

MINUTES OF THE SPECIAL BUDGET WORKSHOP MEETING OF THE HONORABLE MAYOR AND CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, held in the Council Conference Room, 88 E. Chicago Street, on Thursday, March 13, 2014.

THE MEETING WAS CALLED TO ORDER BY MAYOR JAY TIBSHRAENY at 5:35 p.m.

The following members were present:

Jay Tibshraeny	Mayor
Rick Heumann	Vice-Mayor
Jack Sellers	Councilmember
Jeff Weninger	Councilmember
Trinity Donovan	Councilmember
Kevin Hartke	Councilmember
Nora Ellen	Councilmember

MANAGEMENT SERVICES DIRECTOR DAWN LANG reviewed the General Fund balance projection. She stated this is the money that has accumulated over time and has helped maintain Chandler's AAA bond rating along with the City's strong financial policies. Staff estimates the fund balance, how much one-time funding will be available, and identifies the needs over the next 5 years.

She referred to the handouts provided as part of the packet and explained the 5-year General Fund Balance Projection. She noted that Lines 1-7 represent General Fund Balance Projections as well as new one-time money.

Ms. Lang stated \$146,103,000 is the estimate for the beginning fund balance. Estimated one-time revenue is \$14,640,200. Estimated department savings is 2,000,000. Impact Fee Loan repayments total \$942,550. Total one-time funds available are at \$163,685.750 for 2014-15.

Ms. Lang then reviewed the line items for Economic Development/Capital Projects beginning with the items listed in the Strategic Economic Development Reserve. Ms. Lang noted that \$1.1 million was put in every year for unanticipated opportunities. Typically, most of it falls back into General Fund if not used. There is a total of \$2,909,750 for Strategic Economic Development.

The Downtown Redevelopment Reserve contains estimated infrastructure improvements on Sites 6 and 7 at an estimated total of \$5,040,000. She said after a plan is in place for development, then they would gradually move into capital projects.

MR. GREG WESTRUM, BUDGET MANAGER, outlined the projects in the General Funded CIP which includes facility and park improvements. He noted projects identified in Lines 22-25 are funded from the Infrastructure Maintenance Reserve.

VICE MAYOR HEUMANN asked if Line 28 – Rescue Vehicle in the amount of \$200,000 was for one vehicle. CITY MANAGER DLUGAS responded that one vehicle would probably be about \$175,000 or \$180,000. Mr. Dlugas said if more was recommended it would need to come through a budget request.

COUNCILMEMBER WENINGER asked if Line 22 - Aquatic Facility Safety Renovations were maintenance or required by federal mandates. COMMUNITY SERVICES DIRECTOR MARK EYNATTEN said most of the money will be for replacement of older equipment and repair although some money is programmed every year for new regulations.

VICE MAYOR HEUMANN asked if the Washington Street project was for the actual design. Mr. Westrum stated this was for design and Transportation and Development has monies allocated in their CIP for the road work. ECONOMIC DEVELOPMENT DIRECTOR CHRISTINE MACKAY added that there were still properties in the area to acquire. The Vice Mayor expressed his concern about proceeding with the design and letting it sit for several years as codes can change during that time. TRANSPORTATION & DEVELOPMENT DIRECTOR R.J. ZEDER reminded the Council that all purchases are voluntary purchases and not through condemnation.

COUNCILMEMBER SELLERS added that the importance of this could become more intense with the development that is occurring to the southeast.

VICE MAYOR HEUMANN asked if the Radio System project (Line 42) is a new system. Mr. Dlugas said the radios will be the same. It is the conversion that every city is part of and will allow police and fire to communicate.

Vice Mayor Heumann asked for a list of projects in the Capital Projects carry-forward in Line 52.

Ms. Lang said the projected amount total for Economic Development/Capital Projects is \$49.9 million.

Ms. Lang reviewed the One-Time Operating. Ms. Lang explained these expenses could include fuel, miscellaneous one-time personnel costs, printing and an ADA study.

Ms. Lang said it had been reported to Council previously there were \$4.6 million in budget requests from departments. She said after review the impact to general fund is approximately \$3,383,339. She noted that historically, one-time decision packages have been about \$3 million so that is the basis for projections for the future.

Ms. Lang referred to Item 58 – Transfer to Airport Enterprise Fund as that number is higher than usual. Many grants are received for the airport and this year there have been capital projects that have required general fund monies. Projects include the fuel tanks and security gate purchase. Although there is incoming revenue, they still are short on the operation.

VICE MAYOR HEUMANN expressed his concern of the continued support of the Airport as it is an enterprise fund. He asked what progress is being made to make the Airport self-sufficient. Ms. Lang replied that many municipal airports tend to have capital contributions, but believes that on the operating side you try to get those revenues to support the expenses. She said while there is a shortfall on the operating side, over the past four years she has seen it smaller than it has been in a long time.

The Vice Mayor asked what the number is on the ongoing side and is there a 1, 3 & 5 year plan. Ms. Lang said on average, looking at the last 7 months, the shortfall estimate in operating should be \$155,000. In response to a question from the Vice Mayor, Ms. Lang said that does not include the monies expended for lawyers on litigation. Vice Mayor Heumann commented that was his concern. Although the airport has many opportunities, he is looking for an end plan.

COUNCILMEMBER ELLEN said while she understands those comments, there is some challenge in measuring the economic benefit and impact of the airport, and believes the benefit weighs far more than what the expenses are.

MS. LANG stated that the One-Time Operating total will be about \$12.5 million and noted the Ending Fund Balance for FY2014-15 is \$101 million. She noted that over the 5-year period it gets drawn down slightly because of the drawdown of the Infrastructure Maintenance Reserve and from the capital project needs; but then increases later due to the influx of the one-time money that we have coming in every year from the operating side. In addition, in the fifth year, there aren't many capital projects.

Ms. Lang then reviewed the estimates of the Contingencies and Reserves accounts.

MAYOR TIBSHRAENY asked Ms. Lang to explain the history of the percentage of General Fund Reserve as it was 15% when he was first serving on Council. Ms. Lang explained in 2005 it was reduced to 12%. An additional change occurred in 2010-11, as the secondary levy was taken out of the General Fund which reduced the amount the percentage was calculated on.

The Mayor expressed his desire to attain the 15% level again when the ability presents itself. Councilmember Weninger concurred.

Vice Mayor Heumann said to balance that you need to look at the amount you are basing the percentage calculation on and the importance of looking at the needs and the down side risks of things happening. Mayor Tibshraeny commented that as you grow your budget, your risks will increase.

Ms. Lang stressed what is critical is the "appropriated" contingency as the city is set at a maximum based on our total appropriation that can be spent in a given year.

In response to inquiries on the increase to the Reserve percentage, Mr. Dlugas and Ms. Lang said they would provide what the calculated amounts would be.

VICE MAYOR HEUMANN noted the Council Discretion Reserve was also put in place for protection. Ms. Lang noted that fund began in FY2010-11 and that is designated but not appropriated. Ms. Lang noted that there is the One-time Council Contingency of \$325,000 and an on-going Contingency of \$75,000 that is used during budget amendments.

Ms. Lang reported that \$10 million was added to the Budget Stabilization Reserve in response to the State taking over the tax collection. A briefing will be given to Council on March 24<sup>th</sup>. Ms. Lang said the Budget Stabilization Reserve is based on policy that states it can be drawn from for a two period until the budget can be stabilized.

She explained Line 69 – Public Safety Early Hire Reserve was created as there are approximately 23 people that will "DROP" in 2016. They are planning for that and are now appropriating money for early hiring.

MR. WESTRUM said the Lump Sum Agreement Reserve is also new. This is when the developers deposit money with the city as required in the agreements. This is a way to appropriate it and when either the Transportation or Municipal Utility Department is ready to do that project, it can be used.

The Ambulance Reserve receives a portion of money per the ambulance contract and is used to buy emergency medical vehicles or medical purchases. COUNCILMEMBER WENINGER asked money comes in that offsets it. Mr. Dlugas said that is the money coming in from the ambulance contract that is put into a reserve that can be used for medical transport purposes or anything

having to do with that. He added that if the \$200,000 was spent to buy a medical transport vehicle, the balance showing is what would remain.

Councilmember Weninger asked if this money was coming in on a regular basis, could it not be considered as on-going money. If so, and if each ambulance is staffed with a fire person, could you not use some of the money to offset the on-going money that is being spent.

Ms. Lang and Mr. Dlugas replied as long as the contract continues, that money will continue coming in at that level. Currently, the expenses are below the revenue.

COUNCILMEMBER HARTKE asked if programs related to public safety/fire could be run off of this money. Mr. Dlugas said he did not know. Ms. Lang said she believed the description assigned to the funding was "future CFD emergency medical service improvements".

MAYOR TIBSHRAENY cautioned that if the funds were used to fund the fire person that the City is paying for on the ambulance, and the contract ended there could be an extra person that would need to be covered by a new revenue source or with a new contract or that person will be out of work.

VICE MAYOR HEUMANN asked if extra firefighters were hired when this contract was entered in to. He believed the Fire Chief had reallocated resources. MR. Dlugas replied that was correct, additional bodies were not added.

MAYOR TIBSHRAENY clarified that now that person is tied to that revenue source, he believed that an argument could be made to use these funds to help offset the General Fund cost of that position.

VICE MAYOR HEUMANN asked to receive follow-up on what efficiencies have been gained with having a firefighter on the ambulance.

Mayor Tibshraeny asked for information on the legality of using this money on operations to help offset the taxpayers cost of the personnel. He asked if it could be used for purchasing a fire truck or fire support vehicle or other related capital costs within the fire department.

CITY ATTORNEY BIGELOW informed Council that the ambulance service contract provided the ability to put the ambulance in our fire station, the ability to dispatch the unit from there, and the reimbursement to the City for the cost of our employee on the ambulance. She added that the City's cost is received whether or not the money is collected from the patient. She believed we have the discretion internally how to expend those funds.

MAYOR TIBSHRAENY asked the cost of a fire truck. Mr. Dlugas and Ms. Lang both said about \$500,000.

MR. WESTRUM explained that Line 75- Compensated Absences Reserve – was if all employees left and there was a payout of all annual leave (sick, vacation, comp time), this would be the calculation at 40%. In response to a question from the Mayor, Ms. Lang said cities do it differently, but in her opinion calculating at 40% is reasonable. Councilmember Weninger confirmed that if a normal retirement occurs during the year, it is not paid from this fund. Ms. Lang replied that is correct, it normally gets charged to the vacancy savings in that department.

MR. WESTRUM reviewed the Court Fund Reserves and said they are restricted and cannot be used for any General Fund purposes. Ms. Lang added that Court Enhancement and Judicial

Court Enhancement funds are regulated by the State, but the Domestic Violence Fund is designated by Council and there is about \$300,000 in the fund.

In response to a question from the MAYOR, Ms. Lang explained there have been some small Decision Packages over the last few years from this fund. .

COUNCILMEMBER WENINGER asked if these funds could be used for prevention or enforcement. Ms. Lang said there is a very broad definition on the use.

MR. WESTRUM reviewed the Preliminary Capital Improvement Program.

He highlighted the General Government Cost Summary projects and noted the Vehicle Replacement Program has its own fund.

He stated the Museum Project has been scaled down and will be placed adjacent to the Price House. He highlighted the acceleration of four park sites over the next five years.

In regards to street repair, Mayor Tibshraeny asked staff's input on the current funding level for street repaving. MR. ZEDER replied the current funding would allow for 32 lane miles.

COUNCILMEMBER ELLEN asked if there was a Light Rail Study planned. Mr. Zeder said staff is having conversations with the City of Mesa, as that is where the extension of the rail would begin. He said the hope is to use LTAF monies. Mr. Zeder said he would check with Mesa to see how they structured their funding.

COUNCILMEMBER WENINGER referenced the Flashing Yellow Arrow Installation and suggested more education be made to the public on those.

RECESS: Mayor Tibshraeny recessed the meeting at 6:58 p.m. and reconvened the meeting at 7:45 p.m.

Ms. Lang noted that Proposition 117 was approved by voters in 2012 and FY2015/16 is the pivotal year when Prop. 117 goes into effect. Prop. 117 limits the valuation of appreciation to 5% plus new development, and creates a single limited property value for both primary and secondary property tax. She commented that until staff knew what the projection was for the following year, it was difficult to determine what that limited property value would be.

She stated they have been told the Full Cash Value (market value) for single family homes in Chandler is projected to increase by 25.7% and commercial properties are increasing about 15.75%.

She added that when you shift the Limited Assessed Value over to the secondary, then it pretty much offsets the increases. It has slightly changed the prior projection of being able to reduce the rate by .09 cents.

She said the current year, FY2013-14, is the final year of decreases in assessed value. She said the Primary Value (Limited Cash Value) will increase 5.6% and Secondary (Full Cash Value) will increase by 9.5%.

She said from the information they are receiving from the Assessor, the projection of the Limited Value will be about \$2.365 billion for both Primary and Secondary rate calculations.

