survey, but only five actually participated.

Kevin Artz, Assistant City Manager, reviewed the strategic plan process. Tonight staff is requesting direction as to the strategic initiatives and goals. Council has identified a family friendly community as the vision. Strategic initiatives are specific areas of importance that the City is committed to advancing. The goals are more focused, with three to five goals per strategic initiative, typically with a two to three year time frame. Objectives are specific work plans intended to be completed within one year.

Mr. Artz recalled that in August Council met twice for a leadership summit and conducted a SWOT analysis. This is the framework that staff has been working to develop the strategic plan. In September and October departments went through the same process as Council.

A core team of staff was assembled in October and began developing the strategic plan. Staff will bring the City Manager's recommended budget to Council in March with specific budget objectives that tie back to the vision of a family friendly community.

Mr. Artz said the first strategic initiative is to foster sustainable community development. The goals are:

1. Encourage development of businesses in healthcare, technology, and advanced manufacturing.
2. Maintain and expand quality infrastructure and improve connectivity to City amenities
3. Ensure City has financial capacities to support development
4. Maintain community safety for businesses and residents
5. Encourage build-out in residential housing opportunities that support diverse housing options

Mr. Artz said the second strategic initiative is to create and support diverse recreation and entertainment opportunities. The goals are:

1. Be known – promote Avondale
2. Pursue private development of sports, entertainment, and hospitality amenities
3. Provide multigenerational recreation events and programs - reviving Billy Moore Days is an objective of this goal
4. Establish creative community spaces throughout the City

Mr. Artz noted that the next strategic initiative is to advocate for and support community-oriented lifelong learning opportunities. Goals are:

1. Strengthen education and faith-based partnerships
2. Expand employment opportunities to residents through job training and placement program
3. Promote and support school readiness for Avondale children

Mr. Artz stated that strategic initiative 4 is to encourage & support creative innovation in development & service delivery. The goals for this initiative are:

1. Improve external and internal customer service delivery
2. Expand financial toolbox by leveraging funding sources and incentives
3. Encourage a flexible environment responsive to market trends

Mr. Artz said strategic initiative 5 is to create a connected community. Goals are:

1. Promote community engagement through civic education
2. Use technology to connect residents to business, government, and community opportunities
3. Provide outlets for residents and businesses to engage in volunteer service opportunities

Mr. Artz elaborated that next steps are for Council to give direction to staff. Staff will determine Avondale's financial capacity throughout the budget process. Then the budget incorporating the Council's initiatives, goals and objectives will be finalized. Lastly the City's success at meeting the goals and objectives will be measured. This is a continual process each year.

Mayor Weise said he appreciated staff's honest feedback in the initial process last August. The vision of being family friendly gives a focus to everything the City does. He was recently introduced to a large landowner in the City who said "I don't know what you're doing in Avondale, but keep doing it." This tells a lot about being on the right path.

Council Member Iwanski commended the staff team who worked on developing and organizing the strategic plan. He said that the slogan should be "Avondale is a place to live, work, play and invest." For job opportunities and generating wealth, it is crucial to keep ensuring that the community is business friendly. That message must be constantly repeated or it will get lost. He urged everyone to promote Avondale at every possible opportunity. Perhaps an event to welcome Canadian winter visitors could be considered.

Council Member McDonald agreed with the Mayor that staff did a terrific job of analyzing the conversations Council Members had in August at the start of the process. He likes the strategic plan as now presented. He noted a lot of work remains to put it into action and fund it.

Mr. Artz said the first initiative does mention that "Avondale is a family oriented community with population growth expected to increase. We will support the development of diverse housing options and quality of life amenities that will make Avondale a great place to live, work, play and invest."

Vice Mayor Karlin said she is very pleased with how this has developed thanks to staff's hard work. It will help Council make budget decisions.

Council Member Sierra said it will be interesting to see the action plan that evolves from this. He concurred with Council Member Iwanski's remarks. Each Council Member owes it to the community to be an Avondale ambassador.

Council Member Kilgore thanked Mr. Artz and staff for completing this process in house. The initial event in August was enjoyable and also productive.

Mayor Weise said revamping the Avondale website would increase transparency. It contains a wealth of information but is difficult to access. Residents are used to looking at more user friendly websites that are much easier to use. He mentioned speaking with a business owner who has outgrown his present facility in a neighboring city and wants to build or lease 60,000 square feet. He had never considered Avondale until Mayor Weise spoke with him. At the fishing derby he met a Canadian who lives in Goodyear part-time whose company invests in multi-family housing. Everyone on Council can help sell the City as much as staff is doing.

Mr. Fitzhugh advised that a revamp of the website is in the current year budget. Staff is working through a procurement process.

Mayor Weise added that he too is proud of staff for completing the strategic plan process in house.

Abbe Yacoben, Finance and Budget Director presented preliminary budget projections for FY 2016/17. She believes that inflation is slightly higher than the Consumer Price Index would imply and has some concern about a possible hike in federal interest rates. Investors are moving away from higher rate bonds. Ms. Yacoben said Avondale weathered the recession better than many other communities and the credit for that goes to upper management and City Council. The funding sources for basic City operations are stable, reliable and predictable. Because revenue from permits is reduced during an economic downturn, Avondale books 75 percent of building and development revenue and 75 percent of interest income as a one-time source of revenue. Forty percent of retail items over \$5,000 are also considered one-time revenue sources. These practices ensure that Avondale can weather any economic storm.

Ms. Yacoben shared a preliminary estimate for next year's budget based on the economic factors staff is seeing. They are assuming a 5 percent increase in local sales taxes, a zero percent increase in the primary property tax levy, and zero percent increase in the intergovernmental revenues. She explained that several Valley cities are conducting a special census this year while Avondale is not. If the census results show growth in these cities, their piece of the pie will grow while Avondale's will shrink. Staff anticipates a 3 percent increase in licenses and permits where appropriate. Ms. Yacoben elaborated that staff did an analysis of each of these line items and she allowed a 3 percent increase where she felt it could be justified. The same applies to charges for City services. All of these forecasts equate to an estimated revenue increase of \$1.25 million for the next fiscal year.

Ms. Yacoben displayed a comparison showing how the projected revenue for FY 2016/17 aligns with this fiscal year's budget. She explained that the apparent resulting surpluses totaling \$998,444 could not actually be achieved. A one percent wage increase would cost \$293,000 from the General Fund. She noted that the amount to be transferred from the General Fund to capital improvements has typically been around \$1.75 million to \$2.75 million, whereas the amount this year is much larger. FY 2016/17 may not a wonderful budget year, however staff may be able to revise revenue projections upwards. Upper management is currently in negotiations with the police and fire associations.

Mayor Weise said decreasing energy costs are driving much of the stability in inflation. On the other hand upward pressure from wage increases over the next six to 12 months will be huge. It remains to be seen how retail and automotive sales perform this fiscal year.

Council Member McDonald asked whether increases in home values will increase property tax revenues. Ms. Yacoben said there will probably be a small increase in property taxes. The County Assessor will release the new valuation on February 10, 2016. Council Member McDonald said he hears from real estate professionals that it is becoming a seller's market again. He inquired about wage and salary expenses for the water and wastewater services and Ms. Yacoben confirmed that the respective enterprise funds cover those costs.

Mayor Weise commented that the State has spoken of taxing services and food as well as retail sales. He would like to have an idea of how that could affect Avondale's budget going forward. He appreciates the current conservative budget projections.

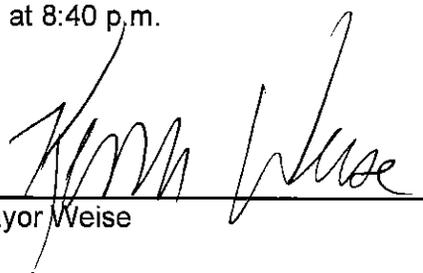
Mr. Fitzhugh noted that if the sales tax base were to be broadened the State income tax would be revisited. This is a relatively stable tax base whereas sales tax depends on disposable income. Mayor Weise commented that if this suggestion is intended to attract businesses to Arizona, a more prudent investment would be to put more funding into the public schools.

Mr. Fitzhugh said staff will present these issues for discussion in January. At this time the budget is appropriately conservative. Wages are a large part of the total budget and he has concerns about equity between groups which have collective representation and those that do not. The final numbers for the police and fire wages are likely to be known in February. His goal would be to try and recognize the other employees in consultation with the Human Resources department. If he had to make a recommendation right now, it would probably be similar to what has been done for the last year or two.

Mayor Weise thanked staff for everything they have done this year. He noted that this is the last Council meeting of 2015. He believes Avondale is the best run city in the Valley. He wished everyone a merry Christmas and a great new year.

## 5 ADJOURNMENT

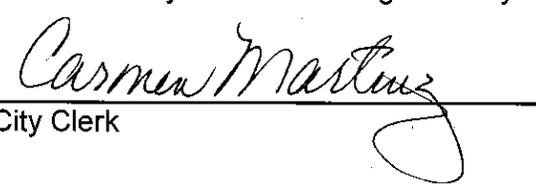
The City Council regular meeting adjourned at 8:40 p.m.

  
\_\_\_\_\_  
Mayor Weise

  
\_\_\_\_\_  
Carmen Martinez, MMC  
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 14<sup>th</sup> day of December, 2015. I further certify that the meeting was duly called and held and that the quorum was present.

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

