

MINUTES OF THE REGULAR 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 Thursday, January 8, 2009, at 7:00 p.m.

MAYOR BOYD W. DUNN CALLED THE MEETING TO ORDER.

The following members answered roll call:

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

Also in attendance:

W. Mark Pentz	City Manager
Rich Dlugas	Assistant City Manager
Pat McDermott	Assistant City Manager
Mary Wade	City Attorney
Marla Paddock	City Clerk

INVOCATION: Pastor John McCranie representing The Gathering, gave the invocation.

PLEDGE OF ALLEGIANCE: Cub Scout Pack 679 led the Pledge of Allegiance.

SCHEDULED PUBLIC APPEARANCES:

None.

UNSCHEDULED PUBLIC APPEARANCES:

None.

CONSENT:

COUNCILMEMBER CACCAMO referred to Item No. 8 and said that many questions were raised about increasing the limit for consultant contracts. The last indication was to leave the consultant fee at \$30,000; however, he questioned if all consultant contracts should come before Council. He noted that Item 25, is a consultant fee for 29,000 and questioned why that is coming before Council.

HUMAN RESOURCES DIRECTOR DEB STAPLETON responded that the contract is an addendum to an existing contract. Segal Company provides consulting services to them on a day-to-day basis. This project was above that and was for work done in conjunction with the citywide health care taskforce. This brought the total package above the \$30,000.

MR. STRACHOTA added that consulting services contracts would remain at \$30,000 as well as professional services. The intention is to bring forward a complete rewrite of the Purchasing Code with this issue returning to the Council. In response to the Mayor, Mr. Strachota said it is a Uniform Code that will be coming back to Council.

COUNCILMEMBER CACCAMO asked if the limit was per contract or per consultant. MR. STRACHOTA said that additive amendments are not allowed in order to breach the limit.

In regards to Item No. 36, COUNCILMEMBER DONOVAN asked about the purpose of the costs. MR. STEVEN PHILBRICK, Chief Information Officer, stated that approximately 40% of this contract goes toward building a computer image so that every computer has the standard software and packaging and this helps the limited number of support staff in servicing this. The remaining cost is for the actual services to assist with the installs and end user support for the next couple of days after the new image is put on the devices. He estimated about 2 + hours of work at each workstation, not including callbacks. COUNCILMEMBER DONOVAN said this information was helpful in knowing that it will help with efficiency and with the least amount of frustration.

In regards to Item No. 25, COUNCILMEMBER WENINGER asked when the RFP comes back, when would this take affect. MS. STAPLETON said that if an RFP proceeded forward, it would likely come forward for the plan year 2011. Benefits run on a calendar year. Aetna's contract can be renewed through 2010 and they are working through the benefits task force on what approach they should take. Aetna offered a very competitive renewal last year and there haven't been many issues with Aetna. They are also looking at different funding options such as self-funding. The task force should meet in January or February to review this and other items.

COUNCILMEMBER WENINGER asked about the competitiveness of the health care industry right now. MS. STAPLETON replied that the trends are coming down significantly from a few years ago, but at the same time the City's experience rates as opposed to the claims as opposed to the premiums, have been very competitive. It was her expectation to realize some cost savings as the claims have not been as high as in previous years. Other opportunities such as wellness programs will also be explored.

COUNCILMEMBER WENINGER asked if the plan can be 'tweaked' such as a change to physical rehab this past year. MS. STAPLETON concurred that plan design can be 'tweaked' as in such cases as that. She explained the task force wants to look at co-pays particularly with pharmaceuticals, cost sharing, and point of service plans.

COUNCILMEMBER WENINGER asked if it were to go out for the RFP, would it come back to Council for a decision. Ms. Stapleton replied that it would.

COUNCILMEMBER CACCAMO questioned if the consultant helped with the RFP. MS. STAPLETON said that an RFP was drafted, but not send out. Legal staff and the City Manager's office raised considerable issues about the funding. Part of the \$29,000 was assistance from the consultant in developing the RFP as well as meeting with the task force, reviewing the details and educating the task force members.

COUNCILMEMBER CACCAMO asked if specs usually take more than a year to develop due to the complexity of health care. MS. STAPLETON responded probably 6 months. This was placed on a temporary hold to explore the other options.

COUNCILMEMBER CACCAMO asked if other health care providers are anxious to bid and if other cities are interested in joining a self-funded program. MS. STAPLETON said while there are very few health care providers, Chandler can be an attractive city. She stated there is a lot of

reluctance to pool because when combining your claim experience with another city, you don't know what you're getting. Some organizations have done that, without success. The City would continue to review that.

COUNCILMEMBER ORLANDO said he has spoken with people in the health care industry and feels there is a sense that they would like to explore this as it does reduce cost in the long run for them. He challenged the comments that the citizen (employee) pools are different in each city. He encouraged staff to review pooling as an option. MS. STAPLETON said that they could revisit that with the consultant as he represents many agencies. She noted that there are some differences that come into play such as retiree coverage, as retiree coverage can affect the rates and the experience.

COUNCILMEMBER WENINGER clarified the amount spent with the consultant. STAPLETON responded that there is a retainer agreement with the Segal Company for \$28,000 and that is for day to day consulting and for renewals. The \$29,000 is an extra project for the time spent with the Health Care Task force in facilitating some of those meetings and also to prepare the draft of the RFP. Also included are the meetings already held with the task force and future meetings and a solid draft for an RFP. COUNCILMEMBER WENINGER said his concern would be that if they don't get this completed by the next calendar year, that the RFP would be a little outdated by then if a decision is not made by 2010.

MOVED BY COUNCILMEMBER HARTKE, SECONDED BY COUNCILMEMBER WENINGER, to approve the Consent Agenda as presented. COUNCILMEMBER DONOVAN voted nay on item 6. COUNCILMEMBER HARTKE voted nay on item 6. COUNCILMEMBER ORLANDO abstained from voting on 1c and 1d, as he was not present at those meetings.

COUNCILMEMBER ORLANDO, in regards to Item No. 25, requested staff to provide a list of the consultants for the last year to understand what the fees and professional services are.

MOTION CARRIED UNANIMOUSLY (7-0).

1. MINUTES:

APPROVED, as presented, Minutes of:

- a) Special City Council meeting of December 8, 2008
- b) Regular City Council Meeting of December 8, 2008
- c) Special City Council meeting of December 11, 2008
- d) Regular City Council meeting of December 11, 2008

COUNCILMEMBER ORLANDO abstained from voting on 1c and 1d as he was not present at those meetings.

2. ANNEXATION: Gilbert and Queen Creek Roads Ord. #4021

ADOPTED Ordinance No. 4021, Annexation, North of the NEC of Gilbert and Queen Creek Roads, annexing approximately 20 acres north of the NEC of Gilbert and Queen Creek roads.

3. CITY CODE AMENDMENT: Chapter 43 Ord. #4118

ADOPTED Ordinance No. 4118 amending Chapter 43 of the Chandler City Code, Sections 43-5.1 and 43-5.10 relating to the City of Chandler Standard Details and Specifications and MAG Uniform Standard Specifications and Details with certain modifications.

4. REZONING: South Shore Ord. #4120

ADOPTED Ordinance No. 4120, DVR08-0015 South Shore, rezoning from PAD for Office Showroom and Light Industrial to PAD with mid-rise overlay for a mixed-use project with Office, Commercial Retail/Restaurant, Hotel and Multi-family Residential on approximately 43 acres south of the SEC of Ocotillo Road and Arizona Avenue.

5. REZONING: Panattoni CAC Adult Education Ord. #4121

ADOPTED Ordinance No. 4121 DVR08-0039 Panattoni CAC Adult Education, rezoning from PAD to PAD Amended zoning to expand the list of permitted uses for two buildings at 2150 & 2200 E. Germann Road to allow adult education.

6. REZONING: Chandler Airpark Village Ord. #4122

ADOPTED Ordinance No. 4122, DVR06-0022 Chandler Airpark Village, rezoning from AG-1 to PAD for a mixed-use development consisting of retail, medical/general office, and multi-family residential uses on approximately 30 acres at the SWC of Germann Road and the Consolidated Canal.

COUNCILMEMBERS DONOVAN AND HARTKE VOTED NAY ON THIS ITEM.

7. GROUND LEASE AGREEMENTS: Arizona Pacific Aviation, LLC Ord. #4102

INTRODUCED AND TENTATIVELY APPROVED Ordinance No. 4102 authorizing the City of Chandler to amend two ground lease agreements with Arizona Pacific Aviation, LLC to adjust development and phasing.

Two ground lease agreements with Arizona Pacific Aviation, LLC (Arizona Pacific) were approved through Ordinance No. 3846 in late 2007. Subsequently, during ongoing design efforts by Arizona Pacific, some required changes were identified in Exhibit "D" of both agreements. Exhibit "D" contains the number of structures and square footage for the proposed buildings. This amendment provides the current building information.

Also, the overall development was planned for two phases. Each phase contained parcels from each lease. Arizona Pacific was advised by their financing organization that this plan for mixing the parcels from each lease in the two phases would be problematic for the financing. This amendment puts the parcels of each lease area into separate phases.

Additionally, after the leases were approved, a planned development adjacent to the Arizona Pacific development decided not to proceed with the proposed development. In order to allow all development on this portion of the airport to have street access, adjustments are needed to the amount of roadway to be installed by Arizona Pacific. This amendment specifies changes to address this extra roadway.

There are no changes to the financial implications for the City from the original approval of the leases.

8. CITY CODE AMENDMENT: Chapter 3 Ord. #4119

INTRODUCED AND TENTATIVELY APPROVED Ordinance No. 4119, amending Chandler City Code, Chapter 3, Sections 3-9 and 3-11, increasing the requirement for a formal competitive solicitation to \$50,000.00 and the contract amount requiring Council authorization to \$50,000.00.

Following the award of an RFP in January 2007, the National Institute of Government Purchasing (NIGP) conducted an operational assessment of the Purchasing Division. After thorough review by the HPO Purchasing Transformation Group and Executive Leadership Team, it is recommended that the requirement for the contract amount requiring Council authorization be increased from \$30,000.00 to \$50,000.00 for goods and services.

In response to concerns raised by Council, the contract amount requiring Council authorization for acquisition of consultant services will remain at \$30,000.00. This is reflected in the ordinance, along with a definition of consultant services.

With this change, Council will continue to review 90% of purchasing expenditures although one third of formal solicitations are under \$50,000.00. Increasing the threshold for solicitations and contract authorizations will decrease the bid processing time and lead-time for contracts, reduce administrative costs and speed deliverables to customers.

Although there are no direct financial implications, this will streamline efficiencies, freeing Staff time for other tasks and reduce administrative costs.

9. POWER DISTRIBUTION EASEMENT: Salt River Project Ord. #4123

INTRODUCED AND TENTATIVELY APPROVED Ordinance No. 4123 granting a no-cost power distribution easement to Salt River Project (SRP) to provide new electrical power service to the well at the existing McQueen Water Production Facility near the NEC of McQueen Road and Thatcher Boulevard.

10. UTILITY EASEMENT: Arizona Public Service Ord. #4124

INTRODUCED AND TENTATIVELY APPROVED Ordinance No. 4124 granting a no-cost utility easement to Arizona Public Service Company (APS) for the purpose of providing electrical service needed for the development of the City Hall site.

11. AGREEMENT RENEWAL: El Paso Natural Gas Company Ord. #4125

INTRODUCED AND TENTATIVELY APPROVED Ordinance No. 4125 renewing the Agreement for use of public property between El Paso Natural Gas Company and the City of Chandler for open-access transportation of natural gas.

El Paso Natural Gas Company has had facilities located in the Chandler area since 1936 and has maintained and operated its system without a master permit or agreement since it was not required at the time of its original construction. Primarily, its easements are on private property,

but certain facilities are in public property, particularly roadway intersections. The history of El Paso's easements and location authority is complex since some of the property in question has been annexed from the County or had changes of ownership. The City first established an agreement for Use of City Public Property for El Paso's system on August 29, 2003, by Resolution No. 3678. This ordinance authorizes a renewal of the agreement which takes into account new infrastructure installed since 2003 as well as some unaccounted for infrastructure discovered during a review of the inventory of easements and encroachment permits within the City limits.

The City has received a \$2,000.00 application fee for renewal, which should cover the City's cost for processing this application. There will be an annual footage fee of \$0.883 per square foot of Public Property reserved for use for 2009. This fee includes a catch-up provision for unpaid fees for ROW crossing amendments. For the first year of the agreement, the use fee will be \$14,548.56. Fees are also outlined for any additional footage installed in City property or right-of-way after adoption of the agreement as well as an escalator clause applied each year based on the Consumer Price Index. The company will also pay a \$5,925.00 Temporary Expansion Fee for each subsequent permit it requires for new construction or maintenance of its system. This Expansion Fee allows for the additional space required for use during such work on the system on an exclusive basis. It will also pay any applicable City, County and State transaction privilege and use tax, as well as all applicable encroachment permit fees and pavement restoration fees as dictated by City Code.

12. COUNCIL MEETING DATE

Res. #4254

ADOPTED Resolution No. 4254 changing the April 9, 2009, City Council meeting to April 6, 2009.

The City Council adopted Resolution No. 4229 establishing the City Council regular meeting schedule for the 2009 calendar year. A regular Council meeting was inadvertently set for April 9, which falls during the Passover holiday. This resolution will amend the 2009 calendar by moving the regular meeting to Monday, April 6, at 7:00 p.m. The study session will be cancelled, as it would be unnecessary.

13. PRELIMINARY DEVELOPMENT PLAN - SIGNAGE: Laguna Village

APPROVED Preliminary Development Plan, PDP08-0032 Laguna Village, for an additional monument sign in the Laguna Village shopping center at the SEC of Ray and Kyrene roads. (Applicant: YESCO.)

The center was primarily developed in 1986 and featured a movie theater, in-line shops and restaurants. Walgreen's and Fresh & Easy occupy pads more recently constructed in 2008. The movie theater space is currently vacant. The center is surrounded to the south and east by single-family homes. Single-family homes also occupy the intersection's other three corners.

The site received C-2/PAD zoning and PDP approval in 1986 that did not address signage, thereby requiring adherence to Sign Code requirements. A variance approved in 1987 allowed an 18'-high sign with 10 tenant panels for use by the movie theater. This sign is now approximately the same height, but now includes only two tenant panels. The variance approval stipulated that no other monument signs be allowed along Ray Road in order to prevent a cluttered streetscape appearance. The Zoning Administrator has determined that the proper way to amend the variance stipulation is through a new PDP rather than another variance.

The request is for a new two-tenant, 6'-high monument sign located along Ray Road, 298'-6" east of the existing 18'-high sign. The sign would match the appearance of an existing 6'-high monument sign along Kyrene Road and be complementary to the more ornate 18'-high sign.

This request was noticed in accordance with the requirements of the Chandler Zoning Code with a neighborhood meeting being held on December 4, 2008. There was one neighbor in attendance in support of the request. Staff has been contacted by one neighbor in opposition who feels that extra signage will lower his residential property value and is not needed for a shopping center that is already rather active.

Upon finding consistency with the General Plan and PCO/PAD and PAD zoning, the Planning Commission and Staff recommend approval subject to the following conditions:

1. Development shall be in substantial conformance with the application materials (Site Plan, Elevations and Narrative), except as modified by condition herein.
2. The monument sign's sign panels shall have an integrated or decorative cover panel until a tenant name is added to the sign.
3. The monument sign package shall be designed in coordination with landscape plans, planting materials, storm water retention requirements and utility pedestals, so as not to create problems with sign visibility or prompt the removal of required landscape materials.

14. CONTINUED REZONING: McClintock Village

CONTINUED TO FEBRUARY 12, 2009, Zoning DVR08-0023 McClintock Village, rezoning and PDP for a commercial shopping center on approximately 26.4 acres at the NWC of Chandler Boulevard and McClintock Drive to allow the request to be heard at the January 21, 2009, Planning Commission hearing.

15. CLAIMS REPORT

APPROVED the Claims Report for Accounts Payable checks for the quarter ending December 31, 2008.

16. ALIGNMENT: Gilbert/Queen Creek/Hunt Highway

APPROVED Alignment for improvements to Gilbert Road from Queen Creek Road to Hunt Highway.

The Gilbert Road Improvements project consists of widening the roadway to include three thru lanes in each direction from Queen Creek Road to Chandler Heights Road and two lanes each direction from Chandler Heights Road to Hunt Highway. Turn lanes, bike lanes and a raised landscape median are included. Additionally, widening of the Eastern Canal bridge crossings south and east of the Gilbert Road/Ocotillo Road intersection is a part of the project. The improvements meet the requirements of the 2001 Chandler Transportation Plan. The improvements require the purchase of additional right-of-way, drainage easements, utility easements and temporary construction easements.

Just south of the Eastern Canal, the roadway centerline is shifted approximately 32 feet east of monument line to avoid impacting properties on the west side. This roadway centerline alignment transitions back to monument line north of Brooks Farm Road. Alignment approval is needed to establish the right-of-way and easement needs for an estimated 30 parcels.

A public meeting was held on October 22, 2008, by City Staff to present the proposed project to adjacent property owners. Staff presented project information, responded to questions and comments and received additional input from business owners and residents.

The Transportation Commission unanimously approved the alignment at its December 18, 2008.

17. GRANT FUNDING: FEMA & Department of Homeland Security

ACCEPTED \$419,130.00 in grant funding from the U.S. Department of Homeland Security and the Federal Emergency Management Agency (FEMA) fiscal year 2008 Assistance to Firefighters Grant Program to purchase 800 MHz digital radios with a required City match of \$104,782.00. The Fire Department will request reimbursement from FEMA in the amount of \$419,130.00 once the project is completed.

The Assistance to Firefighters Grant Program (AFG) awards one-year grants directly to fire departments to enhance their abilities with respect to fire and fire-related hazards. The primary goal is to provide assistance to meet fire departments' firefighting and emergency response needs.

18. APPOINTMENT: City Magistrate Ray Addington

APPROVED the Appointment of City magistrate Ray Addington for an annual base salary of \$136,119.00 for the period October 17, 2008, to October 16, 2009, with a base adjustment at the same percentage rate as may be provided to non-represented employee groups for the period October 17, 2009, to October 16, 2010.

19. APPOINTMENT: City Magistrate Michael Morales

APPROVED the Appointment of City Magistrate Michael Morales for an annual base salary of \$136,119.00 for the period October 17, 2008, to October 16, 2009, with a base adjustment at the same percentage rate as may be provided to non-represented employee groups for the period October 17, 2009, to October 16, 2010.

20. APPOINTMENT: City Magistrate Gary LaFleur

APPROVED the Appointment of City Magistrate Gary LaFleur for an annual base salary of \$136,119.00 for the period October 17, 2008, to October 16, 2009, with a base adjustment at the same percentage rate as may be provided to non-represented employee groups for the period October 17, 2009, to October 16, 2010.

21. AGREEMENT: G & G Construction Company

APPROVED an Agreement with G & G Construction Company for alley and road shoulder rehabilitation, concrete crushing and dust control for one year in the amount of \$612,795.00 with the option to renew for two (2) additional one-year periods.

The City will be performing alley and road shoulder dust suppression and rehabilitation throughout the City as part of the County's regional PM-10, 5% reduction plan required by the Environmental Protection Agency through the State of Arizona. The work will consist of lowering the alleys and road shoulder grades and replacing removed material with crushed asphalt millings. The asphalt millings will be graded, compacted, and alleys sealed with an asphalt sealer to rejuvenate the asphalt. This process will significantly reduce dust emissions in the alleys and on the road shoulders. In the first phase of this project, 10 miles of alleys were rehabilitated and 11 miles of shoulder were completed. This is the second phase of the project consisting of placing asphalt millings on approximately 10 miles of alleys and 7 miles of arterial road shoulder.

22. AGREEMENT EXTENSIONS: Demolition and Site Clearing Services

APPROVED one-year Agreement Extensions with Phoenix Demolition Company and Salvage, Inc., pursuant to JOC07-02, and Complete Decon, Inc., pursuant to JOC07-10, in an amount not to exceed \$200,000.00 each for demolition and site clearing services. These extensions are the second of four additional one-year extensions.

23. AGREEMENT: Landfill Operation and Maintenance

APPROVED an Agreement with Stearns, Conrad and Schmidt Consulting Engineers, Inc., dba SCS Field Services, for landfill operation and maintenance in an amount not to exceed \$240,000.00.

Chandler's 66-acre landfill closed in 2005. Construction is underway for the new Paseo Vista Recreation Area. As part of regulatory requirements, the City is required to monitor and maintain the landfill gas collection system for 30 years post-closure care. This includes maintaining and monitoring the surface and subsurface landfill gas equipment in the area for compliance.

Solid Waste Services Staff performs the technical work associated with managing the landfill gas operations. For major maintenance and repair work connected with the landfill gas monitoring equipment (groundwater and gas collection wells, landfill gas flare operations, etc.) that are beyond the technical expertise of Staff, a contractor experienced and specializing in providing landfill environmental technical services is necessary to ensure safety and compliance with regulations.

24. AGREEMENT EXTENSION: MWH Laboratories

APPROVED a one-year Agreement Extension with MWH Laboratories for laboratory testing services for drinking water and wastewater with the option of four additional one-year renewals.

On September 11, 2008, Council awarded agreements to Columbia Analytical Services, Inc., Legend Technical Services of Arizona, Inc., and Test America Laboratories, Inc., for a combined total not to exceed \$397,000.00. At that time, the agreement with MWH Laboratories was still in the negotiation process. Since no single laboratory could perform all of the tests required by the

City, it was determined to be in the best interest of the City to award multiple agreements to ensure laboratory availability.

The combined total for all laboratory testing services was approved by Council on September 11, 2008, and will not change with the award of this additional agreement.

25. AGREEMENT AMENDMENT: Segal Company

APPROVED an Agreement Amendment with the Segal Company for additional services in the amount of \$29,000.00.

The City formed a citywide healthcare taskforce in February of 2008 to review the City's current medical plan design and to develop a Request for Proposal (RFP) to evaluate other providers. City employees from all bargaining and non-bargaining groups are represented on this committee. The purpose of the committee is to gather a better understanding of the City's medical plan, design, cost and utilization with the long-term goal of assisting the City in evaluating options for future cost containment.

The Segal Company currently provides employee benefits consulting services to the City. These services include assistance in the preparation of specialized management reports upon request, compilation of employee benefits survey responses, some facilitation of employee survey/focus groups, compliance with federal and state regulations, and day-to-day technical assistance to City Staff. Due to the concern over escalating health care costs and the complexity involved in the evaluation of alternative medical plans, the City requested additional assistance from The Segal Company for its work with the taskforce.

The cost of this additional service is \$29,000.00, which, coupled with the annual consulting services with The Segal Company, brings the total contract with The Segal Company to \$56,500.00.

26. AGREEMENT AMENDMENT: Southwest Ground-water Consultants, Inc.

APPROVED Agreement #WA0715-101, Amendment No. 1, with Southwest Ground-water Consultants, Inc., for the assured water supply hydrology project, pursuant to annual contract #EN0501-101, in an amount not to exceed \$6,000.00.

The 1980 Groundwater Management Act requires that cities demonstrate that they have 100 years of assured water supply (renewable water resource) for any proposed new development. Arizona Department of Water Resources (ADWR) granted Chandler a Designation of Assured Water Supply on December 31, 1997, which demonstrated that Chandler had sufficient renewable water supplies to meet the committed demands as of that date and the projected demands through 2010.

Chandler has secured additional renewable sources since the Designation was granted. An application to modify Chandler's Designation has been submitted to ADWR to incorporate these additional resources. Once approved, this modification will demonstrate the City has sufficient renewable supplies to meet current and committed demands as of December 31, 2007, and projected demands through 2020.

The amount of the original project agreement was based on submitting a groundwater model in support of the City's application to ADWR, and assumed minimal ADWR comments. On December 4, 2008, ADWR requested additional model analyses, which were not included in the original scope of work.

27. AGREEMENT EXTENSIONS: Hydrogeologic Services

APPROVED one-year extensions for Agreement #EN0708-101 with Brown and Caldwell and #EN0709-101 with Southwest Ground-water Consultants, Inc., for hydrogeologic services in an amount not to exceed \$500,000.00. These will be the first of four one-year renewal options.

The development, design and permitting of new well sites is required to provide water to meet the City's future demand. These annual contracts provide for various hydrogeologic services such as studies, design and construction management for the testing and drilling of diagnostic and water production wells, permitting assistance and well rehabilitation related to arsenic and nitrate issues. Work will be rotated among the firms based on their availability and expertise.

Under these contracts, individual project agreements will be prepared for execution and approval for each specific project. Project agreements over \$50,000.00 will be submitted for Council approval up to the annual aggregate of \$500,000.00. This action will result in saving the cost of the selection process and the time to bring individual projects forward.

28. AGREEMENT: Southwest Gas

APPROVED Agreement #FI0605-301 with Southwest Gas for design and construction services for natural gas service at the Chandler Fire Department's Administration Building located at Boston and Colorado streets in an amount not to exceed \$33,199.00.

29. AGREEMENT AMENDMENT: Perlman Architects of Arizona

APPROVED Agreement #FI0605-201, Amendment No. 3, with Perlman Architects of Arizona for additional design meetings and utility design and coordination of the Chandler Fire Department's Administration Building at Boston and Colorado streets in an amount not to exceed \$41,050.00 for a revised contract total not to exceed \$600,430.00.

The Fire Department Administration Building was awarded for construction on August 14, 2008. The new Fire Administration Building will be located just to the west of the current Fire Administration Building on Boston Street. The building will be three stories and a total of 18,420 square feet. The first two floors will be for Fire Department administrative and support staff. The third floor will be with City's Emergency Operations center (EOC). The EOC will serve as the City's "command center" for any major disaster occurring in the City. When the new building is complete, the Police Department will be utilizing the current Fire Administration Building. The architectural theme of the building is that of an historic fire station which conforms to the "Historic Downtown Chandler" theme and also brings some distinctive recognition to the building. This building will be one of the City's first buildings designed to the standards required for certification within the United States Green Building Council (USGBC) Leadership in Energy and Environmental Design (LEED version 2.2) program. It is being built to achieve a "Silver" level certification.

30. CONTRACT: Brignall Construction

APPROVED Contract #CS0802-401 to Brignall Construction for construction manager at risk for the Chandler Center for the Arts renovation in an amount not to exceed \$1,362,426.00.

The City and Chandler Cultural Foundation commissioned a study in 2007 to review the current conditions of the Chandler Center for the Arts. The study examined the existing conditions of the facility's performance systems which resulted in a list of recommendations to maintain operability of the facility, bring existing conditions up to current codes and other architectural improvements. The recommendations were prioritized by the team and include upgrades to HVAC, fire sprinkler and ADA accessibility. Also included are the replacements of stage rigging, fire alarm security, and lobby floor repair. The team consisted of representatives from the Chandler Cultural Foundation, City personnel, school personnel, and architect and theater specialists.

The team looked at ways to more efficiently use the time prior to the scheduled building closure of May 15, 2009. Scopes of work that could be started while the building was occupied were identified as Phase I and include fire alarm improvements, mechanical yard drainage improvements, exterior door hardware replacement, light fixture replacement and order HVAC central plant equipment due to long lead times. This work can be initiated prior to the planned May 15, 2009, closure of the main auditorium, allowing it to reopen earlier than the planned May 15, 2010, completion date.

This project is supported by bond funds. In 2006 and 2007, the Chandler Unified School District (CUSD) and the City of Chandler held bond elections, and voters approved \$2.5 and \$4.2 million for Arts Center renovations, respectively. There are some aspects of the renovations, such as the capacity of the new rigging system that benefit the City more so than CUSD, hence the higher amount of City bond funding for the Arts Center renovations. However, in the scope of work identified as Phase I, the City and CUSD will equally benefit. CUSD will reimburse the City for half of the not-to-exceed cost of \$1,362,426.00. The remainder of CUSD's \$2.5 million will be applied to Phase II.

A contract amendment for the work that can be done only when the main auditorium is closed (Phase II) will be submitted to the Mayor and Council following completion of the related designs in early spring 2009. During Phase II work, the smaller theaters and foyer will remain open, except for brief scheduled downtimes enabling school usage and smaller capacity City and Foundation events.

31. CONTRACT CHANGE ORDER: Layton Construction

APPROVED Contract #FI0605-401, Change Order No. 1, with Layton Construction for the Chandler Fire Department's Administration Building at Boston and Colorado streets in an amount not to exceed \$210,745.00 for a revised contract total not to exceed \$7,182,733.00. This change order is for the installation of two emergency generators to ensure operation of the Fire Administration Building and in particular, the City's Emergency Operations Center (EOC) to be located on the third floor, in case of a power outage.

32. CONTRACT: Chasse Building Team, Inc.

APPROVED Contract #PR0801-401 to Chasse Building Team, Inc., for Construction Manager at Risk for the Boys and Girls Club in an amount not to exceed \$7,076,937.00.

In 1990, the City of Chandler purchased the old Seton High School property at 300 E. Chandler Boulevard from the Jackson Living Trust. Since then, the East Valley Boys and Girls Club has leased the facility from the City and offers many community based, character building youth development programs for the residents of Chandler. The FY 2008-09 budget currently allocates funding for the construction of a new Boys and Girls Club facility. This contract is for construction services for a new facility that will include a gymnasium, meeting rooms, multi-purpose rooms, computer lab, office space and shared space for other non-profit groups. Public meetings have been held during the initial programming and design phase of this project.

The club will be achieving a silver certification level within the Leadership in Energy and Environmental Design (LEED)-NC Version 2.2 Green Building Rating System. Designing to LEED standards creates an environmentally friendly building and it also reduces future operating costs for the facility. The Compadre Branch will be the first Boys and Girls Club LEED-certified building in the State of Arizona.

33. CONTRACT: Salt River Project

APPROVED Contract #ST0625-301 to Salt River Project (SRP) for design and construction to remove and relocate electrical equipment for the Gilbert Road Improvements (Germann Road to Queen Creek Road), in an amount not to exceed \$219,129.00.

34. CONTRACT: Visus Engineering Construction

APPROVED Contract #ST0022-402 to Visus Engineering Construction for construction of 56th Street and Chandler Boulevard right turn lanes in an amount not to exceed \$422,000.00.

35. PURCHASE AND INSTALLATION: American Telephone

APPROVED the Purchase and Installation of a new voice mail system, utilizing the City's Purchasing Agreement No. CS8-915-2526 with Design Business Communications, Inc., dba American Telephone, in an amount not to exceed \$97,049.00. The purchase amount also includes delivery, training and sales tax.

The City's current voice mail system, from Mitel, Inc., was last upgraded in November of 2002. Within the last year, Mitel, Inc., announced the end of the products life and indicated that they would no longer provide any maintenance or support for this system. The City's voice mail system not only provides users with personal mailboxes, it also provides all departments with critical after-hours mailboxes for citizens to get information and phone numbers for emergencies.

36. PURCHASE: Ensynch

APPROVED the Purchase of IT consultant services from Ensynch, utilizing the City of Tucson contract, in an amount not to exceed \$283,900.00.

The current computer workstation software, Microsoft (MS) Windows 2000 and MS Office Professional 2000 software used by the City is nearing the end of its lifecycle. The support for

this software will end on July 30, 2010. The last citywide OS and Office upgrade took place over 7 years ago. MS will not support any issues the City may encounter, ultimately impairing access to City applications and/or computer workstations. Other computer applications and software the City uses are not compatible with the MS 2000 products.

This consulting service is to assist in upgrading all City computer workstations from MS Windows 2000 and MS Office Professional 2000 to Microsoft XP and Office Professional 2007. The professional services will include 6 contractors to augment the current City staff to provide the customer support during the upgrade and to handle service requests. Ensynch consultants will facilitate the upgrade and provide knowledge transfer through training and documentation, enabling IT to complete this upgrade. The project is estimated to take six months to complete.

37. CONTRACT EXTENSION: Gilbertson Associates

APPROVED a one-year extension of Contract #EN0707-101 with Gilbertson Associates, a Wilcox Company, for airport facilities and infrastructure design services with an annual expenditure limit of \$500,000.00. This is the first of two optional renewals.

Public Works requested a consultant be retained under an annual agreement to provide design services for municipal airport facilities and infrastructure. With a consultant under contract for these services, the City can take greater advantage of grant money made available by the Federal Aviation Administration (FAA) for airport improvements.

Under these contracts, individual project agreements will be prepared for execution and approval for each specific project. Project agreements over \$50,000.00 will be submitted for Council approval up to the annual aggregate of \$500,000.00. This action will result in saving the cost of the selection process and the time to bring individual projects forward. The annual limit is being reduced to \$500,000.00 from the first year's limit of \$1,000,000.00.

38. PURCHASE: Western Waterworks Consulting, Inc.

APPROVED the Purchase of emergency pipeline repair services from Western Waterworks Consulting, Inc., utilizing the City of Scottsdale contract, in an amount not to exceed \$100,000.00.

The City of Chandler Water Distribution Division will use this contract to make emergency valve repairs and/or replacements when identified during a main break. Funds for this contract will be spent on an as-needed basis.

39. PURCHASE: Skyline Products

APPROVED the Purchase of two LED Dynamic Message Signs (DMS) from Skyline Products, utilizing the Arizona Department of Transportation (ADOT) contract, in an amount not to exceed \$144,500.00.

This is a federally funded project to install two dynamic message signs (DMS) used to relay traffic incident and travel time information to the public to allow them to make informed decisions about route selection. The signs will also be used to post emergency information, Amber Alerts and any other necessary incidents. This is part of a region-wide effort to enhance arterial and freeway transportation throughout the Maricopa County area. This action will authorize the money to purchase two DMS signs. One sign will be located on Price Road, northbound prior to the L202

Santan, and the other on Arizona Avenue, northbound prior to the L202 Santan. The City will provide the signs to the construction contractor as department-furnished materials using the federal grant money through the ADOT competitive bid DMS sign contract. The purchase of the signs in advance will reduce costs and allow for smooth progression of the construction project.

40. PURCHASE: Siemens Energy and Automation, Inc.

APPROVED the Purchase of engineering services from Siemens Energy and Automation, Inc., utilizing the Arizona Department of Transportation (ADOT) contract, to update traffic servers, migrate network systems and provide labor, tools and technical support in an amount not to exceed \$60,000.00.

The Traffic Engineering Division utilizes Siemen's i2[™] software to run and manage over 200 traffic signals citywide. The TMC recently replaced the 8-year-old servers in the Traffic Management Center (TMC) with new servers to accommodate the expanding traffic signal network system. Currently, 170 of the City's 200 signals report back to the TMC. Siemen's expertise is needed to migrate the traffic signals from the old computers to the new servers and supply state of the art updates to the current signal control system. The purchase also provides technical support for the next 3 years.

41. USE PERMIT: Moreno's Mexican Grill

APPROVED Use Permit UP08-0052 Moreno's Mexican Grill, to conduct outdoor cooking adjacent to an existing restaurant located at 601 N. Arizona Avenue. (Applicant: Arizona Planning Solutions, Michelle Dahlke.)

The site is located on the east side of Arizona Avenue on one of a strip of developed retail parcels zoned Regional Commercial (C-3), including the Tortas El Guero restaurant to the north that received approval for outdoor cooking in October 2008.

The application requests that a food cart be set up outside daily from approximately 7:00 p.m. to 11:00 p.m. with occasional service during earlier hours. The food cart will be located on a small brick patio just northwest of the building along Arizona Avenue. The cart will not involve cooking, but will only have pre-cooked food (hot dogs and tacos) for assembly. There will be no associated outdoor dining. All items will be paid for indoors and picked up outdoors. The applicants will work with Maricopa County to ensure that all food safety regulations are followed.

The restaurant conducted the use (with outdoor dining also) for several months in 2008 prior to applying for a Use Permit, having mistakenly believed that a mobile food cart permit issued by Maricopa County allowed the use at this location. The City of Chandler requires a Use Permit for food cart operations that operate at a fixed location rather than moving readily from street to street as does a vendor operating under a peddler's license.

The site provides 11 parking spaces compared to a code requirement of approximately 13 spaces. The food cart area would add approximately one space to the parking requirement. The application suggests two additional parking spaces adjacent to the building, though these will not be added due to a speed bump in the lot across this area.

This request was noticed in accordance with the requirements of the Chandler Zoning Code with a neighborhood meeting being held on November 24, 2008. There were no citizens in

attendance. Three neighbors have contacted Staff with opinions about the request. One neighbor is in favor of the request and anything that helps the business succeed. The other two neighbors are opposed to the request; one because the operation was conducted illegally for several months and she believes this disregard for the law should not be rewarded while the other neighbor believes the food smell will negatively impact the adjacent neighborhood.

Upon finding consistency with the General Plan and Regional Commercial (C-3) zoning, the Planning Commission and Staff recommend approval subject to the following conditions:

1. Substantial conformance with approved exhibits except as modified by condition herein.
2. Expansion or modification beyond the approved exhibits shall void the Use Permit and require new Use Permit application and approval.
3. The Use Permit is non-transferable to any other location.
4. The Use Permit shall remain in effect for one (1) year from the effective date of City Council approval. Continuation of the Use Permit beyond the expiration date shall require re-application to and approval by the City of Chandler.
5. The food cart area shall be maintained in a clean and orderly manner.
6. Neither the food cart operation nor customer queuing shall encroach onto the sidewalk.
7. Parking of business vehicles across multiple spaces is prohibited.

42. USE PERMIT: Food City Outdoor Grilling

APPROVED Use Permit UP08-0057 Food City Outdoor Grilling, to continue conducting outdoor grilling adjacent to an existing grocery store, Food City, at the NEC of Ray Road and Arizona Avenue. (Applicant: Burch & Cracchiolo, P.A.)

The site received approval for outdoor grilling in November 2007 for one (1) year after several months as an occasional use under special events permits. The application requests that outdoor grilling continue to be permitted in a similar manner four days per week: Friday, Saturday, Sunday and Monday.

The grilling takes place within a temporarily fenced-off area north of the main grocery store entrance, a change from the existing Use Permit that specifies the grilling occur south of the entrance near the outdoor patio. The new location continues to allow sufficient pedestrian circulation by leaving a 5'-6" pathway and not encroaching into the main entrance area, while reducing any smoke in the patio dining area south of the grocery store. The grilling follows all state and local regulations. All food sales occur inside the grocery store or in the patio area; grilled items are not sold nor picked up at the grill.

This request was noticed in accordance with the requirements of the Chandler Zoning Code with a neighborhood meeting being held on November 20, 2008. There were no neighbors in attendance. Staff has received no correspondence in opposition to this request.

Upon finding consistency with the General Plan and Regional Commercial/Planned Area Development (C-3/PAD) zoning, the Planning Commission and Staff recommend approval subject to the following conditions:

1. Substantial conformance with approved exhibits (Site Plan, Narrative) except as modified by condition herein. Expansion or modification beyond the approved exhibits shall void the Use Permit and require new Use Permit application and approval.
2. The Use Permit is non-transferable to any other location.
3. The outdoor grilling area shall be maintained in a clean and orderly manner.

43. USE PERMIT: Fresh & Easy Neighborhood Market

APPROVED Use Permit UP08-0055 Fresh & Easy Neighborhood Market, Series 10, for the sale of beer and wine for off-premise consumption only within a new grocery store at the NWC of Ray and Alma School roads, within a portion of the vacant Albertson's grocery store. (Applicant: Amy Nations, ALIC.)

The subject site is located at the NWC of Ray and Alma School roads, within the Chandler Marketplace shopping center. The Fresh & Easy will occupy the remaining portion of the vacant Albertson's grocery store. North and west of the commercial center is the Celebration single-family residential neighborhood. South, across Ray Road, is the Alma Ray Plaza shopping center. East, across Alma School Road, are a number of commercial properties.

The grocery store will be open for business from 8:00 a.m. to 11:00 p.m. seven days a week and will employ approximately 15 full-time and three part-time.

This request was noticed in accordance with the requirements of the Chandler Zoning Code with a neighborhood meeting being held November 26, 2008. There were no neighbors in attendance. Staff has received no correspondence in opposition to this request.

Upon finding consistency with the General Plan, the Planning Commission and Staff recommend approval subject to the following conditions:

1. Expansion or modification beyond the approved exhibits (Site Plan and Floor Plan) shall void the Use Permit and require new Use Permit application and approval.
2. The Use Permit is granted for a Series 10 license only and any change of license shall require reapplication and new Use Permit approval.
3. The Use Permit is non-transferable to other store locations.

44. LIQUOR LICENSE: Fresh & Easy Neighborhood Market, Inc.

APPROVED a Series 10 Beer and Wine Store Liquor License (Chandler #122361) for Randy D. Nations, Agent, Fresh & Easy Neighborhood Market, Inc., dba Fresh & Easy Neighborhood Market, 1200 N. Alma School Road, Suite #1. Recommendation for approval of State Liquor License #10075705 will be forwarded to the State Liquor Department. The Police Department reports no objections to the issuance of this license and no written protests have been received. All licenses, permits and fees have been paid and the applicant is in compliance with the City's Tax Code.

45. USE PERMIT: Thai Gold Pots Fine Thai Cuisine

APPROVED Use Permit UP08-0056 Thai Gold Pots Fine Thai Cuisine, Series 12, for the sale of liquor for on-premise consumption only within a new restaurant at 2820 S. Alma School Road, Suite 15. (Applicant: Yut Chantananarung.)

The new restaurant is located within the Ocotillo Plaza commercial center. It was previously located in Ocotillo Plaza near the Arby's and has relocated to a tenant space near the Big 5 Sporting Goods store. The restaurant is open for business Tuesday through Thursday 11:00 a.m. to 2:30 p.m. and 4:30 p.m. to 9:30 p.m. On Fridays and Saturdays, the business is open from 4:30 p.m. to 10:00 p.m. There is no patio associated with this restaurant. There are approximately 7 to 10 employees.

The request was noticed in accordance with the requirements of the Chandler Zoning Code with a neighborhood meeting being held on December 3, 2008. There were no neighbors in attendance. The Police Department has been informed of the application and has responded with no issues or concerns. Staff has received no correspondence in opposition to this request.

Upon finding consistency with the General Plan and PAD zoning, the Planning Commission and Staff recommend approval subject to the following conditions:

1. Expansion, modification, or relocation beyond the approved exhibits (Site Plan, Floor Plan and Narrative) shall void the Use Permit and require new Use Permit re-application and approval.
2. The Use Permit is granted for a Series 12 license only and any change of licenses shall require re-application and new Use Permit approval.
3. The Use Permit is non-transferable to other restaurant locations.
4. The site shall be maintained in a clean and orderly manner.

46. WITHDREW LIQUOR LICENSE: Thai Gold Pots Fine Thai Cuisine

WITHDREW, as requested by the applicant, Liquor License, Series 12, for Tammi Quigley, Agent, Thai Global Systems, Inc., dba Thai Gold Pots Fine Thai Cuisine at 2820 S. Alma School Road, #15.

47. LIQUOR LICENSE: Gallagher's Food & Fun

APPROVED a Permanent Extension of Premises for a Series 12 Restaurant Liquor License (Chandler #15196 L12), for Gallagher's, Inc., dba Gallagher's Food & Fun located at 2050 N. Alma School Road. Recommendation for approval of a Permanent Extension of Premises for State Liquor License #12071516 will be forwarded to the State Liquor Department. Gallagher's has been at this location since April 1990. The permanent extension is requested to include a new outdoor patio. The Police Department has no objections to the permanent extension of premises. All fees have been paid and the business is in compliance with the City's Sales and Use Tax Code.

48. CONTINUED LIQUOR LICENSE: Carniceria El Herradero

CONTINUED TO JANUARY 22, 2009, Liquor License, Series 10, for Amanda Adams, Agent, Carniceria El Herradero, LLC, dba Carniceria El Herradero located at 1368 N. Arizona Avenue, #104, to allow the applicant time to complete the zoning requirements for their Use Permit.

49. CONTINUED LIQUOR LICENSE: Gingerroot

CONTINUED TO JANUARY 22, 2009, Liquor License, Series 12, for Susan Bilas, Agent, Gingerroot Restaurant, LLC, dba Gingerroot located at 1076 W. Chandler Boulevard, Suite #111, to allow the applicant time to complete the zoning requirements for their Use Permit.

50. CONTINUED LIQUOR LICENSE: McCools

CONTINUED TO FEBRUARY 12, 2009, Liquor License, Series 12, for Craig Allen McCool, Agent, McCools LLC, dba McCools located at 4910 W. Ray Road, Suite #3, to allow the applicant time to complete the requirements for a new Use Permit.

51. CONTINUED LIQUOR LICENSE: Native New Yorker Restaurant

CONTINUED TO FEBRUARY 12, 2009, Liquor License, Series 12, for Amy S. Nations, Agent, NNY Gilbert LLC, dba Native New Yorker Restaurant located at 2110 S. Gilbert Road to allow the applicant time to complete the requirements for a new Use Permit.

52. SPECIAL EVENT LIQUOR LICENSE: Chandler Cultural Foundation

APPROVED a Special Event Liquor License for the Chandler Cultural Foundation fundraising events at the 3 Redneck Tenors Concert on February 20, 2009, and the Oak Ridge Boys Concert on February 21, 2009, at the Chandler Center for the Arts, 250 N. Arizona Avenue. The Police Department reports no objections to the issuance of this license. As this applicant is a non-profit organization, no sales tax license is required; however, the special event liquor fee has been paid.

53. SPECIAL EVENT LIQUOR LICENSE: Chandler Cultural Foundation

APPROVED a Special Event Liquor License for the Chandler Cultural Foundation fundraising event at the Matt Dusk Concert on February 5, 2009, at the Chandler Center for the Arts, 250 N. Arizona Avenue. The Police Department reports no objections to the issuance of this license. As this applicant is a non-profit organization, no sales tax license is required; however, the special event liquor fee has been paid.

54. SPECIAL EVENT LIQUOR LICENSE: Chandler Cultural Foundation

APPROVED a Special Event Liquor License for the Chandler Cultural Foundation fundraising events at the Roy Clark Concert on February 28, 2009, and the One Night of Queen on March 1, 2009, at the Chandler Center for the Arts, 250 N. Arizona Avenue. The Police Department reports no objections to the issuance of this license. As this applicant is a non-profit organization, no sales tax license is required; however, the special event liquor fee has been paid.

55. FINAL PLAT: Chandler Airport Commerce Park

APPROVED Final Plat FPT07-0044 Chandler Airport Commerce Park, for an industrial business park development with office and showroom retail uses on an 80-acre parcel located south of the SEC of McQueen and Queen Creek roads. (A. Brent Payne, Chandler Airport Property Investors, L.P.) The plat creates the lots and tracts, construction-phasing lines, establishes the necessary easements and dedicates the required rights-of-way.

56. FINAL PLAT: Re-Plat of Lot 7 of Chandler Airport Center – Phase I

APPROVED Final Plat FPT08-0028 A Re-Plat of Lot 7 of the Chandler Airport Center – Phase I, for a commercial parcel on approximately 4.29 acres within Chandler Airport Center planned for a hotel and gas/convenience store development at the NEC of Cooper Road and Yeager Drive. (Applicant: EPS Group, Inc.) The re-plat creates the lots, tracts and easements necessary for the property's development.

57. FINAL PLAT: Stellar Airpark Estates II

APPROVED Final Plat FPT08-0002 Stellar Airpark Estates II for a 9-lot custom single-family residential subdivision with aviation-related uses on approximately 12.5 acres at the SEC of Chandler Boulevard and Galaxy Drive. (Applicant: Chuck Garrett, CMX.) The plat creates the lots and tracts, construction phasing lines, establishes the necessary easements and dedicates the required rights-of-way.

49. CONTRACT: City Attorney

APPROVED a contract with Mary Wade as City Attorney in the amount of \$154,650.00.

BRIEFING:

1. BUDGET UPDATE

MAYOR DUNN spoke about the current economic crisis. As President of the League (Az League of Cities and Towns), he has spent much time at the legislature talking with their leadership. He noted what is refreshing is that they are looking at the cities and realizing what each has done already in handling their own fiscal crisis as a lesson in what they may have to do on a state level. Recently the City of Chandler was in a position where we thought we could avoid the issues that many of the other cities were facing much earlier. The reason for that is related directly to the policies that this Council and prior Council's have had regarding fiscal management. The policies have buffered the City from the affect of the downturn in the economy; however, we are now experiencing that pain. The Mayor stated that we have been busy reviewing the status of our fiscal health on a regular basis in the last few months and what this means to the current and future budget. A number of administrative measures have been taken. He noted the meetings the City Manager has had with the employees and the amount of feedback received.

MAYOR DUNN announced that on January 26th, at 6:30 p.m. a community budget meeting would be held at the Chandler Community Center. A Council retreat has been scheduled for February 20 & 21st. Citizen or neighborhood budget meetings will be scheduled later.

Mayor Dunn said it is important to keep in mind that this is a temporary situation. Movement after the recovery will also be important to be able to move the city forward and staying with the vision and the economic development and we are still providing the service and facilities that we feel this city deserves as we approach buildout. He said the downturn gives unique opportunities to review how we are providing services in our cities.

MANAGEMENT SERVICES DIRECTOR DENNIS STRACHOTA stated that there were steps taken in the budget that included: no new positions and the actual elimination of 8.5, the delay of capital projects and a revenue fluctuation reserve of \$5 million to help with the shortfall of revenues this year. He said, however, that by August, we knew things would be worse. The CIP was revised and more than 200 million worth of capital projects were rescheduled. Lastly, in October the stock market plunged, followed by a severe falloff of retail sales nationally. Those two economic collapses alone along with the tightening of credit markets, affected our economic situation in the city.

Mr. Strachota continued by saying one of the advantages we have is policies that allow us not to spend one-time revenues for ongoing spending. He explained that has helped preserve and protect ourselves from being in a situation of having to take immediate action. Some communities had to start making pretty severe cuts. He said the City is facing a deficit situation not only at the end of this fiscal year, but next year too. However, we have the luxury of working through the normal budget process to address the deficit next year.

Mr. Strachota explained that housing is a good indicator in one sense. It reacts relatively quickly and also is an indicator of maybe some prolonged problems that we need to address. Mr. Strachota showed a graph of single-family houses sold in the U.S. Since the peak in sales in Aug. 2005, those sales have dropped off quite a bit. He then showed a slide depicting the decline in housing values for a number of metro areas within the country. Phoenix metro area is lowest on the chart.

The next chart showed revenue collections nationwide. Mr. Strachota noted that Arizona was in the category of revenue dropping 5 or more percent and a number of the states are facing the same problems.

He reported In July, August and September sales tax was down. Sales tax revenue was projected to be flat. They then started to drop much steeper in October and November. That's when the retail sales nationally fell off and the stock market took its big plunge. What was predicted as a flat sales tax growth is now negative.

COUNCILMEMBER CACCAMO asked when the numbers for December would be known. MR. STRACHOTA said December receipts would not be available until February. He noted that November was down 15.4% sales tax collections from the prior year. In December, that number is down 8.5%.

COUNCILMEMBER CACCAMO asked if an inquiry could be made from the big sales tax generators for an estimate. Mr. Strachota responded that it is asked, but numbers are not given, normally it's a qualitative response. He noted that normally when that is reported nationally it is done through associations where there is no disclosure on the identity of the retailers.

COUNCILMEMBER ORLANDO asked if the 8.5% was based on the historical average or based upon the projected budget. Mr. Strachota replied that percentage was comparing December 2007 to December 2008. COUNCILMEMBER ORLANDO asked how that compares on what is put in the budget. Mr. Strachota replied based on historical trends for sales tax collections, we were down just over 6.5% for this period. They projected being down 8% for the entire year.

In response to a question from Councilmember Weninger, Mr. Strachota explained that certainly December is one of the peak months in terms of collections, and that is why the comparison is

made from the prior year to the current year. That is the best measure. He noted that for the October and November collections that while the decline from the prior year went up from -10 % to -15%, the December numbers show us at -8.5 %. The trend is not increasing,

MAYOR DUNN stated that the bottom line is that we are expecting another deficit for December it's just a question of to what degree and hopefully we are seeing a swing in the other direction and leveling out.

COUNCILMEMBER DONOVAN clarified that we projected a decrease in revenue from sales tax of 8%. Mr. Strachota, responded yes, an 8% decline over the entire year. We were about 6.5% down, so we were expecting it to grow to 8% for the entire year. That would have to be close to 12% decline each month going forward. Councilmember Donovan the noted that while we need to watch where we are spending, we are not yet to the point where we projected. Mr. Strachota concurred, but cautioned that from month to month things can vary considerably.

MR. STRACHOTA showed the different categories in sales tax. He reminded the Council that the focus on sales tax is because it's 40-45% of the general fund. It is the revenue that responds the quickest to any downturn or upturn in the economy. He referred to the data showing that contracting is down 33% from the prior November, which he noted, is not too surprising since housing construction has declined. This is largely construction contracts, but some of the other categories are down as well. Probably the single biggest category is retail that is down just under 4.5%.

COUNCILMEMBER CACCAMO asked what percentage of our total revenue comes from each of those sales tax categories. Mr. Strachota said he would forward that info to Council.

MR. STRACHOTA stated our one time deficit is just over \$18 million for this fiscal year from July 1, 2008 to June 30, 2009. We have to make up that difference. Going forward, we see the deficit potentially growing to just over \$19 million with an additional \$8 million the following year. He said there are other things going on here besides the downturn in the economy. We have some capital projects coming on line for projects that we could not push out. The operating and maintenance costs of these projects are adding to the expenses and driving up the gap. While recovery can happen pretty quickly, when it does rebound, it may be slow. We will not see the 10% revenue growth that has been in the past. It's more likely to be 3 or 3.5.

Mr. Strachota said that actions have already been implemented with \$9 million in savings already being made. There is roughly another \$10 million to make up for the shortfall this year. One of the proposals is to use the \$5 million in the revenue fluctuation reserve and then use excess reserves from the insurance funds of \$5 million. He stated there wouldn't be a need for further action unless the economy gets worse.

He explained going forward, there is a \$19 million deficit with a number of options. Mr. Strachota displayed the options and reviewed the larger ones: not providing COLA's (\$3.3 million), elimination of merit increases (\$1.12 million), eliminating 50 vacant positions. He said the City Manager has been reviewing the vacant positions since last spring with the current number at about 35. By bringing the number up to 50, there may be a potential savings of about \$3.8 million (based on an average salary and benefit cost). He noted the voluntary work reduction notice and while only projecting a savings of \$100,000 at this time, more will be known by the end of the month of the interest from employees. He said the options identified as real possibilities come to

about \$14 million so there is a need to come up with short of \$5 million for next year. Mr. Strachota said the obvious way to make that up is through department budget cuts. Department Directors are currently identifying those and will be reviewing them with the City Manager's office. Another forecast will be made near the end of February and will be the final one that will go into the budget. The \$19 million could change.

Mr. Strachota reaffirmed we have a good plan of action. We do not have to do layoffs right now and there may be a potential to avoid that for next fiscal year, unlike some of the other cities currently going through that process. Lastly, he reiterated the community budget meeting in 2 weeks to allow public input. He noted the HR Director is looking at a voluntary separation program and every effort has been made to communicate with the employees.

MAYOR DUNN stated that outside of the \$5 million in the revenue fluctuation reserve is what we call our "rainy day" emergency contingency funds. He clarified that there is not presently an indication to draw from those funds. Mr. Strachota replied no. The \$28 million we have in the 12% contingency reserve is really more pure contingency and we need to maintain that level at all times. He said it could be drawn on during the year as we need to make transfers, but we need to restore that balance to that level in the ensuing year. The \$5 million (reserve) is pretty close to the "rainy day" fund. It is the one we can tap into and we will exhaust that this year, but there is a good possibility that we restore that and add more money to have that available next year should we face a similar situation or fall short on our revenue estimate.

COUNCILMEMBER ORLANDO clarified that that fund (contingency) could be used, but there would need to be a decision as a Council, to reduce that fund by a percentage or an amount and then revert back when times are better. Mr. Strachota, concurred that the Council could change city policy, but he would strongly advise against doing that explaining that the fund is a similar to a working capital reserve and it's for emergency situations and even though we don't come anywhere close to using that in any one year, it's something that has helped provide a backstop to us in an emergency situation and has helped us earn our high credit ratings from the rating agencies. That was reduced just a few years ago from 15 – 12%.

COUNCILMEMBER ORLANDO stated he was not advocating, but clarifying that it could be used, however, it would be a matter of addressing the other issues pointed out.

COUNCILMEMBER WENINGER acknowledged the senior members of the Council as well as past Council's along with financial policies getting us to this point. He noted it might be a dangerous road to start using the contingencies and if that occurred, a plan would be needed for the next year to show those rating agencies that this won't need to be the continuing case. He asked if the projected deficits were all ongoing or all one time or a mixture of both. Mr. Strachota replied it is an ongoing deficit.

HUMAN RESOURCES DIRECTOR DEB STAPLETON said the goal trying to be achieved through some of these programs is to create vacancies to create savings. The other benefit is that it gives a little more flexibility in the workplace. The vacancy report was updated today. Currently there are 41 vacancies on hold from the general fund and 10 from the enterprise and grant fund. She continued to explain the Voluntary Reduction in Work Schedule program. An Application for Interest is currently in circulation and this program is being offered to hourly, non-exempt and exempt employees. Applications are due by the end of January and will be evaluated depending on interest. This may provide an opportunity to restructure positions. This is different than a furlough that other cities are doing – a day off work without pay. We are

continuing to talk about that, but savings are only a one-time nature. She explained the second program is a voluntary separation program. Other cities have offered this in different forms. Most of the programs have a combination of a severance package, maybe additional coverage on medical or dental, and maybe some other enhanced benefits. The obstacle is that we could be liable for un-funded liability through Arizona State Retirement. There is a statute that says if you offer a voluntary incentive program, that incentivizes people to leave prior to what they normally would, that the City could be liable for some unfunded dollars because some of those dollars could be factored in the pension for the life of the pension. She reported they are trying to get more information from ASRS (Arizona State Retirement System) in order to design a program that would incentive employees that may or may not be close to retirement and also mitigate the cost to the city. This would help create vacancies, although the amount of vacancies is unknown at this time. This will also allow us to evaluate the workforce and decide what numbers are needed and maybe there will be an opportunity to allow employees to transfer into positions and learn new skills in order to balance and recalibrate the workforce accordingly and possibly avoid layoffs.

She acknowledged the anxiousness felt by the employees during this time, and referred to the Q&A pamphlet that was recently distributed that explains the layoff procedure. She briefly explained that if a job was identified for layoff either because of work slowdown or employee elimination, they will be offered a severance package, that is yet to be developed, and will sign a waiver. If they choose not to accept the severance package, then they would have bumping rights and that is strictly by city seniority (time of hire by the city). There is citywide bumping. Staff will first look to see if there is a vacant position for placement of the employee. If not, then the employee has the right to bump in the same job class or lower position that you are qualified for. Ms. Stapleton said that these obviously can be very disruptive to an organization and they want to develop a good solid procedure consistent with the personnel rules and the MOU's.

MAYOR DUNN thanked Ms. Stapleton for her hard work on these considerations. Mayor Dunn asked about cross training between departments. Ms. Stapleton said that some of that is occurring now. Mayor Dunn stated that the goal is to have no lay-offs, but it's important to be diligent in considering the procedure and process.

COUNCILMEMBER WENINGER reiterated that because an employee applies for some of these programs (work hour reduction), that does not place them at the top of a list for layoffs. Ms. Stapleton agreed that would not be under consideration if a layoff occurred. Regular or part-time status is not considered, it is city seniority.

COUNCILMEMBER WENINGER asked if a department has a position on hold, does the funding for that position at the end of the year get returned as onetime money. Ms. Stapleton replied that it is salary savings if that position is not eliminated from the base budget. Councilmember Weninger confirmed that onetime money, according to the financial policies, could not go toward an ongoing deficit.

Councilmember Weninger said he was a little excited about the early retirement package, as it gives staff the flexibility to move people around and cross train. He noted that even though numbers aren't known yet in resolving the issue with the state retirement fund, he saw expending some one-time expenses to realize long term savings as still worth looking at as it will create the ongoing revenue.

COUNCILMEMBER DONOVAN said that it is great to see some of the ideas that we have to avoid layoffs if possible. One of the great expenses is for training of employees, so if we are laying off to only need more employees later, then there will be a higher cost for future training.

COUNCILMEMBER ORLANDO noted that there are savings on recruitment too.

MAYOR DUNN asked how often meetings with employees were held. MR. PENTZ replied that there have been a couple of Information Exchange meetings, and also 2 meetings with employees this fall that was attending by 400-500 attendees. Another information exchange will be coming up and others will be scheduled as needed.

COUNCILMEMBER WENINGER asked as construction prices have decreased, has the City Hall contract had been reviewed for potential renegotiating or if we will get savings if the contractor is saving. MR. PENTZ said the approach on this is CM at Risk, Sundt Construction will serve as the general contractor and they are optimistic in that getting the bids from the subcontractors that it will be very competitive in this climate. We have every expectation that we will benefit from this. COUNCILMEMBER WENINGER asked if it is memorialized in the contract that a portion or all of the savings will return to the City. City Manager Pentz replied it would be all of the savings. He said that we would know what all of the subcontractor bids were. Abacus will serve as the construction management firm.

COUNCILMEMBER WENINGER noted the recent savings on the Boys and Girls contract.

COUNCILMEMBER WENINGER asked by the current years department savings. Mr. Pentz clarified that the entire savings was about \$4 million. The change that was made this fall was that department's could keep 50%, so it was about \$2 million. Councilmember Weninger asked if we duplicated it again next year, the savings would be realized at the end of the year. He noted it would be a one-time savings.

COUNCILMEMBER WENINGER asked about the new Council Chambers and asked if we had an estimate on the O&M. MR. PENTZ said he didn't believe it was broken out into different elements, but he would inquire. He said a division of square footage would be in the ballpark. Mr. Pentz said his recollection was \$325 was an average for the whole project. Councilmember Weninger said that for consideration he would suggest the delay of the Council Chamber construction.

COUNCILMEMBER ORLANDO asked what cost would be incurred if we didn't build it now. He said it cost a fixed price in order to bring in quantities of equipment and material and there would be a tradeoff. He asked about the progress of the museum. MR. PENTZ said that issue probably needs discussion and explained that this fall, they went through a process looking to do a CM at Risk project to select an architectural firm and a construction company. Interviews were conducted. The recommendation of the committee was to use the same architectural firm as the City Hall project – The Smith Group and Sundt on the Construction. Those has not been brought forward at this time and he asked if the thought was to move ahead in the CIP with those projects or was there same change to the schedule that the Council wanted to make. COUNCILMEMBER ORLANDO said as there is an expectation out there, the discussion needs to be sooner than later. MR. PENTZ said there is also an issue of scoping the museum project, the type of museum this will be and how the programming will work.

COUNCILMEMBER ORLANDO said he received a memo outlining the economic impact to build the City Hall complex and thought it was near the \$100 million range. He would like to know a little more detail on the impact. He asked what that meant to impact fees, sales tax and the potential business area. He felt there was an underestimation of the power of the project to the community and the power of the return of the project.

MAYOR DUNN said the Council Chambers is certainly part of the overall city complex and the Chambers is being designed as a multi use facility. Another part is to improve upon the (video) studios as to bring the programs that our citizens demand. With the museum, he said the big hurdle is the big expense of operations and maintenance.

COUNCILMEMBER HARTKE thanked Mr. Strachota for his presentations. In looking at the speculated deficits, it would have been necessary, but given the current situation, the need came quicker. In speaking with business people downtown, he relayed the excitement to proceed with the City Hall project.

COUNCILMEMBER ORLANDO, as part of the record, identified a letter from the Downtown Chandler Community Partnership expressing their support for the building of the City Hall complex and their reasonings for it.

MAYOR DUNN invited the citizens to continue expressing their concerns and wishes. More public hearings will be forthcoming. Mayor Dunn said if the shortfall could be dealt with in this fiscal year, at least we are dealing with the next deficit in our normal budget process. He believed what may have caused alarm in other cities is the suddenness in the decisions that needed to be made and that doesn't give citizens a chance to come and express their concerns. He stated that Chandler would provide ample opportunity to do that in the normal budget process.

MR. STRACHOTA added that the City would proceed with its bond sale of \$285 million. After the New Year, the market looked much better and there are a couple other jurisdictions out with issues of that size and he would encourage residents that are looking for a good investment opportunity to consider this.

COUNCILMEMBER WENINGER commented on the pleasure he has experienced working with Councilmember's Huggins and Hartke.

MAYOR DUNN stated the swearing-in of the new Council would occur at the next Council meeting.

SPECIAL ORDERS OF THE DAY

A. Mayor's Announcements:

Congratulations to the Chandler High marching band as it finished 10th in the Blue Cross Blue Shield of Arizona Fiesta Bowl national Band Championship. The band also performed during the Fiesta Bowl parade and presented the flag before the game.

Congratulations to the Hamilton High Huskies - 2008 5A Football Champions.

Volunteer tax preparers are needed. For more information call 480-782-3226.

