

MINUTES OF THE SPECIAL MEETING OF THE HONORABLE MAYOR AND CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, held in the Council Chambers in the Chandler Library, 22 S. Delaware, on Monday, May 5, 2008 at 7:55 p.m.

THE MEETING WAS CALLED TO ORDER BY MAYOR BOYD W. DUNN.

The following members answered roll call:

Boyd W. Dunn	Mayor
Lowell Huggins	Vice-Mayor
Bob Caccamo	Councilmember
Trinity Donovan	Councilmember
Matt Orlando	Councilmember
Kevin Hartke	Councilmember
Jeff Weninger	Councilmember

Also in attendance:

W. Mark Pentz	City Manager
Rich Dlugas	Assistant City Manager
Pat McDermott	Assistant City Manager
Michael D. House	City Attorney
Marla Paddock	City Clerk

ACTION:

Proposed 2008-2009 Tentative Budget Amendments

MAYOR DUNN explained that there is \$200,000.00 in on-going reserves and \$400,000.00 one-time reserves set aside for Council to use for amendments they wish to consider. There is also an additional \$250,000.00 historically set aside for Council to use throughout the year for one-time unanticipated expenditures.

There is one amendment to reduce the on-going spending of the General Fund by \$500,000.00 in the FY 2008-09 budget without jeopardizing vital services to residents.

COUNCILMEMBER ORLANDO asked about the City Hall update. When the City Hall briefing was presented, it was indicated there would be a savings of approximately \$900,000.00 of on-going monies from rent savings. He asked for clarification from Staff that those monies do not only include rent, but operating and maintenance costs as well. CITY MANAGER MARK PENTZ responded that the work that has been done and the operation and maintenance costs to own would be equivalent to current lease payments.

1. Senior Nutrition Program - \$91,220.00 one-time funds

COMMUNITY SERVICES DIRECTOR MARK EYNATTEN said that the request is from Community Services of Arizona. This year they are requesting \$101,389.00 for their Community Action Program (CAP) and \$113,222.00 for the Senior Nutrition Program. For the last three years, Council has approved \$22,000.00 in on-going funds in the Community Services Department budget. Last year, Community Services of Arizona also received one-time funds of \$20,706.00 for the Meals on Wheels Program for a total of \$42,706.00. This year, they are requesting \$113,222.00 as total funding of which \$22,000.00 is currently in the Community Services Department budget. There is a \$91,222.00 request this year from Council. The

allocated \$22,000.00 is not CDBG monies, but on-going placed in the Community Services Department budget.

MAYOR DUNN asked the applicant to discuss the need for a \$91,000.00 increase in funds over last year, the reasons why and what portion serves Chandler residents.

CHRISTINE WETHERINGTON, Director of Social Services for Community Services of Arizona, explained that the big issue at the Senior Center is related to the meal delivery. Two years ago, they delivered approximately 30 meals a day. That number has increased to 140 meals a day. Maricopa County Special Transportation Services has been delivering the meals, so there was no cost to Chandler for the deliveries. Transportation Services will not be renewing their contract to provide the meal delivery service effective July 1, 2008. In order for CAP to continue to deliver the meals, the increase in funding is needed.

MAYOR DUNN asked about Maricopa Counting delivery services. Ms. Wetherington said that they were contracted with the Area Agency on Aging for the deliveries and their contract will expire July 1, 2008. As that contract will no longer be in effect after July 1, it will be the City's responsibility to deliver the meals.

COUNCILMEMBER CACCAMO asked why the County is discontinuing the contract. Ms. Wetherington said that they were made aware of this in March and it was a shock to them. It could be related to budget cuts.

COUNCILMEMBER ORLANDO commented that some of the funding request is due to an increase in the cost of the meals and asked Ms. Wetherington if she had separated the meal and delivery costs. Ms. Wetherington said she did not have those figures. She added that they took over part of the meal delivery in Gilbert and for three months they needed approximately \$50,000.00. They are not able to come up with a definite cost of delivering the meals because their agency has never delivered the meals before.

COUNCILMEMBER ORLANDO asked Ms. Wetherington if her organization would be contracting with an agency to provide the deliveries. Ms. Wetherington responded that they plan to continue to provide the same service except they will be providing the delivery to the homes. They plan to use volunteers and reimburse mileage.

COUNCILMEMBER ORLANDO asked Staff if the amendments have to be decided on tonight. MANAGEMENT SERVICES DIRECTOR DENNIS STRACHOTA responded that the amendments do not have to be done tonight; however, it would be Staff's preference. COUNCILMEMBER ORLANDO asked if it would be appropriate to include a "not to exceed" amount for this amendment and once a final number is derived, allocate that amount for the program. Mr. Strachota said he believes it could be done.

MAYOR DUNN asked for clarification on whether or not Council could consider amendments even after the adoption of the budget to allocate additional funding. Mr. Strachota said that additional funds could always be allocated after the budget is adopted. That is the purpose of the additional \$200,000.00. MAYOR DUNN asked why Staff prefers to do the amendments tonight. Mr. Strachota responded that is to allow Staff would know what the exact amount they have to work with. It is not essential. In this case, Council always has the prerogative to add to the amount appropriated for this purpose out of one-time monies. MAYOR DUNN said they could grant the amount they did last year and add an additional amount when the final costs are determined.

COUNCILMEMBER WENINGER asked if the amount could be allocated as suggested by the MAYOR and allocate the remaining funds to the Council account to draw from when needed. MAYOR DUNN concurred and added that it would be there anyway. COUNCILMEMBER WENINGER asked Ms. Wetherington if her organization was paying a fee to the County. Ms. Wetherington responded that Area Agency on Aging paid the County. COUNCILMEMBER WENINGER asked why the Area Agency on Aging would not pay another agency to take over deliveries if they paid the County. Ms. Wetherington said that the increase in quantity could be a consideration. There is now a waiting list and no new people are being added to the waiting list.

COUNCILMEMBER HARTKE asked if this is the Meals On Wheels Program or a different program. Ms. Wetherington said there is an organization called Meals On Wheels that provides approximately 30 meals per day. It is separate from her organization. They do home-delivered meals through the Senior Center.

COUNCILMEMBER WENINGER asked about private-pay individuals. Ms. Wetherington said the other recipients are funded through the Area Agency On Aging and referred to them through a case manager. The Area Agency pays for a portion of their food. Donations are suggested, but the residents do not pay. Private-pays do not qualify for those services. They call and order food and it is delivered to them. Those receiving the service through the Area Agency are more in need than private pay individuals.

COUNCILMEMBER WENINGER stated that he would support \$20,000.00 and maybe more. It is hard to allocate the increase when the exact amount is unavailable. The Area Agency was obviously paying Maricopa County something and it would be helpful to have that number.

COUNCILMEMBER CACCAMO asked if Maricopa County was paying for meal delivery service in other cities. Ms. Wetherington said that the Area Agency On Aging contracted with Special Transportation to delivery meals across the valley. They have removed one driver in Gilbert on April 1<sup>st</sup> and will be pulling the rest effective July 1. They are reducing service levels and will not be providing that service anywhere.

COUNCILMEMBER CACCAMO asked what other cities are doing. Ms. Wetherington said they are doing the same thing she is doing. Mesa provides the service with strictly volunteers. She also looked into hiring drivers, but the expense was too great.

Ms. Wetherington clarified that the Area Agency On Aging is the "hub" of what she is talking about. It is an independent agency and not part of any Maricopa County service. They are paying Maricopa County Special Transportation Services currently to deliver the meals and bring seniors into the Senior Center.

THE MAYOR said there are a many questions concerning these funds and Council needs some help from Staff to work with Ms. Wetherington to see if there could be some regional cooperation and what the bottom line is. It could also go through the Human Relations Commission.

COUNCILMEMBER ORLANDO asked if it would be appropriate to do a "not to exceed" on this amount, have Staff come back with final numbers and allocate the funds at that time. If \$22,000.00 is allocated and the request from the applicant comes back as needing \$30,000.00, and Staff agrees, Council would have to come back and allocate more funds. Mr. Pentz concurred.

MAYOR DUNN asked Ms. Wetherington if they are currently providing transportation. Ms. Wetherington replied there are currently two drivers with STS delivering meals and bringing seniors to the center. There is another driver employed by Community Services of Arizona that delivers the private-pay meals. She added that there are two other non-profits in the area that they are working with to recruit volunteers and bring them in – Neighbors Who Care and About Care.

ASSISTANT CITY MANAGER DLUGAS suggested that another option could be funding at the one-time level of \$20,706.00 that was approved for the current fiscal year and give Staff the opportunity to work with Community Services of Arizona to consider some possible regional solutions and come back with more specific numbers to possibly be appropriated by another vote of Council.

MAYOR DUNN said Council needs more information to make a fiscally conservative decision while ensuring we can continue to provide the service.

COUNCILMEMBER DONOVAN agreed with the recommendation of having Staff review the request and suggested having the Housing & Human Services Commission provide a recommendation. MAYOR DUNN concurred.

MS. WETHERINGTON said they should have some information from the Area Agency On Aging within the next couple of weeks. One of the challenges they are facing is that the Area Agency On Aging put out their RFP, CSA responded and within two days they learned there would not be transportation. CSA's original request did not include transportation because it was not part of the package at that time. Her major concern is ensuring people have meals.

MOVED BY COUNCILMEMBER ORLANDO, SECONDED BY COUNCILMEMBER HARTKE, TO FUND THE REQUEST AT LAST YEAR'S AMOUNT (\$20,706.00 ONE-TIME FUNDS) AND HAVE STAFF WORK WITH THE AGENCY AND WORK ON A MORE FIDELITY BUDGET AND COME BACK TO COUNCIL WITH RECOMMENDATIONS.

MAYOR DUNN asked if the motion includes the involvement of the Housing & Human Services Commission. COUNCILMEMBER ORLANDO stated that it does.

MOTION CARRIED UNANIMOUSLY (7-0).

2. Chandler Community Action Program - \$101,389.00 One-Time Funding

MAYOR DUNN asked about the Community Action Program (CAP). COMMUNITY SERVICES DIRECTOR MARK EYNATTEN explained that in FY 2007/08, Community Services of Arizona received \$84,731.00 in one-time funds for the CAP program which was a \$30,877.00 increase over the previous year. They are requesting an additional \$16,658.00 for a total one-time request of \$101,389.00. In response to a question from THE MAYOR, Mr. Eynatten said that Community Services of Arizona receives other funds from various City sources.

MAYOR DUNN asked about Ms. Wetherington's letter to the City and the significant reduction of funding from Maricopa County. Christine Wetherington, Director of Social Services, Community Services of Arizona, responded that the direct assistance funds are mostly federal with some being state allocated and Maricopa County divides it out to the CAP offices. She assumes they received less from the federal and state governments. She knows there was a new funding

formula put in place that has allowed Pinal County and other counties to receive greater amounts of the funds based upon their growth.

MAYOR DUNN asked what the CAP organization provides for the City of Chandler and what portion goes to Chandler citizens. Ms. Wetherington replied that the Community Action Program (CAP) serves only Chandler residents. The intent of the program is to provide direct financial assistance to prevent homelessness by helping people move into a home, assist with utility deposits and utility payments. CAP tries to use the County coffers first if the applicants qualify for any of their programs. City funding fills the gap either when the County money is expended or when the person is slightly over the income limit, but needs the assistance.

THE MAYOR asked what the total budget is for the Chandler programs. Ms. Wetherington responded that it is approximately \$167,000.00 total from the City of Chandler with a total budget of almost \$500,000.00 for the total program for the City of Chandler.

THE MAYOR asked if CAP anticipates any other revenue sources for their funds and if they are sharing the funds with other CAP offices. Ms. Wetherington said it is strictly Chandler money and they also get funds from the United Way, private donations and CDBG funds.

COUNCILMEMBER ORLANDO asked if Community Services of Arizona was notified of these funding changes and when they were notified. Ms. Wetherington responded that they have been aware for 3-4 years that reductions would be coming. The funds are released throughout the year and they do not provide the direct assistance allocation at the beginning of the year. They provide an operating contract so they know what operational costs will be.

COUNCILMEMBER ORLANDO asked if Community Services of Arizona intends to seek other funding sources and private donations. Ms. Wetherington said they are always looking for other funding sources and will continue to do so. One of the problems is that most outside funding such as trusts, do not want to fund on-going, but rather new programs.

COUNCILMEMBER WENINGER asked how much were CDBG funds. Ms. Wetherington said it was \$18,000.00. COUNCILMEMBER WENINGER referenced Ms. Wetherington's letter, which states, "If we receive level CDBG funding from the Human Services Commission instead of the requested funding level of \$82,658.00, the CAP would receive \$66,000.00 as we did in 2007/08. This leaves a shortfall of \$16,658.00 and we are asking that the General Fund make up this shortfall."

COUNCILMEMBER DONOVAN commented that when she reviewed the CDBG Public Service Non-Capital for Community Services of Arizona, they requested \$82,658.00 and received \$66,000.00 and the Housing & Human Services Commission's recommendation was an allocation of \$70,000.00.

MOVED BY COUNCILMEMBER ORLANDO TO APPROVE THE AMOUNT OF \$101,389.00 FOR THE CHANDLER COMMUNITY ACTION PROGRAM.

MAYOR DUNN said that he could support what was granted last year and since there were more CDBG funds granted than what was anticipated as a basis for the \$16,000.00. He feels there are more opportunities to raise additional funds.

MOTION DIED DUE TO LACK OF SECOND.

MOVED BY MAYOR DUNN, SECONDED BY COUNCILMEMBER ORLANDO, TO APPROVE AN AMOUNT OF \$84,731.00 FOR THE CHANDLER COMMUNITY ACTION PROGRAM.

COUNCILMEMBER DONOVAN commented that these two programs have historically been important for the Council. One-time funds have been used for many years. She questioned how to put them into the request of the Neighborhood Services Department that does the allocations and whether they are asking for one-time request. She also noted the importance for the Housing & Human Services Commission to be giving recommendations. That is a change from past years, but with the needs assessment conducted, they mentioned how everything would be coming through the Housing & Human Services Commission. She is supportive of moving forward with the recommendation, but also look at how those changes are made in the future to change the process of the funds going through Neighborhood Services and the Housing & Human Services Commission.

COUNCILMEMBER HARTKE concurred as it seems futile to keep repeating one-time funds continuously, as many of the items have been.

MAYOR DUNN commented that he sat on a board that dealt with service agency requests and the amount of detail provided before the decision is made was immense. Council is being asked to make a decision without seeing a budget or where the money is actually going. He would like the requests to also go through the Commission to present the details and if there was a need to come to Council, the Commission could make the presentation.

COUNCILMEMBER WENINGER added that outreach could be made to some of the church organizations.

COUNCILMEMBER DONOVAN concurred and added that CSA is an active member in the Chandler Non-Profit Coalition and the City's Neighborhood Programs Department is good with working with the Coalition. There is a faith-based group event planned for August where the faith-based groups will explore ways to better work with non-profits.

MOTION TO APPROVE THE \$84,731.00 FUNDING AMOUNT CARRIED UNANIMOUSLY (7-0).

3. Chandler Historical Society - \$30,000.00 One-Time Funding

MARK EYNATTEN reported that late this afternoon, Staff received a proposal from the Chandler Historical Society regarding the transfer of the Museum operation, maintenance and administration to the City. He has not had an opportunity to review it with the Museum Administrator to make a recommendation to the City Manager. Staff anticipates providing a memo to Council by the end of the week with Staff's recommendation regarding the proposal. MAYOR DUNN asked if the proposal would include some funds from the Historical Society to the City. Mr. Eynatten responded that it would. It includes an amount more than previously offered specifically for the City to assume the responsibility for the operation, maintenance and management of the Museum.

MAYOR DUNN said that in light of this proposal, it would appear that this funding request would be a moot issue.

COUNCILMEMBER WENINGER concurred. He also referenced a rule put in place last year whereby if a representative from one of the groups requesting funds was not present, Council would not be voting on the request. Mr. Pentz said he thought there was consensus at that time,

but he did not know if it was formally voted on. COUNCILMEMBER WENINGER said that if Council allocates this money and the proposal from the Historical Society was accepted, does the Museum have "claim to" the money or would it be part of the negotiation that the money would come back to the City. Mr. Pentz said that if the money were allocated and a deal was entered into with the Historical Society, the City would retain the money as planned.

COUNCILMEMBER WENINGER referred to a statement that says CHS Staff reportedly has \$200,000.00 in endowments and asked what comprises the CHS Staff. Mr. Eynatten said that the Chandler Historical Society has three employees and the Historical Society has approximately \$200,000.00 in endowment funds.

COUNCILMEMBER WENINGER said that information provided by Mr. Eynatten states that the 2008 budget projected total expenses of \$131,195.00 in payroll expenses for three employees. Page two states that "CHS Staff estimates that they spend 40-60% of their time on functions primarily related to CHS operations versus Museum operations". Mr. Eynatten concurred. Last year, the City funded the Chandler Historical Society in an amount of \$65,000.00 to run the Historical Society. Councilmember Weninger asked if the City takes over the operation of the Museum, would the monies the Historical Society pays back to the City be considered O & M. Mr. Eynatten responded that the proposal states the contribution the Historical Society makes would be for operation, maintenance and management. Personnel costs are considered an O & M cost. It is his interpretation that they would be contributing money toward O & M related expenses.

MR. PENTZ added that there is the expectation that the Museum Staff would continue to staff the Historical Society to the same level that it is currently staffed. There needs to be further discussion with the CHS. Council may want to request an internal audit of the Historical Society's operations if the City is to take it over. There appears to be quite a bit of confusion and difference of opinion regarding the operations and funding. If it is not resolved satisfactorily by the next Council meeting, he recommends an internal audit be conducted and Council would decide if the City would continue to fund the Museum as in the past.

MAYOR DUNN clarified that if Council decides to have the City take over operation of the Museum, there is no need to approve the requested allocation to the Historical Society.

COUNCILMEMBER ORLANDO said that Council has received several letters from Museum stakeholders. There appears to be some interest other than Site 6 for construction of a new museum. If Council looks at another site based upon the stakeholders input, he asked if there is enough reserve money available to be able to add the potential museum in the current project or will it need to be separate. Mr. Pentz responded that the Museum has its own funding through the two bond issues which will be used to construct the museum portion and equipment. The legal staff would need to be consulted with regards to rolling that project into the City Hall design contract. Mr. Pentz noted there is a potential savings with construction and operation if the facility is a combined. Staff will be reviewing it and coming back with a recommendation. At the last meeting of the Museum Advisory Board, Staff was directed to come back and look at alternatives with one being Tumbleweed Park as well as downtown sites.

MAYOR DUNN concurred and added that there is the potential to move forward with the Museum. Council needs to make a decision on an alternative site and move the Museum forward.

4. Chandler Symphony Orchestra - \$42,000.00 One-Time Funding

COUNCILMEMBER DONOVAN DECLARED A POTENTIAL CONFLICT OF INTEREST DUE TO HER ROLE ON THE CHANDLER SYMPHONY ORCHESTRA BOARD OF DIRECTORS AND WILL NOT BE VOTING ON THIS REQUEST.

MR. EYNATTEN stated that last year, Council provided one-time funding, which was the same as the previous year, to the Chandler Symphony Orchestra to be used to pay wages for conductors, guest artist fees and advertising and printing costs. There are 90 volunteer musicians and they play five free concerts annually that are typically very well attended.

MAYOR DUNN thanked the Orchestra for providing a copy of their budget. He commended the Orchestra for providing free concerts and providing educational opportunities in the Chandler schools.

MOVED BY COUNCILMEMBER ORLANDO, SECONDED BY COUNCILMEMBER CACCAMO, TO APPROVE \$42,000.00 FOR THE CHANDLER SYMPHONY ORCHESTRA.

COUNCILMEMBER ORLANDO added that the Orchestra has been seeking alternative funding and the request is "flat" from last year.

JACK HERRIMAN, Music Director of the Chandler Symphony Orchestra for 20 years, stated that over the last two years, the Symphony has reached a high plateau of musicality. Members of the Orchestra are happy and they have a wonderful future in Chandler. He thanked the Council for their support. He introduced Nell Dunivent-Hill, President of the Board, and Associate Conductor Alex Zheng.

COUNCILMEMBER WENINGER asked if there is anything the City could do to assist with in-kind donations for fundraising throughout the year. Mr. Eynatten said he would speak with Staff at the Center for the Arts.

MAYOR DUNN commented that the City does in-kind by providing the facility. He commended the symphony on the quality of their symphonies.

MOTION CARRIED UNANIMOUSLY (6-0) WITH COUNCILMEMBER DONOVAN ABSTAINING.

5. Reduce On-going Spending in the General Fund in the Amount of \$500,000.00

COUNCILMEMBER WENINGER commented that Staff has presented a budget that is a lot different than what was presented over the last few years. He stated this is not unique to Chandler, but we are in a different position than the rest of the cities. He feels that Chandler has just not gone far enough with impending deficits and falling revenues. We need to maintain our position of being in a stronger position than other cities.

COUNCILMEMBER WENINGER asked about the temporary reserve of \$5 million. Mr. Strachota said that this is the first time we have set up a reserve like this. We have unappropriated funds available in reserve for other purposes that could be tapped into which would have been used in the past. This is the first time this specific fund has been set up for purposes of being able to cover any revenue shortfalls during the year.

COUNCILMEMBER WENINGER commented that there is a heightened awareness this year that if Staff is creating a reserve not created last year or the year before, revenue falling short of the

revenue projections is more of a possibility this year. Mr. Strachota said it is a greater possibility from the standpoint that we are not seeing the growth rates there have been in the past and will not during this economic recession. It means that the margin of error with revenue estimates is narrower. Staff has made every effort to be as conservative as possible without exaggerating the revenues that would come through next year. He explained that there is some added flexibility that some of the other cities do not have by making a distinction between on-going and one-time revenues, which provides some added cushion should we fall short of our revenue estimates.

COUNCILMEMBER WENINGER referenced the recent Third Quarter Financial Report. The amounts are shown through the third quarter and he asked Mr. Strachota if they plugged in \$16 million for the fourth quarter, which is historically the strongest quarter, it would be a generous estimate. He said the adjusted budget when the budget books were received, was \$64,012,000.00 in revenue. He asked when the budget book was completed and noted that if it's been a couple of months, we will come in \$600,000.00 less in State shared revenue than what we were predicting.

Mr. Strachota said that the projections are based upon revised estimates done in February preceding the development of the proposed budget. Staff anticipated that there would be some decline of revenues during the fiscal year and going into next year and recognize a further decline in revenue estimates. The difference between what was estimated in the budget and where we may come in at the end of the year and its impact on the following year, may be closer to \$130 – \$150,000.00. When referring to total State shared revenues amounting to \$63 million, that is a relatively small amount. We are only counting 90% of those revenues as on-going, which gives us a 10% cushion if the revenues were over-estimated.

He explained what Council is seeing is basically a cash-basis report, which means that it is difficult to make comparisons with prior years because a one day delay in posting can make a difference of tens of thousands of dollars. Mr. Strachota stated he is comfortable with the numbers and feels there is enough cushion built into next year's forecast.

In response to concerns from Councilmember Weninger, MR. STRACHOTA said that he is not concerned with the estimates. Even if it is off with the current year, he explained that next year only 90% of the on-going revenues is budgeted. Out of \$63 million in revenues and State aides, that is over \$6 million which is a good cushion even if there are cutbacks from the State.

COUNCILMEMBER WENINGER commented that the other "warning" in the revenue analysis was on licensing and permits revenue. He is not concerned with the decline in actual licenses, but the broader effect of a decline in licenses and permits causing a decline in sales tax revenue. Mr. Strachota said the amount of revenue attributed to license fees associated with sales tax is approximately \$800,000.00. He noted that these revenue categories are typically budgeted separately and although there may be an association, factors for each of the revenues are considered separately so one revenue isn't relied on too much versus another.

COUNCILMEMBER WENINGER said that he is referring to the fact that if business licenses are not being issued, there will be no businesses and there will be a decrease in sales tax revenue. Mr. Strachota said that is accurate.

COUNCILMEMBER WENINGER referred to a graph depicting the budget for 2009/10 and expenses and on-going revenue forecast showing a big gap. He gave the opinion that the gap should be addressed more proactively now. Mr. Weninger expressed his feeling that he has a fiduciary responsibility to tax payers to be more proactive in these matters. A temporary reserve

is being done now, which a few years ago went from 15 to 12. If it is taken back up to \$6.5 million, it could affect bond ratings as Staff has indicated that the bonding agencies do not like the "see-saw" effect of going up and down. He commented that on a temporary basis, we are going backup to 14% for this fiscal year. He expressed the need to address this now so a future Council will not have to deal with shortfalls.

COUNCILMEMBER ORLANDO asked Mr. Strachota for clarification on using a higher percentage of on-going revenue than in previous years. Mr. Strachota explained that in prior years, we were assuming 84% of total revenues and on-going revenues. This year, 90% is being estimated as on-going revenues primarily because staff went back, looked at the assumptions used, to determine what would be on-going revenues for the future. The data that was used to make that determination has been updated and it is assumed that the 90% will be sustained in on-going.

COUNCILMEMBER ORLANDO asked about other cities' percentages. Mr. Strachota said he does not know what percentages they use. In some cases, some cities are not making a distinction between on-going and one time and it has caused them problems. As soon as the revenues closely associated with growth drop off and they have made commitments with on-going spending, they are faced with having to implement layoffs. He stated that Chandler is not in that position and is fortunate enough to be able to sustain the spending over time. He acknowledged that we could face a potential problem in the future, but the City Manager has identified some specific things to make adjustments to the budget. This has bought some time to see how quickly the economy will recover and the revenues will come back into our coffers.

COUNCILMEMBER ORLANDO commented that he was impressed with the new criteria to establish a percentage of the on-going revenues. It seems more realistic that it has been in the past.

VICE-MAYOR HUGGINS said he would be more comfortable in directing managers to attempt to save \$500,000.00 in lieu of taking it away.

COUNCILMEMBER CACCAMO concurred and said he would rather not tie the hands of the City Manager. He stated we are at the point where we want to save half a million from the budget, but we have to wait to vote on the amendment to see where those recommendations are going to be. He is not sure where the money is going. We're saying we're saving a half a million, but should see if we can save a half million but keep it in the budget as part of the contingency to be used if necessary.

COUNCILMEMBER WENINGER said the reason there is a specific amount is because he asked the City Manager and was told that rather than going line-item, give him an amount and, if Council agrees, go out and try to find the money. Mr. Pentz concurred and added that Staff would like advise from the Mayor and Council as to whether or not they would like the budget reduced further and by how much. The directors need to be involved in further cuts because arbitrary cuts could have unintended consequences.

COUNCILMEMBER CACCAMO said that he was questioning where the money would go if there were a budget reduction. He said it would be safer if the money was budgeted, but put aside and to economize another \$500,000.00 to enable us to put the \$500,000.00 into contingency which we hope to save and direct the City Manager to save \$500,000.00. This would be accomplishing the same thing without tying the Manager's hands.

MAYOR DUNN said that the motion maker would be potentially asking the City Manager to recommend where the savings could come from and what additional savings could be made. He understands COUNCILMEMBER WENINGER'S concerns. We have a budget built on strong conservative policies Council has previously followed and are spending the taxpayers' money conservatively. We will be facing a unique challenge with the economy and this will be an on-going process with contingencies, multiple reserves and investigating additional revenue sources. Council has expressed to the City Manager that they would like a monthly report on revenue status to be prepared to address the issues.

COUNCILMEMBER DONOVAN clarified that Council would not be voting on taking away the \$500,000.00 tonight, but asking the City Manager to tell them where the money would come from and make the decision on May 22<sup>nd</sup>. MAYOR DUNN concurred. No final decisions on the \$500,000.00 will be made until the City Manger makes the recommendations.

COUNCILMEMBER WENINGER said that the purpose of it being the O & M is because that is where the gap is. It is easier to cut money from one-time spending. If we have \$500,000.00 in the O & M and run \$300,000.00 short in revenue, we are tapping into O & M. If we tap into the \$5 million, we are technically breaking our financial policies because it is one-time money for revenue shortfalls and we are predicting a revenue shortfall. If the City Manager comes back with a plan to cut a vacant position, he would much rather be proactive now and not fill a vacant position than have to implement layoffs.

COUNCILMEMBER CACCAMO asked if the \$5 million in contingency was O & M or one-time money. Mr. Strachota responded that it was one-time funds set aside that are not appropriated in the budget and now showing up in the budget. They are in a reserve that would not be appropriated until the following year should it be needed and would require Council action.

MOVED BY COUNCILMEMBER WENINGER, SECONDED BY VICE-MAYOR HUGGINS, TO DIRECT THE CITY MANAGER TO PRESENT A PLAN TO COUNCIL FOR ITS MEETING ON MAY 22, 2008, TO REDUCE GENERAL FUND ON-GOING SPENDING BY \$500,000.00 IN FISCAL YEAR 2008/2009 BUDGET WITHOUT JEOPARDIZING VITAL SERVICES TO RESIDENTS.

COUNCILMEMBER ORLANDO asked for a summary from Staff showing all of the savings done this year. Mr. Pentz said that there are 8 ½ positions that have been eliminated, capital improvements that have been deferred and no positions were added in the general fund.

MOTION CARRIED UNANIMOUSLY (7-0).

Adjournment: The meeting was adjourned at approximately 9:36 p.m.

ATTEST: \_\_\_\_\_  
City Clerk

\_\_\_\_\_  
MAYOR

Approved: May 22, 2008

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the special meeting of the City Council of Chandler, Arizona, held on the 5th day of May 2008. I further certify that the meeting was duly called and held and that a quorum was present.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

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