



Minutes Ad Hoc Long Range Budget & Finance Planning Committee February 14, 2008

Minutes of the Ad Hoc Long Range Budget and Finance Planning Committee held on Thursday, February 14, 2008, 4:00 p.m., in the Public Works Conference Room, Tempe City Hall, 31 E. 5th Street, Tempe, Arizona.

Council Members Present:

Mayor Hugh Hallman
Vice Mayor Hut Hutson
Councilmember Onnie Shekerjian

City Staff Present:

Mary Anders, PD
Debbie Bair, Mgmt Asst
Mark Day, Senior Budget & Finance Analyst
Tom Duensing, Dep Financial Svcs Mgr
Molly Enright, Mayoral Aide
Michael Greene, Procurement Admin
Jerry Hart, Financial Svcs Mgr
Julie Hietter, TSA
Jan Hort, City Clerk
Cliff Jones, Fire Chief
Ken Jones, Internal Audit
Carol Martsch, SEIU President
Jeff McHenry, TOA
Tom Mikesell, Lead Budget & Finance Analyst
Kerby Rapp, TOA
Cecilia Robles, Dep Financial Svcs Mgr
Sue Taaffe, Community Outreach Mktg Coordinator
Adam Williams, Sr Budget & Finance Analyst

Citizens Present:

Lorraine Bergman
Darryl Jacobson-Barnes
Mary Ann Miller
Todd Skinner

Mayor Hallman called the meeting to order at 4:06 p.m., and noted that Ken Jones from Internal Audit has been added to the committee.

Agenda Item 1 – Public Appearances

None.

Agenda Item 2 – Follow up: Review of previous committee recommendations

Mayor Hallman noted the list of all of the proposed budget solutions and explained that it is a comprehensive result of the last committee's work.

Jerry Hart further explained that this is a consolidation of all the lists of recommendations into one. The recommendations shown in green represent those that were forwarded to Council for implementation. Citizen emails have also been added.

This item will be continued to the next meeting.

Agenda Item 3 – Follow up: Review of General Fund Budget

Mayor Hallman summarized a spreadsheet that consolidates General Fund budget growth, showing the difference between budget and actual from 2004/05 through 2007/08.

Jerry Hart stated that 2004/05 was added to the General Fund Budget Growth Analysis reports, as well as what portion of the total additional expenditures were non-recurring vs. recurring.

This item will be continued to the next meeting.

Agenda Item 4 – Department Focus: City Clerk

Jan Hort summarized as follows:

- City Clerk's office top priorities are transparency in government, full disclosure, document accessibility, open meeting law compliance and elections, all of which are guided by State statutes.
- Personnel costs comprises 56% of the budget, materials are 1%, fees and services represent 42.5%, and training is .5%.
 - Personnel: From 2001/02 to 2007/08, there has been a -18% change, from 5.5 to 4.5, although workload has increased due to State statute requirements.
 - Materials: Processing of 592 public information requests, documenting of 148 meetings, and microfilming of 287,862 documents for a cost of \$7,700 in materials.
 - Fees & Services: There were 491 legal advertising postings at a cost of \$119,256, 620 documents recorded with County for \$6,000, \$6,200 for duplication of Council packets, and \$200,000 for elections.

Mayor Hallman clarified that line #6672 Contracted Services is the election expense and it shows that in 2006/07 there was no election.

Ms. Hort continued that there are many different election costs. The largest portion is the actual charge by the County (\$.73 per registration and \$1.72 per early voter), but expenses also

include printing of the ballots, translation costs, and postage. The expense is driven by the number of voters. The City has a reduced cost for some elections, such as the November elections since there are more entities to share the cost.

Councilmember Shekerjian asked for an explanation on line account #6672. There was \$100K budgeted, but the revised shows only \$10K. What happened to the other \$90K?

Ms. Hort responded that any unused election funds go back to the general fund. She continued with ideas for reductions. Legal advertising is governed by statute, but there are some areas where extra is being done. State statute does not require advertising for materials, but requires one-day advertising for services. The City Procurement Code is mute on this issue. Currently, a 4-day advertising is done for both. A reduction to one-day for services only would allow for a \$11K savings. Procurement supports this.

Michael Greene added that every solicitation goes to the five economic groups in the Valley, as well as to the internet. He feels there is a lot of coverage.

Mayor Hallman asked if other qualifying newspapers are considered, such as *Record Reporter* or the *Arizona Capital Times*. The notices are simply a legal requirement. He asked that Ms. Hort and Procurement look at how to reduce the costs across the board for other legal advertising.

Councilmember Shekerjian also suggested *Greater Phoenix Jewish News*.

Ms. Hort continued that 22 complete Council packets are produced for each meeting. If these were printed only for Council, City Manager, Assistant City Manager, Clerk and Attorney, \$2,240 would be saved annually. Everything is posted on the web and many of the items are standard contracts. Sustainability is also an issue.

Councilmember Shekerjian asked whether it would be possible to print everything double-sided.

Mr. Greene responded that it could be done.

Ken Jones asked about the microfilm costs. If Development Services moved to the new document imaging system, would that savings spill over into the Clerk's Office?

Ms. Hort responded that the State will only accept paper and microfilm.

Mayor Hallman suggested that adjusting the obligation to publish and changing how documents are archived should be part of the City's legislative agenda.

The question was asked that if the microfilm requirement was changed and packets were not printed, how much staff time would be involved?

Ms. Hort responded that staff has been reduced, and the workload has increased greatly due to the Council actions to build a sustainable city and the large escalation in building during the past robust economic years.

Mayor Hallman noted that the problem is that Council does not know what item might be pulled for separate consideration at the meeting so they need to have immediate access to the documents during Council meetings. Council does have web accessibility during meetings but only one past councilmember made use of it, so training would need to be done. If that could get done in an easy, cost-effective way, his expectation would be that we could probably even eliminate the packet for Council, except for the agenda and the standard staff report. He stated that his Chief of Staff and Executive Assistant do not need to get packets.

Ms. Hort added that packets are provided to the media without charge. It is available on line, however. People who are used to getting packets would argue.

Mayor Hallman said his staff and Council's staff won't complain.

Ms. Hort responded that the twelve packets for Council, City Attorney, City Manager, Assistant City Manager, City Clerk, and Community Relations Manager are necessary to facilitate the decision-making process.

Councilmember Shekerjian approved of the idea of web accessibility during Council meetings, but training would need to be investigated.

Ms. Hort summarized that by reducing the newspaper advertising of services with no advertising of goods, reduction in the number of complete Council packets, and reduction in training and seminars to local meetings only, a reduction of \$14,568 is proposed.

Mayor Hallman stated that the budget goal for the City Clerk's department was \$108K, which leaves another \$93K to find. He asked Ms. Hort to come back with some results of examination of legal advertising costs if other news media was used after obtaining pricing from the Procurement Office. Financial Services was asked to look at other departments advertising costs as well.

Councilmember Shekerjian stated that in looking back on the budget cuts in 2001/02, this department has taken a hit and that needs to be acknowledged. In some cases, other departments have backfilled those lost positions lost and we shouldn't ask this department to take another cut.

Vice-Mayor Hutson commented that in addition to the 2001/02 personnel budget reduction, work loads have steadily increased.

Mayor Hallman summarized that the 2007/08 budget is increased because of the election. The budget for 2008/09 would not increase, unless there would be a bond election. He asked Ms. Hort whether bonds are in the November general election. With the November election there would be a cost savings because of the shared cost.

Ms. Hort responded that the census might move the City to the November election for the Council as well.

Mayor Hallman asked Ms. Hort to provide a copy of the statute regarding the bond election.

There was a question whether anything would preclude the Council elections in November.

Mayor Hallman responded that could be done, but with the 175,000 person limit which kicks in automatically, the elections have to be in the September/November timeframe. If we voluntarily moved the elections to November, would there be a cost savings?

Ms. Hort responded that there would be a cost savings.

Mayor Hallman summarized that Ms. Hort should return to the next meeting with:

- updated information on legal advertising
- cost savings involved with no microfilming
- bond election statute
- cost savings for November elections
- whether any sales tax elections have to be in September
- the reduced cost of double-sided copies

Agenda Item 5 – Department Focus: Fire

Cliff Jones summarized the cost of the Fire Department programs. He outlined the organizational structure and the mission statement.

- Facilities:
 - Fire Administration/Fire Prevention/Public Information Facility on Apache Boulevard
 - Tempe/APS Joint Fire Training Center on University Drive
 - Support Services
 - Six Fire Stations – 8 engine companies and 2 ladder companies
- Emergency Responses
 - Call load in 2007 was 17,927 calls
 - 10-year emergency response comparison: 10,783 in 1997; 17,927 in 2007 for a 40% increase

Vice Mayor Hutson asked Chief Jones to provide the breakdown for 1997 emergency response for the next meeting.

Mayor Hallman asked Chief Jones to also provide the medical calls vs. emergency calls to incidents where someone is at fault.

- Staffing
 - 1998 – 137 sworn, 18 civilian
 - 2008 – 152 sworn, 23 civilian
 - Emergency Services – 140 total with 66 Paramedics, all engine and ladder companies are staffed with 4 personnel (24/7)
 - Support staff includes 11 administrative, 12 fire prevention, 5 support services, and 3 training.

Chief Jones stated that the department has not been able to move ahead in the past six years. He is grateful for Council's recent approval of a new fire company, as the department is behind the curve in putting the company in service. This has been a cost conscious department for the past 25 years and is frugal with the money given.

- Department designed to manage cost

- Automatic aid system is unique, with shared resources with the surrounding fire departments. Without that, ten fire stations would be required in Tempe today.
- Currently six stations now with a seventh on the drawing board. There may be a need for eight in the future. That's because we share resources. Every day, Tempe goes into Mesa, Chandler and Phoenix. We have them coming in more than we go out. In 2007, 74 responses were made into Chandler. Chandler made 350 into Tempe. This will be addressed through Station 7 and will reinforce the core until the new station is built.

Mayor Hallman asked for statistics on Phoenix, Scottsdale and Guadalupe.

- Cost savings in automatic aid is front-loaded. The number of stations and firefighters has been decreased through the system.
- A combined communication system has 23 fire agencies operating out of one communications center.
- A joint fire training center with APS.
- Services –
 - Fire Prevention, code enforcement, fire investigation is a big part of being proactive.
 - Public education is an extension of being proactive. There are also two full time educators working with the school system, risk groups, and retirement homes where there might be more problems.
 - Media public relations
 - Citizen CPR training
 - CERT - Citizen Emergency Response Teams
 - CARE 7
- Emergency Services
 - Fire suppression is the most obvious service and fires will continue.
 - Emergency medical services (every member is either an EMT or paramedic)
 - Hazardous materials/Technical Rescue/Dive/WMD (add-on or value-added services)
 - EMS for special events (staffed 169 events last year)
 - Emergency management (disaster preparedness responsibility with no designated staff)
 - Medical support unit (added-value service with current staff) will take excellent relationship with Police Department and make it better
- Partnerships
 - Tempe/APS Joint Fire Training Center
 - Ambulance Service
 - Phoenix Regional Dispatch Center
 - Regional Fire Training for Recruits
 - Local 495 – Labor/Management
 - Tempe Elementary School District – Urban Survival Program
 - ASU Risk Management Department
 - AZ National Guard 91st Civil Support Team
- Five Year Plan and Operational Guide
 - Gives direction for the future
 - Reviewed and updated annually
 - In conjunction with accreditation process – assures ongoing re-evaluation of the department
 - Serves as departmental basis for the budget process

- Acts as resource for City Council, City Manager, and Community at large.
- CFAI Accreditation
 - National program for self-assessment process to stress continuous improvement
 - First internationally accredited in 1997, re-accredited in 2002 and 2007.
 - Provides a model for organizational assessment and third party validation.
 - Is integrated with the Insurance Services Office
 - Addresses quality assurance
- Future Plans and Needs
 - Fire Station 7 absolutely critical
 - Support Services
 - Fire Station 2
 - Continued apparatus replacement
 - Support staff and fire inspectors – recovery of positions lost in 2001
 - Additional resources
- Grant Experience
 - Since 2002, have received over \$4M in grant funds for the City.
- Revenue/Budget Savings Target \$3,057,562
 - Fire/EMS fee of \$10 for moving citations (\$1,162,000)
 - ASU (\$100,000)

Chief Jones noted that the Fire Department is the only source of fire and medical support.

Mayor Hallman asked Chief Jones to split out the service numbers for ASU. He also stated that the City has a \$50K charge coming in from ASU as part of the negotiated settlement for getting the advertisements for Dodge and the other companies on their stadium. A lot of new buildings are going up at ASU and there might be a means to seek some payment for providing fire services.

Councilmember Shekerjian suggested a \$1 or \$2 additional fee for fire service tacked on to tuition.

Mayor Hallman added that the City's entire fee for services to the University should be covered. The State is not paying anything. Since the University is not subject to property tax or sales tax, a huge chunk of transactions are taking place without revenue.

Chief Jones added that they don't answer a huge number of calls on the campus, but a large number related to the campus. Some of the biggest calls are on the campus, however.

Mayor Hallman asked Chief Jones to break it down by those on campus, and those related to ASU. It is important not to understate it, but it is important not to overstate it as well.

- Charge for services for currently non-reimbursed special events (\$78,300)

Mayor Hallman asked Chief Jones to find out how much is being reimbursed and what proportion is being given away.

Chief Jones stated the Fire Department is not reimbursed for the Fourth of July, Oktoberfest, Block Party, Ironman, and Rock 'n Roll Marathon events.

- Fire Safety User Fee per month of \$2.00 added to the water bill (\$1,008,000)
- Raise sales tax from 1.80% to 1.85% for fire/EMS services (\$3,600,000)
- Fire Prevention permitting and inspection fee increase (\$15,000) which is probably the easiest to do. It has been about two years since the last increase.

Mayor Hallman added that there is a concept of trying to have those who impose the cost pay the cost, and it might be wise to look at the number of EMS calls for auto accidents where the offender could bear the cost of services. Previously, that had been buried through the cost of the ambulance service, but there are many instances where someone is at fault and doesn't use an ambulance. He asked for the percentage of auto accident related calls.

Chief Jones responded that it would be about 40%.

Mayor Hallman continued that if that is 75% of the total of calls answered, it would be about 30% of the total budget associated with auto accidents. That is a very large number. If we were able to bill that to the offender, although all of it might not be collected, it could be a helpful process. It would be much like the \$10 fee on moving citations, but it doesn't mean we shouldn't do both. It should be spread across those who are more likely to cause those incidents. He asked Mr. Hart to determine if that fee would be subject to the 80% surcharge that goes to the State. If it is not, if we could do both of those things.

Chief Jones responded that Debbie Bair has started researching that.

Vice Mayor Hutson added that the Finance, Economy and Veterans Affairs Committee (FEVA) brought this up to the Police Department, but it was not feasible, so it was passed to the Fire Department. Chief Jones is to provide FEVA with that information.

There was a question regarding cross-jurisdictional responses if, for example, the accident were in Tempe, but was served by Mesa.

Mayor Hallman responded that if Tempe were to move forward with this, other cities might follow suit and the sales tax issue could be avoided.

Councilmember Shekerjian asked if Chief Jones was looking into the feasibility for the City to provide ambulance service and whether that would be a cost-savings.

Chief Jones responded that it would be a very even proposition.

Mayor Hallman added that a statutory rate is charged.

Councilmember Shekerjian stated that Phoenix uses a van for some emergency calls and asked Chief Jones if he had considered that.

Chief Jones responded that there are pilot programs going on in Mesa and Phoenix and it's in the early stages. If the new fire company had not been on line, he would have brought this concept forward. A common question is why we send out a fire engine. It is a system of protection as well as response. The cost is already built in. The cost is a set cost.

Mayor Hallman added that the truck is there, and the marginal cost is fuel.

Chief Jones added that it would require more people to do it. Twenty-five years ago, the City had (2) two, two-person vehicles to go on medical calls rather than a fire truck. In 50% of the cases, it was determined that two people were inadequate, and more people were called. The only other option was a 4-person vehicle, so now there were 6 people involved with 4 people getting there late. In a cost-saving measure, we took the two person units and combined them into a engine company and we didn't have to ask for an engine company. He did believe that two-person units will be critical ten years from now because of the increased medical calls.

Councilmember Shekerjian added that when Chief Jones made his presentation to the committee the other day regarding the medical support unit for the Police Department, the funding was for off-duty fire personnel. She asked why he chose that.

Chief Jones responded that those calls are occasional. Because the Fire Department is not overstaffed, we can send John Valenzuela, who is usually already on duty so there is no cost associated with him, and then call one who is off duty. Otherwise, if we reduce a fire company by 25%, they aren't prepared for a fire or medical emergency.

Ken Jones noted that there is \$89K in the budget for Mediflex, but the union has negotiated not to do Deferred Compensation rather than Mediflex. The actual amount for Mediflex is about \$20K. Under #6664 Deferred Comp Fees/Employer Match, there is \$99K, and he didn't think that appears in any other budget. He was concerned that it isn't being double-budgeted in Human Resources where everyone else is.

Tom Mikesell responded that it is budgeted in Fire, but every year it is transferred to Human Resources. It appears in the budget, but it is transferred.

Mayor Hallman clarified that when Mediflex reimbursed expense is added to Deferred Comp Employer Match; that equates to the amount contracted for by the MOU.

Mr. Mikesell responded that there are two components. One is the Mediflex, which they don't receive and which they use for their deferred compensation, and the other is where DROP participants put the money in their deferred comp accounts.

Ken Jones asked if this is different from other departments.

Mr. Hart responded that for everyone else it is budgeted.

Mayor Hallman asked that staff return with an answer on that.

There was a question about #6672 Contracted Services.

Chief Jones responded that Contracted Services is used for dispatching services paid to the City of Phoenix. There has been a significant increase in the dispatching fees because they weren't collecting the actual cost from the participants.

Mayor Hallman asked if we can audit whether they are collecting the actual cost now.

Chief Jones responded that could be done.

There was a question about overtime costs.

Mayor Hallman cautioned that it involves a fine line in hiring more staff vs. overtime. It might be better to use existing staff for overtime. He asked Chief Jones to return with data on the break-even point.

There was a concern expressed that over the last five years, the budget has increased by about 55% and was the Chief addressing structural changes.

Chief Jones responded that one reason for this increase is a continued escalation of salary/benefits. Second, previously (due to the fire insurance premium tax), there was a low contribution rate for the cities to make toward the Public Safety Fire Retirement System. Due to the state of the economy, the fire public safety portion has gone underfunded, so the rate has been raised significantly. In terms of future escalation in the budget, the primary issue is Council authorizing the additional fire company. That will buy a few years.

Mayor Hallman clarified that the budget went from \$15.8M to \$24.5M. It is the largest increase of any department budget, or a 54.8% increase in four years. How much of that is new firefighters, etc. Is the general budget increase within line with other department increases?

Chief Jones stated that he would provide that information.

Mayor Hallman asked if we would be looking at another 54.8% increase in the next four years.

Mr. Hart responded that in terms of the increased staffing and its annualized impact, the 2007/08 adjusted number is the \$24M, and the \$2M is the annualized impact. It would have remained at \$22M, so it would be 35% increase.

Mayor Hallman stated that if Fire is going to have a 12% increase consistently, then we are not planning for a real future. That's why we need to break apart the retirement increase so we are not preparing just for next year. Determine what is making up the increases so we can see what is a "one-time" hit. Has the increased staff for the new station been added?

Mr. Hart responded that they have been added.

Mayor Hallman clarified that the 2008/09 budget which shows a \$12M deficit does not add the additional ten police positions.

Mr. Hart added that Council direction was to authorize the ten out of this year's budget, but the remaining ten would be submitted as part of the budget process. It is a supplemental. The number for the ten is \$1.5M.

Mayor Hallman clarified that we are really at a \$13.5M deficit.

Mr. Hart agreed, assuming the addition of those ten.

Mayor Hallman added we need to know where we are getting reimbursed for ambulance service, as well.

Chief Jones asked to wait on that information until the new contract is in place and then he will provide that number.

Mayor Hallman asked about cell phone charges and why cell phones are used vs. radios.

Chief Jones responded that cell phones are used for data communications for fire companies doing telemetry with the hospitals. They are also used as back-up for radio.

Mayor Hallman asked about Membership and Subs #6716.

Chief Jones clarified that each chief officer has a membership in International Association of Fire Chiefs, as well as for fire investigators and EMS program managers.

Mayor Hallman asked about account #6856, Equipment and Machine Rental.

Debbie Bair responded that there are two components: copiers and leased exercise equipment.

Mayor Hallman asked about account #7092 Oktoberfest and whether it is an example of a non-reimbursed event

Ms. Bair responded that this is the first year they have been reimbursed for overtime, so Budget Office put it in budget.

Mayor Hallman asked about account #7405 Recruit Tuitions.

Ms. Bair responded that there is \$15K for the Firefighter Union for recruitment, and \$10K for recruitment materials and testing. The Phoenix Civic Center is used for potential applicant testing and it is Tempe's proportionate share.

Mayor Hallman asked how much is spent for the Phoenix Civic Center.

Chief Jones responded that it is about \$2K. It is the only place they can hold the test.

Mayor Hallman summarized the additional information for the next meeting:

- Number of EMS at-fault incidents
- Growth of EMS
- Plus/minus in and out from other cities
- ASU statistics – percent of service to ASU and to calls related to ASU
- Unreimbursed special event staffing
- Analysis of overtime vs. additional staffing
- Deferred Compensation breakout
- Breakdown of analysis of cost to the major categories
- Determine if City of Phoenix contracted services are heavily loaded
- Extent to which medical service to a home could be billed that is reimbursable by insurance.

Mayor Hallman asked Mr. Hart to look into private sector dorms around ASU and determine whether they are subject to property tax. Is rental paid by a student subject to sales tax?

Mr. Hart added that the only other impact fee is a residential development tax dedicated to parks. He will follow up on that through Development Services.

Agenda Item 6 – Discussion and Recommendations

Included with Item #4 and #5.

Agenda Item 7– Set preliminary agenda for next meeting

- Follow-up with Clerk
- Follow-up with Fire
- Presentations from City Manager and Human Resources
- Follow-up on Previous Committee recommendations

Mr. Hart added that this committee wants to impact the 2008/09 budget, and since staff is scheduled to bring to IRS on April 10th a balanced budget, the schedule is tight.

Mayor Hallman suggested an extra hour for the March 6th meeting. With four department scheduled, he suggested moving one of those departments into the 2/28 meeting

Mr. Hart added that he has not yet scheduled Community Development.

Mayor Hallman suggested trying to schedule Community Development for 2/28.: Try to get Com Dev on the 2/28. Community Development and Development Services would be a good match, however. He advised Mr. Hart to leave everything where it is and based on the March 6th meeting, we will see what we need to do.

Meeting adjourned at 6:16 p.m.

Prepared by: Connie Krosschell
Reviewed by: Jerry Hart

Jan Hort
City Clerk