

**Minutes  
Tempe City Council  
Special Budget Session  
June 19, 2008**

Minutes of the Tempe City Council Special Budget Meeting of Thursday, June 19, 2008, held at 3:00 p.m. in the Harry E. Mitchell Government Center, Municipal Building, City Council Chambers, 31 E. Fifth Street, Tempe, Arizona.

**COUNCIL PRESENT:**

Mayor Hugh Hallman  
Vice Mayor Hut Hutson  
Councilmember P. Ben Arredondo  
Councilmember Barbara J. Carter  
Councilmember Shana Ellis  
Councilmember Mark W. Mitchell  
Councilmember Onnie Shekerjian

*Mayor Hallman called the meeting to order at 3:06 p.m.*

**AGENDA**

1. Call to the Audience

Mayor Hallman asked for Council consensus to allow the public to speak regarding Item #2, and to hold the public hearing for Item #3, as well. There was consensus.

**Bill Butler, Tempe, spoke regarding Item #2.** In 2004, he paid \$291.98 in property tax and in 2009 he would pay an estimated \$698.17 at this tax rate. That is an increase of \$406.19, which is a 171% increase, or 32.2% per year. What will happen in the next ten years? The County keeps raising the valuations and the Council needs to consider the future. There are citizens who need to choose between gasoline, milk for the children and taxes.

**Steve Scalera, Tempe, spoke regarding Item #2.** After researching the primary tax rates for the 25 incorporated cities in Maricopa County, the average is 0.410776 per \$100 of value on a property. The table of city primary tax rates was emailed to the City Council and the Mayor. Tempe is shown on the table as 0.5105, which is already the seventh highest. For 2008, property valuations increased overall, and, consequently, we do not need another increase in the property tax rate. We need a decrease so the hard working citizens of Tempe can retain some of their income. Tempe does not have to increase property tax just because it is allowed to do so by law. The Council should consider the needs of the citizens and with the cost of gasoline and domestic issues, a waiver of this increase should occur.

**Sandy Lowe, Tempe, spoke regarding Item #3.** She has been a resident of Tempe for 25 years. This City has been well planned and has done a wonderful job of preserving all the good in it. One of her sons recently

graduated from Corona del Sol and will attend ASU this fall and her second son will be a junior at Corona del Sol. She is a concerned parent serving on the "Yes, Yes, Yes - Save Our Schools" Political Action Committee in support of Tempe Union High School Bonds, Overrides and Capital Levy Request. It is critical for our schools that these three measures pass in November. Given the economy and the presidential election and the fact that there will be many measures on the ballot, it will be a major challenge to make sure that the community understands the importance of each of these three measures passing. Failure will put the schools in a crisis mode. There is a concern with having a City of Tempe bond on the ballot with the Tempe Union Bond. It is highly unlikely that the community will pass both the City's and the School's bonds, and it is very possible both will fail given the weight of both being on the same ballot. Coordination between these two campaigns would give the School District a better chance for survival in today's challenging educational arena. If at all possible, she asked the City to postpone this bond. Not only do the students, teachers and parents benefit from a successful district override, but every homeowner in the City would as well. We want Tempe to continue to attract families as well as businesses and for this to happen, we need to continue to provide our children with a quality education. She asked Council to consider the implications for not only our high schools and their communities, but for the entire City of Tempe if this is not successful. Is it feasible for the City to help the high schools have a better chance at success in November by choosing to delay the City's bond?

**Wayne Unger, Chandler, spoke regarding Item #3.** The previous speaker expressed a deep concern regarding the school district's budget and whether it is imperative for the City of Tempe to place this nearly \$241M bond on the November ballot. As a student of the district, he expresses the same concern. The students are the most affected. With the failure of the override and the capital levy bond initiatives last year, there have been approximately \$2M in budget cuts for the upcoming school year. If the November 2008 initiatives do not pass, it will only increase. He would hate to see programs cut.

- \*2. Held the **final** public hearing and adopted ORDINANCE NO. 2008.25 establishing the Fiscal Year 2008-2009 property tax rate, to be effective immediately.

#### PUBLIC HEARING

(Held during the Public Appearances.)

Councilmember Shekerjian asked Jerry Hart to verify the lowest rate needed to pay for all of the items identified in the CIP Budget.

Jerry Hart responded that staff has determined that they could be funded at a \$1.31 rate.

**Motion by Councilmember Shekerjian to set the rate at \$1.31.**

Mayor Hallman clarified that a motion was made that Item #2 be adjusted to reflect the property tax rate at \$1.31.

**Second by Vice Mayor Hutson.**

Mayor Hallman stated that this has been more controversial that it needs to be, but the reality of what he hopes to pursue as a policymaker is that the property tax rate be set at a rate that allows us to achieve everything Council has put forward in the CIP program. Council has crafted the appropriate priorities. About a month ago, he released a memo proposing that Council seek to reduce the rate to \$1.28 and still fund the CIP. He would accept the \$1.31 proposal. The reason it is imperative to consider doing so this year is that we have a school district that has made headlines over its need for capital funds to repair Corona del Sol High School. It did lose the override election last November and given the fact of a hotly debated presidential election and the likelihood that the adjustments in rates have not calmed the water, it will potentially face a hostile ballot initiative. The City can do

everything Council chose to do for the community and have the opportunity to provide some leeway to the school district to help convince voters that we are all doing the best we can and as fiscally responsible as possible. This is an opportunity for us as a City to supply some additional assistance to our school district that is vitally important.

Councilmember Shekerjian added that this issue has been hotly debated and Council hasn't been able to find a compromise. She would prefer a lower rate because gasoline and food prices are inching up. The City's portion of the property tax is only 10%, but it sets a precedent and also speaks to Council being at least responsive to the community. She is concerned that if Council is not responsive, the voters will give a "knee-jerk" reaction and vote "no." That would be devastating not only for the City but also for the school district if the voters also vote "no" on those initiatives. She proposes a compromise at \$1.31 because it covers everything that Council has said it wanted to fund. Taking more money than needed is morally wrong. She wants to invest in Tempe. Our community isn't strictly the City's budget, but it is also taking a look at what exists in the community and understanding that part of the community is the school budget.

**Motion failed on a roll call vote, 4-3, with Councilmembers Arredondo, Mitchell, Ellis and Carter voting no.**

**Motion by Councilmember Arredondo to maintain the \$1.40 rate. Second by Councilmember Mitchell.**

Mayor Hallman clarified that the motion is to adopt a primary and secondary property tax rate of \$1.40.

Councilmember Carter stated that she has given this a great deal of thought. This is just a short list of all the taxes residents pay—national, county, and state and no one is trying to reduce those. Her \$30 phone bill shows a \$9.92 tax. She divided a dollar bill up into special districts, school districts, EVIT, Maricopa County Community College District, and showed the difference between \$1.40 and \$1.30. It means \$10.71 per year for her household, and she would rather invest in Tempe and pay down the debt. She agrees with \$1.40.

Vice Mayor Hutson stated that he wasn't elected to vote on these. All during the campaign, he kept saying that it wasn't the money, but the way it is done. Why would we want to take more money out of the citizens' pockets when the staff has already said we are doing 100% of what we were asked to do? It is morally wrong to take money from the people when we don't need it.

Mayor Hallman clarified what has been done by other jurisdictions to address this issue. Of all the taxing jurisdictions that Tempe residents pay, the City of Tempe kept its rate constant.

- Tempe Union High School District reduced its rate from \$2.63 to \$2.51.
- Tempe Elementary School District from \$3.99 to \$3.82.
- Maricopa County from \$1.18 to \$1.10.
- Maricopa County Community College District from \$1.06 to \$0.98.
- The Flood Control District from \$0.20 to \$0.15.
- The Central Arizona Project from \$0.12 to \$0.10.
- The County Free Library District from \$.05 to \$.04, for a 20% reduction.
- The Special Healthcare District from \$0.12 to \$.09.
- Only two districts did not reduce their rates: The City of Tempe and EVIT.

We have an opportunity and an obligation to tax our residents for those things that we can and should do and we have selected those and have done that. We now have an opportunity to set a rate. It has been moved, however, that we continue the rate at \$1.40, which over the last five years has, because of the increases in property tax valuation by 75% on average, meant that much increase in property taxes. He is not looking for a tax cut. He would like to run government sufficiently so that could be done. At this stage in the political compromise, he is merely happy trying to reduce the amount of property tax increases the residents and businesses face.

Councilmember Arredondo stated that he agreed with Councilmember Carter, but he is responsible for the City of Tempe, not the high school district. The superintendent and the school board need to run it and set policy, not the City of Tempe. The City is responsible for the citizens of Tempe, to maintain the roads, maintain the alleys, and maintain a safe community and that is what he intends to do. He believes in the strong school board that the school district has, and he believes it might work toward an advantage in running the bonds together because he didn't think the City has ever lost one.

Mayor Hallman appreciated Councilmember Arredondo's viewpoint that the City shouldn't be trying to run the school district, but the representation of the bond committee asked Council to postpone the bond election. Currently, the City spends money to help the school district as follows:

- Escalante Community Center is used on a daily basis by Thew School.
- North Tempe Multigenerational Center is built on school district property and it provides additional value to the community so that our residents and their children can get both recreational opportunities and a better educational program.
- Scales School is adjacent to the Westside Multigenerational Center.
- The City runs programs at the schools for after-school opportunities and school district buildings are used to do that.
- There are many partnerships where the City spends money to support the school districts and where the school districts spend money to support the community.

To set the tax rate responsibly and in a way that pays for everything this Council has set as a priority is an opportunity to help the school district. The debate should be about the facts and the decisions we can make based on those facts. The secondary property tax the City collects can only be used to pay for bonded indebtedness. The City can't even pay cash directly for things it would otherwise buy with bonds. Those bonds pay for capital improvements, so they can't pay for police officers or for park maintenance. If someone wants to say that those councilmembers who want to reduce the rate to help support the community don't want to invest in Tempe, that is false and misleading. The discussion right now is going to lead to a vote about \$241M in bonds, \$133M of which are paid for by secondary property tax. There isn't a person on Council who is trying to stop a single project. This is a philosophical debate.

Councilmember Ellis stated that a few years ago some members of this Council were forced to raise the tax. In tight budget times, Council then looks at the residents and has to raise taxes and that is something that she hopes she will never have to face. She believes keeping it at the same rate so that if we continue to have a downturn in the economy, we won't have to turn around and raise it.

Councilmember Mitchell stated that in growing up in Tempe, he has enjoyed the benefits of past councils and this current council continuing to invest in the community. Many of the discussions that take place regarding the budget are focused on one of the tax levies. There are four different tax levies that we pay to live in this City---property tax rate, refuse rate, water rate, and sewer rate. Combining those four, residents of Tempe enjoy the second lowest cost based on those four tax levies. The City partners very well with the school districts. Having them on the same election could be very successful. Never underestimate Tempe voters. He added that a bond election is not a tax increase. A bond election is merely asking for authority to spend the money the City will receive.

Mayor Hallman stated that the points raised are important to discuss. Councilmember Mitchell is correct to look at the other three rates set by Council. Water, sewer, and refuse rates are based on the cost of the services. When it is determined what needs to be done in our water, wastewater, and refuse departments, staff works to calculate the costs of service and that sets the rates. He is suggesting that we do the same thing with the secondary property tax. Now that we have set our capital budget, we set the rate based on our capital needs. That would keep us at the potentially first lowest cost. He finds it interesting that people want to say that they are keeping the rate the same. There is a formula involved:  $a \times b = c$ . If "a" goes up and "b" isn't reduced, "c" goes up. The rate times the

valuation equals the tax bill. When the valuation goes up because the assessor has determined that the values have gone up, if we don't reduce the rate, we are increasing the taxes. There is no way around that result. To hide from it is unfair. This Council did face rough economic times and \$5.8M was needed to pay for interoperable communication. The Council then changed the rate because values were stable. Now that values have increased over the last five years (75.62% on residential and 75.67% on business), we ought to be as responsive; our residents expect us to act practically. The rate isn't something to hide behind. The rate is our tool to set the amount of money we collect, and in this instance we have a chance to reduce the rate to \$1.31. Interestingly, if there are tough times in the future and we can't meet our obligations that we have set as priorities, this Council would adjust the rate upward if necessary. That's what happened four years ago, and that's what should be valuable. It isn't a bad thing to have the rate adjusted. The valuations have been bouncing all over the place and so have the tax bills. All of the other jurisdictions understood that and set their rates based on their capital needs. It's not bad policy and it's not bad politics. Those who don't mind having their tax bills go up can still send us a check if they are disappointed they're not paying enough. We can accommodate everyone in the community on a much broader basis and reach a consensus. He would ask that we follow the same protocols we do for water, wastewater, and refuse. He would also ask if valuations had not gone up 75%, would there have been a suggestion to increase the property tax rate to \$2.25?

Councilmember Shekerjian stated that part of the reason she made the motion for \$1.31 is because she wanted all of the CIP funded. She isn't looking for a tax cut as well. She is looking for a way to cover the City's costs. The City will collect 9 cents more in the rate. She thinks it is wrong to collect money which isn't needed. In setting our budget at home, we look at the needs and we look at our resources. That's how the budget was set this year and that's why she asked Mr. Hart for the minimum rate in order to cover everything identified. The National League of Cities talks about partnering and they encourage school districts and cities to work together on these kinds of issues.

**Motion passed on a roll call vote, 4-3, with Vice Mayor Hutson, Councilmember Shekerjian, and Mayor Hallman voting no.**

**DOCUMENT NAME:** [20080619fsae02.pdf](#)  
**ORDINANCE NO.** 2008.25

**MISCELLANEOUS TAXES (0210-06)**

3. Adopted RESOLUTION NO. 2008.51 ordering and calling a special bond election to be held in and for the City of Tempe, Arizona, on November 4, 2008, to submit to the qualified electors thereof the question of authorizing the issuance and sale of \$241,310,000 principal amount of general obligation bonds/and or revenue bonds.

Mayor Hallman clarified that this is made up of a series of bond questions. Council has received a late add to change bond question #1 which is \$113,300,000 in water and sewer improvements. Those typically are paid for out of the water and sewer fees. The language was changed to clarify that only under issuance in the variety of bonds in options (1) or (3), would our property tax levies be pledged. The City has different ways it can go about issuing water and sewer bonds. They can be supported by a general obligation of the City, which means every revenue the City collects, or can be supported by the water and wastewater fees individually, or can be paid for out of excise taxes or a combination of all of those options. It leaves open the flexibility for Council when it decides to sell the bonds and raise the money to build water and sewer improvements about the means by which we will pledge our revenues.

Councilmember Shekerjian stated that two dates were discussed. One was November of 2008, and the other was November of 2009. Mr. Hart had indicated that it was doable in 2008, but it would not impede the projects and would not be harmful to the City to wait until November of 2009.

Mr. Hart clarified. Staff's recommendation in a memo of May 7<sup>th</sup> was for November of 2009. However, that memo also listed the alternative for November 2008. At the May 15<sup>th</sup> Issue Review Session, Council directed staff to proceed with November 2008.

Councilmember Shekerjian added that when Council discussed this at the IRS, the Mayor polled councilmembers for 2008 or 2009. At the time, she specified 2008, but it is her concern to look at the community as a whole and she is concerned with everyone being able to get their bonds passed. While she appreciates that this community has always been so incredibly supportive of the previous bonds, she is concerned about the City's ability to pass its bonds, as well as the school district's ability to do it all at the same time. While she and Councilmember Mitchell understand what a bond authorization means, the general public just looks at all the different items and they count it as the government reaching deeper into their pockets. The school districts and the children in those districts are important to the City because they correlate directly to the quality of life in our neighborhoods and the quality of businesses the City can attract. The minute a school goes downhill, the neighborhood will follow. We are connected directly in terms of our ability to continue to succeed as a community and be the vibrant community that we all love.

**Motion by Councilmember Shekerjian to table this item so that the language can be changed to reflect a November 2009 date. Second by Vice Mayor Hutson.**

Councilmember Ellis asked for clarification that when this was discussed previously, the reason Council decided to go forward with 2008 was because the City's current bonding capacity would soon be used up. Does that mean that if we decide to do this in 2009 that we would be collecting money from citizens based on the property tax, but we would not be able to spend it?

Mr. Hart clarified that if it is deferred to 2009, the projects that would be envisioned in that bond election would not be able to start until a successful election. As an example, this Council saw fit to allocate money for park renovation for three parks per year. To execute that program, we would currently need voter authorization to proceed.

Councilmember Ellis clarified that the City would still be collecting the revenue although it wouldn't be able to spend it on some of the CIP projects throughout the CIP process.

Charlie Meyer added that staff had a series of discussions with Council about bond election dates and how to structure the bond election. It began with a large range of options and was narrowed to two. Those two were the same dollar amounts in either 2008 or 2009. In the conversation that ensued, there were advantages and disadvantages to both. Essentially, either option was a viable option, but both had pluses and minuses. If, for example, we defer the election to 2009, one thing staff suggested was to tap some cash sources and pre-fund some of the projects anticipated in 2009. All projects wouldn't necessarily be deferred.

Mayor Hallman clarified that his understanding of the two options was that the projects would remain the same, but the sources of cash to carry the City from 2008 to 2009 would shift. Rather than using bond funding earlier, we were going to use the Rio East proceeds, for example, and other similar cash sources and then put the cash coming in from the bonds into different programs. Essentially, the same \$241M in projects gets done and they get done at the same time, but we would just fund them in a different way during that five-year period.

Mr. Meyer agreed. We would shift the money around in order to get the City by for another year, but all the projects would be done the same way. At the time, based on the timelines of the projects, staff suggested that some projects needed to move forward faster.

Mayor Hallman recalled that there wasn't consensus on that specification being made. He thought the memo specified that there might be a 90-day difference in the Fire maintenance facility but that otherwise all of the projects would be continued in the same calendar period.

Mr. Hart could not find a reference to the 90 days.

Mayor Hallman added that if they are essentially the same. The only choice is that the City has silos of money in different accounts and can use different money in 2008 to fund projects and then sell the bonds in 2009, assuming the voters support it, and would still be able to move forward with the projects. That tells him that it should go forward in 2009. He had asked staff to look at those options probably six months ago because of his concern about the politics of a November 2008 election. Staff ultimately returned with a report that said they could build a cash flow program based on bond funds, cash sources, etc., that would allow the election to be pushed out into 2009. He is concerned about the school district. We have an opportunity to help our school district with a better chance of succeeding in getting its bonds passed and getting its overrides passed by not adding one more item to the huge menu of things on the ballot. If we have the correct information that we could cash-flow everything we want to do in that entire \$133M in secondary property tax funded items, the \$113M in water, sewer, and refuse fees, then he would certainly join Councilmember Shekerjian in not scheduling a bond election in November 2008. Would he be correct in understanding that we would be able to cash-flow the capital improvement program and continue with the projects exactly as currently scheduled and wait for a bond election in November 2009?

Mr. Hart responded that staff would have to look at unallocated resources to defer the bond election to November 2009. Staff would envision that we would need to supply "seed" money to get some of the projects started in terms of design during the next fiscal year until we were able to go to the voters in 2009 with the bond election that would then provide the actual funding to proceed with any construction.

Mayor Hallman asked how he could make a recommendation to go forward with the five-year CIP and postpone the bond election?

Mr. Meyer responded that staff did an evaluation and it was the conclusion that we could come up with temporary cash sources. A good illustration is the Police headquarters renovation project. That is one of the more troublesome ones because it is under preliminary design currently and we are prepared to move ahead with that project. We were getting it down to the point of saying how much cash needed at the various stages of that project in order to keep it moving at the rate expected. We found enough cash to do that. However, if the bond election was not approved in November 2009, we would have been in a position where we had spent a fair amount of money and would not be able to complete the project. It's not without its downside.

Mayor Hallman clarified that if the bond election went forward to 2009 and failed, suddenly we have started a project and don't have the bond funds. The advantage of going forward in 2008 is that, if it does fail, we haven't started the projects at all.

Mr. Meyer agreed. That's why the Police project is a good illustration.

Mayor Hallman stated that staff still recommended going forward with a November 2009 election.

Councilmember Arredondo stated that it was time to move on. He would not support delaying this.

Mayor Hallman clarified that the other important distinction is that during 2008 to 2009, whether the rate is at

\$1.31 or \$1.40, which has now been set, the City would be collecting secondary property tax. The City, however, has bond authority currently. How much do we have for secondary property tax?

Mr. Hart responded that we have approximately \$50M of bonding authority remaining.

Mayor Hallman added that it doesn't answer the question either. What we need to know is how many projects already put forward need to be funded. One of the things this Council did in the last four years was to stop the way in which business had been conducted before by selecting projects for the five-year CIP and then pretending that we were raising the money and taxing people to pay for them. When we ran our first bond election in 2006, we had \$50M in projects that had not been previously authorized through bond funding.

Mr. Hart verified that was correct.

Mayor Hallman clarified that we are not promising things and not at least making sure we have the means by which to pay for them. The debate between \$1.31 and \$1.40 may mask that, but it shouldn't. Whether or not it is \$1.31 or \$1.40, this CIP has bond funding and cash funding associated with it. What is the total value of the CIP for five years?

Mr. Hart responded that it is approximately \$475M.

Mayor Hallman clarified that in talking about the fact that we are arguing over people who like to invest and people who don't like to invest, keep in mind that the amount of money out of the \$475M CIP is only this one levy that some of us want to adjust like we do with water or wastewater.

**Motion failed 4-3, with Councilmembers Arredondo, Mitchell, Ellis, and Carter voting no.**

**Motion by Councilmember Arredondo to proceed with a bond election for November 2008 as written. Second by Councilmember Ellis.**

Mayor Hallman explained that he intended to vote no because this is an opportunity to support our school district. It is not our obligation, but it is our opportunity.

**Motion passed 4-3, with Vice Mayor Hutson, Councilmember Shekerjian, and Mayor Hallman voting no.**

DOCUMENT NAME: [20080619fsae01.pdf](#) GENERAL OBLIGATION BOND  
ADMINISTRATION (0203-03) RESOLUTION NO. 2008.51

*Meeting adjourned at 4:10 p.m.*

I, Jan Hort, the duly-appointed City Clerk of the City of Tempe, Maricopa County, Arizona, do hereby certify the above to be the minutes of the City Council budget meeting of June 19, 2008, by the Tempe City Council, Tempe, Arizona.

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Hugh Hallman, Mayor

ATTEST:

\_\_\_\_\_  
Jan Hort, City Clerk

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