

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 Tuesday, June 9, 2009, at 7:00 p.m.

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

The following members answered roll call:

Boyd W. Dunn	Mayor
Bob Caccamo	Vice-Mayor
Trinity Donovan	Councilmember
Rick Heumann	Councilmember
Matt Orlando	Councilmember
Jack Sellers	Councilmember
Jeff Weninger	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

MAYOR DUNN said he views this as part of the budget process. He commented that at his 15 years on the dais, he's never been through a more difficult budget. There are challenges ahead, but we will work through these issues. The future being challenging in what the Legislature wants to do. Mayor Dunn acknowledged the written material received from the unions. He asked each of the union membership to give a 10-minute presentation per group. He stated he would then ask the City Manager to respond and give management's position.

MR. JAMES KAME, President of Service Employees International Union (S.E.I.U.), Chandler Chapter. Mr. Kame said his chapter represents 650 employees and is the largest employee group in the City. He stated the S.E.I.U. members are the backbone of the city and sometimes more unsung than the Fire and Police colleagues, but just as vital to securing public safety and ensuring the high quality of life in Chandler. Mr. Kame explained the members are comprised of employees who provide many services to the residents and listed many of those services. Many employees also live in Chandler and care about the welfare of the community and the citizens served. He stated that meet and confer does work and has improved the ability to do their jobs and has given a voice to the employees and improved communication for everyone. He stated that Chandler used to be viewed as a stepping-stone to jobs to other cities, but meet and confer has helped create a competitive pay scale and made Chandler a first class city with quality jobs and services. The City has won several awards and recent surveys have given excellent reviews for our services. He said that while at times there are different perspectives at the meet and confer table, they always reach an agreement that benefits Chandler and its citizens. Mr. Kame acknowledged the difficult year and commented that S.E.I.U. will do what ever it takes to protect services for Chandler residents. He stated they have engaged in a citywide campaign to collect cost saving ideas from employees and helped send over 900 ideas to improve services to the city. Fortunately, Chandler is in decent shape due to the budget surplus. He stated that unlike the

standards for cities to maintain a surplus fund balance of 5%, Chandler's is 72%. He commented that the total cost of implementing the merit system this year is one half of one percent of the \$224 million surplus. He stated the understanding of the tough times with no idea of what the state will do. He said they have not asked for any cost of living raise or any new benefits. They have proposed furloughs, job sharing and the taking away of half benefits or no benefits of those who already have benefits with spouses, and other changes that would save the city money. He explained that tonight is not a dispute over money. In fact city management is offering more than what the union is asking to maintain. He stated the disagreement with City Management's proposal to abolish the merit system. The merit system makes the city's pay scale transparent, predictable and competitive. He said removing this would make it arbitrary and unfair, increase turnover and make it hard for Chandler to compete with other cities for top-notch employees. The proposal to abolish the merit system assumes the economy will never recover. He said that they know any solution must be fiscally responsible and live up to Chandler's principles of a high performing organization. He commented that certainly the merit based pay system rather than an arbitrarily given bonus like the exceptional merit awards, lives up to those principles. He said they would be willing to engage in further discussions in order to maintain jobs and services. Mr. Kame gave the following suggestions for the S.E.I.U. group: 1) No permanent reductions that jeopardize the community's standard for jobs and services. 2) For FY 2009-10, split the merit pay into 2.5% salary increase and 2.5% lump sum payment; 3) Convert the MOU's floating holiday into an unpaid day of leave for the 2010 calendar year. The City Council, by law, has the ultimate right to decide what is in the MOU for the upcoming year. He urged the Council to adopt the plan for S.E.I.U.

COUNCILMEMBER ORLANDO asked how many proposals or counter proposals were made during negotiations. S.E.I.U. representative Ms. Tanya Keaton said they went back and forth for 2 months with various counter proposals; she was unsure of the number.

MS. CASSANDRA COCKING, representing CHANDLER LAW ENFORCEMENT ASSOCIATION, as an elected trustee and a member of this year's negotiating team. She acknowledged the amazing accomplishments between the Association and the City in the past few years, particularly in regards to the MOU process. She stated the process has worked, up until this point. The economy is on everyone's mind and a concern for everyone. In no way, does the Association believe that the hard economic times is not affecting the city, it's residents, and how the city does business. The City has done an excellent job with the budget and how we spend money. She commented on the difficulty in explaining to a 2-3 year cop why merit increases will be lost. The merit increase is based on how jobs are performed and are performed to high standards. She explained the merit increase is part of the recruiting process and is promised to new officers upon their hire. The merit process is not a cost of living raise and it is not any kind of extra. The majority of those affected by the potential loss of the merit increase work in the patrol section. The detective bureau is one of the smaller bureaus compared to other agencies in the valley. Ms. Cocking stated that the officer population in Chandler is one of the worst compared to other agencies in the valley. The Police Department has always done more with less. Not only are they responsible for answering calls for service and for the proactive enforcement throughout the community; but also responsible for own case track and any follow-up investigation. Unlike other police agencies in the valley, patrol officers retain the majority of their cases or

investigations they respond to. Detectives do respond to and assume some investigations, but it is common for patrol officers to retain investigations involving anything from shootings, assaults, robberies, sex offenses or fraud and property investigations. This creates a unique situation. Ms. Cocking stated the experience, leadership, determination and intelligence demonstrated by many of these patrol officers of this agency is beyond compare. This department could not function without it. She questioned if she were a 1-4 year cop, why would she stay. She asked the Council to consider the devastating affect this would have on recruiting future officers. She also asked the Council to consider the impact on morale for the police officers. She said the money would be approximately \$170,000 to cover merit and it's hard to explain when she reads about the millions spent by the city this year. She said it was difficult to understand why the City Manager is set on eliminating a merit increase that has already been promised to police officers doing a good job, when millions of dollars are set aside for downtown redevelopment and many other projects and referenced the City Hall project. She said police officers in this city are not the highest paid in the valley and she thought it interesting that the City Manager who is one of the highest paid in the valley, and the City Council, who recently voted themselves a pay raise, are thinking of getting rid of one of the only economic and merit incentives that the police officers have. She noted the officers work very hard often spending nights and weekends away from their families. She said it was a sad fact that they are often only thanked for their service when one of them dies or is injured or thanked for their service when someone is running for political office. She expressed her hope the Council would consider voting in the best interest of the police officers and for the city.

MR. LOMBARDO ROBLES, said the part and role of a police officer is they often spend time away from their families, unlike other professions that get to go home for the most part, at a set hour. The work shift and schedule is manipulated to the benefit of the department as a result of criminal activity. He said he was troubled when he received numerous responses from officers in regards to an article written by Edythe Jensen that clearly shows that somebody in the City Manager's staff had access to a reporter, gave them the information and violated the meet and confer ordinance. Mr. Lombardo stated they (CLEA) have not violated that with any Councilmember, City Manager or any other news or media outlet. He said it was troubling that the City Manager or someone had utilized the figure that their pay increased by 50%. He stated that not only were the figures inaccurate in the sense that the Sergeants were brought into this and not part of their (CLEA's) organization. He said those two pay scales were utilized to somehow bring about some kind of hatred towards police officers in the sense of the monies that they've earned in the last 5 years. Mr. Lombardo said he provided Council with a packet containing salaries. Mr. Lombardo stated with all of the research he has done, Mr. Pentz is the highest paid with the exception of Phoenix. Mr. Lombardo said he was unable to receive a solid answer from calling HR (Human Resources) regarding his true pay and benefits. He referenced an article from 2007 that he gets 20% of his salary into deferred comp. Mr. Lombardo said police officers receive 1% and one of Mr. Pentz's proposals is to eliminate that. He added that Mr. Pentz also get a \$550 car allowance. He noted that these figures might have changed. His vacation accrual rate is comparable, although Mr. Lombardo noted they have asked for an increase for officers of 20 years or more to 7.4 from 6.5. He said they have been met with resistance and did not feel there has been true faith negotiations on behalf of the City Manager. He said that out of 8 items they have asked for, they have narrowed it down to 2 items: the increase in accrual for 20 year or more officers which only impacts 20 of their employees or less; and the

compensatory time bank be increased to 125 from 75 hours. He stated the CLEA views this as a cost saving measure as not all of their employees take advantage of maxing out their comp bank time.

COUNCILMEMBER ORLANDO asked Mr. Robles the amount of proposals made. Mr. Robles said they had approximately 8 and brought that down to 2 but the City has not accepted any. Councilmember Orlando clarified that Mr. Robles did not agree with the salary analysis and asked if he had a counter to that. Mr. Robles said he doesn't doubt the numbers of the salary, however he believed the numbers were from an introductory sergeant level and a beginning and top out salary.

COUNCILMEMBER WENINGER says he understands the merit pay but asked for clarification on other issues. Mr. Lombardo said he questioned the cost that was placed on their proposals at over \$600,000.00.

CITY MANAGER PENTZ said the cost on increasing the comp time accrual, the liability to the City, would be up to \$450,000.00 and the cost to the accrual increase is \$9,948.00. Councilmember Weninger asked if that was per year or a one time cost. Mr. Pentz said he believed the accrual cost would be on going and the comp time would be a one-time liability. Mr. Pentz added that as more police officers reached that 20-year mark it would increase.

COUNCILMEMBER HEUMANN asked if the merit pay was part of the two items mentioned. Mr. Robles said he views merit as a recruiting tool for police when they were hired. He said employees base their decisions on jobs based on that. They are told that for 7 years they will obtain that 5%. They don't view that as a proposal and don't understand why that is being brought up as it was promised as part of hire.

MAYOR DUNN said that while the merit pay increase has been a part of Chandler for many years, he asked if that was part of MOU discussions every year. Mr. Robles said last year during negotiations, it was not brought up. It is part of the contract. Ms. Cocking added that it has been part of the contract but never negotiated on until now.

MAYOR DUNN added that now is a very difficult time. He recognized that Chandler has been giving the merit increase for 20 years.

MR. PENTZ stated that the merit pay is not part of the CLEA contract.

COUNCILMEMBER ORLANDO said when 5% is talked about, not everyone gets that as it is based on performance. Mr. Robles said that performance has to be done with in the standards set by the department and based on the evaluations completed by the supervisor's.

MAYOR DUNN asked how many officers do not receive the merit increase. Mr. Robles said he did not have the numbers. He stated his guess was the majority are eligible for it being they have a young department that is under 8 years or less.

MAYOR DUNN recognized the 26 comment cards received.

MR. SCOTT WALL, representing LOCAL 493 CHANDLER CHAPTER, said he grew up in this community. He stated his belief in the meet and confer process. He stated he felt as if he failed those he represents in being before Council. He acknowledged that Council does make the final decision and he will honor that. He added that he also felt the City Manager failed. He stated that their organization came forward with three modest proposals. He noted the merit was included in the contract, up to 5% and was stated in the Personnel Rules. He commented that as the MOU is open, everything is open. He said that when he worked to get this process, he spoke to the issue of trusting the elected officials. He stated that they are only asking for the retention of the merit. They offered a 24 hour furlough program that was actually more money and offered for the upcoming budget year. He acknowledged that next year might be worse. He said it was vital to him as a citizen of Chandler that we are fiscally sound. He said his organization has always been a positive partner with the City. He stated that if they had agreed to the City Manager's proposal, the 38% of the membership would have taken the burden of saving money for the city. Their proposal was a furlough day. He stated that while there are not many new hires being done, they are down by 6 due to retirements. With the economic stimulus, there will be a huge hiring wave. Without a merit pay, he believed the City would be at a hiring disadvantage and he has always believed Chandler officials want the best. He commented that he also disputes the article on pay raises. He said he distributed his actual pay from 2004 to 2008 to the Council and to Edythe (Jensen). He agreed with the police representatives that the article was disturbing and they felt they were under attack. He told the Council of his respect for the decisions they have to make. He asked the Council to support their employees. He said that 38% of the fire employees need their merit and asked the Council not to take it away from those people. Mr. Wall added that if the budget were worse next year, they would continue to look for creative ways to save money. He reiterated their partnership with the City in putting the citizens and the people served everyday before themselves.

A representative from the Fire union addressed the Council regarding the pay and provided Council a handout. He said what they were doing is multipliers. Deferred comp was showing that at each year we were multiplying up, they were counting that as a percentage. Using the CPI, we were 1.3% above the CPI for those 4 years. Currently, in comparison to the other cities, firefighters are sitting 5<sup>th</sup> and 7<sup>th</sup> at both engineers and captains and that would put them at the bottom of the range to the cities they compare to as a whole. He stated the information he provided was from the same system H.R. uses.

COUNCILMEMBER ORLANDO asked how many proposals were made. MR. WALL replied that they understood the economic downturn and they put three proposals forward. One included one-time money. He stated that in working through, they are now offering one. This includes keeping the merit at \$93,000 total, as 38% of their people are not topped out, in exchange for a furlough day. He made the promise to not hurt service and not do overtime. He commented that was their last proposal. He stated that the city never came off of their position. He asked the Council to go year to year. He agreed that the budget next year may be worse, but they are committing to make bigger cuts. He asked that the least paid newer people of the department not be affected.

VICE MAYOR CACCAMO asked what would be saved with the furlough. Mr. Wall said the one time merit would cost \$93,000 and the savings would be \$101,000. He said they would take one 24-hour shift off. He stated this would be a one-time proposal. Mr. Wall stated his offense in the articles that stated there is greed involved.

MAYOR DUNN said the meet and confer process is a process he supported. He said he has not given up on the process, as this is also part of the process. He reiterated on the difficult times the city is going through and may continue on as a deficit through next year. He said it would be important to get through these times without involuntary layoffs, without increasing taxes, without decreasing the contingency fund, without ruining our bond ratings, and in addition to worrying about any legislative actions. He encouraged the unions' communication towards the state level.

MR. WALL thanked the Council for not invoking layoffs. Mayor Dunn reminded everyone that the struggles continue and there will be a state budget that proves to be devastating as there is an attitude of wanting to bring all of the state's budget problems down to the local level.

On a personal note, MAYOR DUNN asked Mr. Wall about his brother. MR. WALL stated his brother Jimmy is the youngest Catholic bishop in the United States and became the new bishop in Gallup. He's the first Arizona born bishop in the Catholic Church.

COUNCILMEMBER HEUMANN expressed his appreciation to the firefighters.

CITY MANAGER PENTZ reminded the Council that in February when they met with Council as preparations were made to enter into negotiations this year. The recommendation was made to Council that we not negotiate for a cost of living increase (COLA) with the employees and also advised that instead of offering an ongoing merit increase, that one-time money be used to award the merit increase on a one-time basis. Mr. Pentz said he is not proposing to abolish the merit system or to abolish merit increases, but certainly for the next fiscal year, the proposal is to award the merit increases as a one-time payment. He explained that \$20 million was cut from the current year's budget. A \$21 million revenue shortfall was closed for next year's budget. There is anticipation in the year after next that there is a \$550,000 deficit and the following year a \$3,060,000 deficit and an \$886,000 deficit after that and not coming out of this until 2013-14.

Mr. Pentz said that in proposing the one-time merit, there was a thought that it was a good thing for the employees whereas there are other cities in the valley not providing COLA's and merits and a few are having pay decreases. Also proposed was inclusion of a fiscal emergency clause. He stated the current recession demonstrates the need for such a clause. The fiscal emergency clause would enable the Mayor and Council to determine or declare a fiscal emergency and re-open an existing contract for renegotiation. The Cities of Tempe and Peoria have those clauses and are opening those for renegotiations. He pointed out what he believed a danger of not having such a clause is with the example of the City of Phoenix. They have cut tens of millions out of their budget and as they had no fiscal emergency clause in the union clauses, all three unions refused to re-open the contracts for negotiation. He explained he felt this was a very reasonable and important part of the proposal. He said that it is with these two issues that they are at impasse. Mr. Pentz said the real issue is whether to use ongoing

money for ongoing expenditures or to make ongoing financial commitments but use one-time money for those commitments. He expressed his difference with CLEA and IAFF in that (management) did come off of the one-time position. Mr. Pentz said copies were provided of the final and best offer. He explained that there was a proposal that offered an ongoing decrease to offset any ongoing increase. He said in the case of the IAFF, the proposal was to take the one-time money and put it into their medical retirement account. With police, the proposal was to take the one-time money for merit and place it in their deferred compensation. He stated his belief that there is a well-documented effort to meet the needs of the unions while giving the city the protection it needs. He said that unfortunately, none of the unions would back off of their position of wanting to make a commitment for only one year. They wanted an ongoing commitment from the City to provide the benefit in the future but they were not willing to provide an ongoing commitment to pay for the benefit in the future.

Mr. Pentz said the cost of the ongoing merit increase is approximately \$1,250,000. The deficit in 2011 with an ongoing merit increase would increase that deficit from \$3.1 million to \$4.3 million. Not only would there be a deficit in the budget for next year, there would be a deficit of \$1,250,000 in 2009-10 and by 2011-12 the deficit is \$4.3 million.

He responded to the references of what the State of Arizona is doing. He said that the State is looking at taking some of the state shared revenue the cities receive. The budget that was adopted by the state legislature would take \$42 million from local governments in Arizona. Chandler would lose \$1.9 million of the vehicle license tax and there would be a need to find \$1.9 million to cut from the budget. He reported with that additional impact the 2011-12 deficit would grow to \$6.2 million.

Mr. Pentz added that the retirement systems are very good however the Arizona State Retirement System depends on an 8% return on it's investments. At the end of June 2008, the A.S.R.S. had lost 7.5% , before the market crash. He commented that in checking the website today, it reported A.S.R.S. reported being down about 16%, thereby perhaps causing an increase in what employees pay into the pension system.

Mr. Pentz referenced the monthly revenue reports that the revenue outlook for the city has not improved. The projections are worse than anticipated last winter. In February, the revenue projections looked as if they would not be declining as much as they have. By April, there was a need to reduce the amount of ongoing revenue in the 2009-10 budget by \$1.3 million.

Mr. Pentz said that two of the three unions did propose furloughs. The police officers did not nor did they propose a way to fund the merit increases. He stated his belief that this becomes a significant productivity issue. If treating all of the city employees the same and did this furlough to make up for the cost of the merit pay increases, there would be a loss of over 38,000 hours of productive time or the equivalent of 18.5 positions. He added there had already been an elimination of 116 positions in the budget next year with most of those being civilian positions. He stated that he could not support the concept of using a furlough.

COUNCILMEMBER ORLANDO asked how the 18.5 positions were arrived at. Mr. Pentz said they are converting the hours to positions based upon hours worked. Councilmember Orlando gave an example of working at the water treatment plant and

asked if there would not be coverage at the water treatment plant. Mr. Pentz said that there would be coverage but it could be on an overtime basis. Councilmember Orlando said that one of the unions indicated they would give a day back in order to cover some of that cost. Positions are covered during vacations and sick time and he wondered how to equate that to additional hours. Councilmember Orlando asked how this miniscule amount compared to the 100+ employees loss of productivity. Mr. Pentz said he would not consider 18.5 positions a miniscule amount, as the elimination of 116 positions will be burdensome. Councilmember Orlando asked how many employees there are and how many hours those employees would need to give up to cover the onetime cost of the merit increase. Mr. Pentz said it would vary depending upon the unit. S.E.I.U. might be 3 days; with Fire it may be a shift. Councilmember Orlando said he heard each union say there would not be overtime or work not to have any overtime. He expressed his struggle to equate this at there have been over 120 employees lost and to say this would be a big deal for another 18.5 and yet there is willingness to cover it by giving up a vacation day or shift. Councilmember Orlando added that he felt comfortable this could be done at a supervisory level. Mr. Pentz said that would be his prerogative.

Councilmember Orlando said there are individuals saying that they could cover this. Mr. Pentz said his point is that this is productive time. Vacation, sick leave issues and holidays are costed out. This is the cost of the furlough time. Councilmember Orlando asked what the numbers are for the exempt and non-exempt employees. Mr. Pentz said he would need to get that information.

MAYOR DUNN said he did not feel comfortable proceeding with the furlough solution if there are other avenues especially as it could affect certain other departments differently. He said the Fire Chief had indicated some caution. He stated that on a per capita basis as comparing other cities, Chandler has employees that are working very hard to perhaps covering a bigger base than the other cities are. He noted there would also be effects with the voluntary severances. Mayor expressed his concern that if there is a continuing deficit that needs to be met and we want to apply the policy that we are going to need to continue covering what needs to be made up this year and maybe add to it next year; the furloughs could get out of control. He stated that while the furloughs might fit well within certain responsibilities it might create some management challenges.

Councilmember Orlando said the rough number is 20 hours a year.

MAYOR DUNN said while we are dealing with a one-year contract, we are not dealing with a one-year resolution of this downturn. It will be with us certainly for more than one-year.

In response to a question from COUNCILMEMBER WENINGER, LABOR RELATIONS ADMINISTRATOR GREG FRETZ said that with all the bargaining units, several issues were put on the table as they did initially. One was pain and suffering. The City wanted to increase the qualifying threshold for pain and suffering from \$41,000, the final position was \$50,000. That was dropped. There was discussion on no longer counting paid leave as hours worked. That was dropped. The two issues kept on the table were the fiscal crisis issues – fiscal emergency issue, and the merit.

He stated there was discussion with the groups about alternatives for keeping the regular merit rather than going to a lump sum merit. One of the issues discussed with

Fire was reducing 11.2 hours for every holiday to 9.02. A reduction in deferred compensation was also discussed. He stated reduction in deferred comp was also discussed with the police officers. With S.E.I.U. a reduction in their deferred compensation and their shift differential was discussed. He added but as their 5% merit was worth \$391,000, you would have had to take all of their city contribution for deferred comp and all of their shift differential and the thought was that would have an adverse impact, taking everything on those areas. Mr. Fretz said in terms of how many proposals were made, for S.E.I.U., Mr. Fretz said easily 20 to 40 proposals. He added that not only was there economic bargaining with S.E.I.U., but they discussed non economic issues through interest based bargaining with the Federal Mediator and agreed to 16 or 17 non economic proposals with them.

Mr. Fretz said in talking with the police officers, they had a lot of non-economic issues on the table that he believed agreement was reached on at least two of them.

Fire had a couple non-economic issues and within the first couple meetings there was agreement reached in principle in terms of how we would resolve those issues so we wouldn't have to put them in the contract. He added that both bargaining teams worked very hard to try to resolve this and both bargaining teams worked hard to maintain the relationship.

Mr. Fretz stated that meet and confer works. He felt the issue was the unions want to use one-time money for an on-going program; and management wants to use one-time money for a one-time program. He explained that is the philosophical difference that needs resolution and only the Mayor and City Council can resolve that. The teams have talked for months about it and the City Manager and team and the Union team cannot resolve that philosophical difference.

COUNCILMEMBER WENINGER said CLEA had mentioned a couple of items they had put aside. He asked Mr. Fretz if he could speak to those. MR. FRETZ said they did put numerous issues aside – probably 5 or 6. Mr. Fretz said the City's issues were pain and suffering which was dropped and the paid leave not counting as hours worked.

Mr. Fretz said it was a little unique with S.E.I.U. because they didn't engage in traditional bargaining; it was interest based bargaining. He explained the City had 20 people and the union had 20 people and along with the mediator they talked about interest and what our mutual interests were and then we did brainstorming and problem solving to mesh the interests with solutions.

VICE MAYOR CACCAMO asked if any other groups came up with budget neutral solutions as Fire. MR. FRETZ said he believed that S.E.I.U. did – he believed they talked about furloughs and some other ideas, their one personal holiday. He said that wasn't really discussed with the police officers. He said it was Fire's initial proposal, although Scott (Wall) and he had initial miscommunication in terms of implementing the reduction of the holiday pay from 11.2 to 9.02. He commented that there have been a lot of agreements reached and relationship is not ruined. He added that this could very well occur next year, if the economy doesn't get better. If it is better, maybe it will be a negotiated agreement and that is always better. VICE MAYOR CACCAMO said he believed it is a semantical difference. If they are willing to give up pay, pay comes out of O&M, which is one-time money and they're going to talk about it again next year. The

difference is they want to talk about on-going money a year at a time, and we want to talk about on-going money for several years. He commented that employees aren't paid out of one-time money. No salary comes out of there. If they are willing to give up pay, then they are willing to give up on-going money. So it isn't a matter of one being on-going and one being one-time money. The difference he sees is that they want to go year by year. MR. FRETZ said that the City's proposal on merit was to not build the base budget and instead give them on their anniversary date a 5%. We were going to pay for that 5% lump sum, one-time merit with one-time money. That's where one-time money for a one-time program comes in. If you give them a regular merit increase, then you build that 5% into the base budget.

VICE MAYOR CACCAMO asked if there was any anticipation putting that number back. If you hold somebody on step 2 and the next year they are step 2, then they are paying for that until year 7 until they reach it. MR. FRETZ said he believes the proposal the City made in terms of lump sum money was for one year. It's a one-year contract. VICE MAYOR CACCAMO asked about the possibility that if we did this, the people that are on step 2 who would be on step 4 the following year, would move to that step. MR. FRETZ replied it wasn't brought up in the actual negotiations. He said the City's theory was if you are at step 2 this year, next year you will be at step 2 but you will get the 5% lump sum and the next year we will look at the economy and decide if we want to move you from Step 2 to 3, or is there a need to do a lump sum again. He responded that the City never said that we were eliminating regular step merit increases forever more. We were saying it was being done to get through a fiscal crisis. At some point, there would be a return to the merit system. The people will eventually get to step 7. He noted the police officers and firefighters and S.E.I.U. made a good point. If you take a merit lump sum instead of a regular, it takes you longer to get to the top and you don't build the base so when you work overtime you would have lost some money there. There are tradeoffs in any type of deal that you do. Vice Mayor thanked Mr. Fretz for answering his questions.

COUNCILMEMBER ORLANDO confirmed that a year contract was agreeable to both groups. The real issue is how do you define and on going vs. a one time fund. He said when this was discussed back in March, there was less information. He stated that if he had more information like tonight, his decision might have been different on how to approach this negotiation. MR. FRETZ said that is a fatal flaw in the current meet and confer ordinance. Mr. Orlando agreed. He said that needed to be looked at. He commented that when we originally talked about this, he did not get all of the options to fund the one-time or on-going expense until Council had the Saturday session, when there was a realization that there were some options they could be doing, not from a negotiation standpoint, but from the City standpoint. Mr. Fretz said that they didn't have the information either. He said when he operated under the Phoenix ordinance, on average, they had 6 or 7 e-sessions. In a situation like that, there might have been 10 e-sessions to talk to you and get your input.

COUNCILMEMBER ORLANDO said he thinks there is agreement the merit has worked. The merit is a positive thing for our community. We compare ourselves to other cities and other cities have other circumstances and other issues. He commented that the merit has been used for a long time and is used as a recruiting tool. There has been much time spent getting them up to certain standards. He thanked Mr. Fretz and Debbie (Stapleton) for that.

MAYOR DUNN said he agreed with the comments on the process. When they had the single e-session earlier in the year, they had no idea what the economy would do to this city. It's a give and take on how we are going to preserve what we give to our employees but also be responsible to the taxpayers knowing that we are in a fiscal crisis.

COUNCILMEMBER DONOVAN said she thinks our employees are our most valued resource in the City and she is weighing how we treat our employees fairly while also looking at how we treat our taxpayers fairly and our future budgets fairly. We are a team - all levels of City employees and the Councilmembers. If a decision were to be made right now, she didn't feel like that is helping to build the team that Chandler is. Impasse should be the last resort that we get to as a City and she stated her belief in the meet and confer process. She hoped to do something to bring that team together again and look at what is in the best interest of our most valued resource and those that we serve.

MOVED BY COUNCILMEMBER DONOVAN TO DIRECT EACH OF THE BARGAINING UNITS AND MANAGEMENT GO THROUGH A MEDIATION PROCESS. SECONDED BY VICE MAYOR CACCAMO.

MAYOR DUNN said that we have been through this process once before. He clarified that it would involve a federal mediator. CITY ATTORNEY WADE said that is correct. MAYOR DUNN asked if there was someone acceptable to both sides. MR. FRETZ said that Dennis Teel, one of the federal mediators in Phoenix, was used with S.E.I.U, so he believes he would be acceptable to S.E.I.U. When he recently talked with Mr. Teel, he said he would make himself available to Police and Fire too. MR. FRETZ said he has not talked to them on whether they would want to use Mr. Teel or the other federal mediator Ron Collota.

The MAYOR reiterated that the mediation process is provided for in the meet and confer ordinance. The Mayor felt a time should be specified on when this should return to Council. After the mediation, whether an agreement is reached or not, it will need to come back before Council. He asked if two weeks would be sufficient. MR. FRETZ said two weeks would be more than sufficient as if Mr. Teel is used he is familiar with the overview on the issues.

COUNCILMEMBER DONOVAN AND VICE MAYOR CACCAMO AGREED TO ADD THAT THE ITEMS RETURN AT THE JUNE 25, 2009 COUNCIL MEETING.

COUNCILMEMBER DONOVAN said it was not her intention to prolong the process or have to come back in another two weeks, but she felt that impasse should be a last resort. In the meet and confer process there is ability for mediation and that has not been done that yet.

COUNCILMEMBER HEUMANN said that this issue probably wouldn't have come before them in a "normal" meet and confer process year. He expressed his desire to talk about some parameters. The concern he is hearing is a difference of opinion. The fiscal crisis occurring now is unprecedented in this history. In a 90-day rolling cycle, we are about 16.5% down over the last 90 days, which is way above where they were in February. He wanted to make sure there was not an ongoing issue in terms of money going forward. He then added he would also like to come up with a solution that also doesn't affect services to our citizens. Those are the two parameters he would like to see discussed.

COUNCILMEMBER SELLERS SAID A PARAMETER THAT IS VERY IMPORTANT IS THAT ANY AGREEMENT HAS TO BE IN THE FRAMEWORK OF THE COUNCIL'S FISCAL POLICY. TO HIM THAT MEANS THAT IF WE DECIDE TO DO ON-GOING INCREASES AGAINST THE ON-GOING BUDGET, WE NEED TO FIND SOME PLACE TO TAKE THAT MONEY BACK OUT OF THE ON-GOING BUDGET SO THAT WE END UP WITH A BALANCE OF THE BUDGET THAT WE ARE CURRENTLY APPROVING.

MAYOR DUNN asked if Mr. Sellers was making an amendment.

COUNCILMEMBER SELLERS SAID HE WOULD LIKE TO MAKE THAT AN AMENDMENT. COUNCILMEMBER HEUMANN SECONDED IT.

COUNCILMEMBER ORLANDO agreed with the mediation but noted the need to look at all the on-going activities. Obviously, he said, there are certain areas that can't be touched, benefits and that type of activity, but he didn't want to take anything off of the table. He noted that if one organization thinks that furloughs can be covered, then look at it. If it's a percentage cut in salaries he believed that also should be looked at. He expressed his assumption that what ever was done, it would have to be done with our other employees as well, and to keep that in mind. He reiterated that he does support the merit system, as it has been very successful and healthy for Chandler and keep that progressing and not a step back. He explained that would defeat everything worked toward to bring these employees up to a competitive range not only valley wide, but in Arizona.

COUNCILMEMBER WENINGER referred to the survey briefing last night that documented how good of a job the employees do and added that it also is something he hears on a day-to-day basis in contact with his customers. He echoed some of things mentioned about sticking with the financial policies. He stated that while he was not hot on this idea at first, but warming up to it, is an across the board organizational pay cut. He explained if you break it down organization wide, then you are looking at a smaller amount making up for those to still get their merit and there is a very small decrease. He commented that it is easier politically and maybe in negotiations and things in the future, when you have a whole organization that shared the pain collectively, to push that back through and get caught back up when times get better. Although he added, that he would not want to mandate this, but right now we are looking at \$1.2 million of one-time money. If the money were found within the organization, then he would submit that we were going to spend that \$1.2 million anyway. If the money is coming up from the organization, then they gave it up themselves, there is no money coming from the city. Maybe some or part of that \$1.2 million of one-time that is already proposed, if there are some things that have come up that were one-time that were pushed aside, then possibly those could be re-addressed on a smaller basis in the negotiations in addition to just the merit. He said the merit is important, but perhaps a couple of smaller issues could be looked at in mediation like vacation accrual which didn't see like that much money if it is only about \$9,948.00. As a little bit of give and take, some of these smaller issues can be re-opened as well.

VICE MAYOR CACCAMO asked for clarification. He understood the amendment by Councilmember Sellers and approves of a revenue neutral settlement when going to

mediation, but wasn't not sure if that included the suggestion from Councilmember Heumann that we don't increase the cost of service either.

MAYOR DUNN summarized his understanding that there are certain fiscal policies that we have adopted as a Council that we have applied each and every budget cycle with most decisions that one-time money be used for one-time purposes. If we have an on-going expense, we need to have a revenue source to pay for that. What the amendment is saying is that, especially during this fiscal crisis, we need to assure our taxpayers and citizens that we are going to stay with those fiscal principles. It doesn't take away the options of one-time or ongoing, but it needs to be addressed because we are currently facing a deficit and for the foreseeable future.

VICE MAYOR CACCAMO asked if it has been defined what is on-going and one-time differently by stating it as revenue neutral. He said we are not spending beyond our budget, so we are staying within the fiscal policies. He commented that everyone has different definitions of what one-time and on-going money is. He stated his concern with the motion, but secondly he wants included the suggestion that if looking at furloughs, we don't have a loss of service either.

MAYOR DUNN said he believed the fiscal policies are very clear and there does not need to be a redefinition of those. Part of what he has heard from the unions, is the acknowledgement that we have made correct decisions over the years to make Chandler one of the strongest economies of any city in this Valley. He reiterated that Chandler has not been hit as hard because of our adherence to conservative fiscal policies that have assured that if we had taken on any expense that there was a dedicated revenue source to continue paying for it. There will be a continued need to stick to those fiscal policies to get through this downturn in the economy to avoid what other cities have done to address their issues. He stated his desire not to have layoffs and no increased taxes. Furlough is a possibility. We aren't taking that off the table. We are telling our bargaining units and the City Manager and who ever represents management to see if there are other ways to assure that so we can assure our citizens that we are making a good fiscal decision.

VICE MAYOR CACCAMO said while he didn't feel there was anyone cheaper than him, there may be people just as frugally responsible. If they are going to do a furlough and someone is going to call that one-time money versus on-going, it might make a difference on the way the motion was made. He is supportive to all the fiscal responsibility, but he wants this to be a fiscal neutral solution. No one is asking to increase the budget. In fact, Fire is giving more back than they are taking. He just wanted to clarify the wording and also know if Councilmember Heumann's suggestion is included in the motion.

COUNCILMEMBER HEUMANN said he thought Councilmember Sellers, in terms of sticking with the fiscal policies, one of the parameters was a revenue neutral proposal with no effect to the on-going budget and also no loss of service. He also referred to Councilmember Weninger's suggestion to possibly look at a citywide solution and not just the three unions involved. He asked Mr. Sellers if he was acceptable to that.

COUNCILMEMBER SELLERS said the whole point of his amendment is that it is revenue neutral on an operating on-going basis. He agreed that none of us wants a loss

of service, but he would have a little problem saying no loss of service as obviously we are going to lose some level of service just with 120 people that have gone away.

COUNCILMEMBER ORLANDO said a loss of service is very subjective. You can have a loss of hours, but still increase your productivity. The question of whether your loss of service will increase is very debatable as you could make that up through process improvements.

COUNCILMEMBER HEUMANN said he would remove that suggestion to the amendment, but would like the flexibility to allow the mediator to talk about those types of things. If it doesn't get resolved with the mediator, it would still return to Council.

MAYOR DUNN said what could be agreed upon is that any on-going base pay increase is on-going.

COUNCILMEMBER ORLANDO asked how much the personnel budget is, what the salaries are and what the benefits are. MGMT SERVICES DIRECTOR DENNIS STRACHOTA said he would need to look that up.

COUNCILMEMBER WENINGER clarified that while he didn't make his ideas part of the motion; it's not direction, but it's an idea to come to an on-going, neutral way of addressing it. CITY ATTORNEY WADE said the discussions are ideas that can be considered, but not part of the amendment.

COUNCILMEMBER WENINGER said the mention of pay reduction sounds bad, but what he is hoping that will be discussed is that we are talking organizational wide to help share those costs.

MAYOR DUNN commented that this fiscal policy could apply to each of the units alone or we could find one solution that covers the base of one-time or on-going.

MR. JAMES KAME (S.E.I.U. President) said he thought what the Council was talking about is what they offered. They have offered their on-going holiday pay, that's an on-going cost to the City. He understood that to be revenue neutral. MAYOR asked if that would apply every year. MR. KAME replied it would apply for this year. It could be revisited again next year. He expressed that he gets confused when talking about this money when he sat across the table from the City Manager not too long ago, and he stated it's not about the money.

COUNCILMEMBER HEUMANN reiterated that in regards to Councilmember Weninger's point, that we take a look at the whole city. The one-time offer wasn't to just the unions, that we take a look at the solution that it's all on the table.

MAYOR DUNN said if there is a solution that involves the whole city they could not talk about that tonight. He asked to keep in mind the unique situation we are in with the economy and maybe we will have some more news on what is happening with the legislature before we meet again.

SCOTT WALL (I.A.F.F. Chandler) added that this has been a long, hard process and they are willing to go back to resolve this. He hoped there would be flexibility. The

economic policies have made the City fiscally sound, but if all that one-time money can never be used, he wondered how great those fiscal responsibilities are. He is not saying that we should use them, just saying let's keep all the options open.

MAYOR DUNN said he truly feels they are giving direction to all sides to look outside of the box and to address some of the concerns we have indicated as a city as a whole.

WHEN THE VOTE WAS TAKEN ON THE AMENDMENT, MOTION CARRIED UNANIMOUSLY (7-0). THE MAIN MOTION, AS AMENDED, CARRIED UNANIMOUSLY (7-0).

As the meeting was adjourning, COUNCILMEMBER ORLANDO asked MGMT SERVICES DIRECTOR DENNIS STRACHOTA to submit his answers regarding personnel costs in writing to the Council.

Adjournment: The meeting was adjourned at approximately 9:00 p.m.

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

Approved: June 25, 2009

#### 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 9<sup>th</sup> day of June 2009. I further certify that the meeting was duly called and held and that a quorum was present.

DATED this \_\_\_\_\_ day of June 2009.

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