Tempe Budget Employee Forum
Oct. 22, 2012, at 9 a.m.
Vihel Center multipurpose room

The following is a recap of questions asked and answers given during the second of four employee forums held in October 2012 regarding the city's long-range budget forecast for 2013-14 and beyond. Attendees saw the same presentation that the City Council was provided on Sept. 24, 2012. Answers were provided by City Manager Charlie Meyer and Finance and Information Technology Director Ken Jones, unless otherwise noted.

Q1: Where does money for the Transit Fund come from?

A: A dedicated, local sales tax of .5 percent is the source of Transit Fund monies, along with some regional and federal sources.

Q2: How do investments, such as technology, factor into personnel costs?

A: The City Council wanted to ask customers/residents whether cuts made before should be restored. The Council also wants to review what Tempe is in the business of doing and whether we are using our funds to provide the services that the community most wants. Tempe does a survey each year in which we ask residents what they want and how we're doing, so we don't provide these services in a vacuum. The Council is still interested in making investments in things that will provide efficiencies. If there's a group of Solid Waste drivers examining their routes to provide greater efficiencies, that's an investment too. Maybe they conclude their changes will mean eliminating a position. They know they're competing with private sector businesses that provide the same services, so it is important to them to remain effective. There are a lot of ways work groups can determine for themselves how to work more efficiently.

Q3: In the General Fund, a balance of 25 percent is meant to handle the unexpected. If nothing happened in a given year, what happens to that money?

A: We wanted to build up a fund balance of 30 percent in order to prepare for a cushion when the additional sales tax expires. Our bond ratings are helped by an adequate fund balance of 20-30 percent. When we were at 19.6 percent, the ratings agencies were not happy. Using a one-time surplus is not good policy; we should use recurring revenue instead. If we wanted to use a surplus for a one-time bonus to employees, that would be something that is more appropriate.

Q4: Have you figured in pension reform changes within personnel costs?

A: Yes. The Public Safety Retirement System (PSRS) board did a study about how they expect to grow so we use their projections, along with those of the Arizona State Retirement System (ASRS) board. The two pension boards were forced to make changes by the Arizona Legislature; two lawsuits are pending on those issues.

Q5: What about instituting a policy that personnel costs should always be something like 78 percent of revenues?

A: When revenues go down but you keep the same personnel costs, you dip into the city's fund balance. Personnel costs should be a percentage of General Fund spending.

Q6: How will the determination be made about where positions will be eliminated from in the out years of this financial forecast?

A: In one of the out years, the charts you're seeing project the possible elimination through attrition of 10 positions. Ten is not a large number. If through implementing greater efficiencies you keep 10 positions unfilled, then we're doing it right. None of us want to repeat the choices we had to make between 2008 and 2010. The process wasn't perfect because some areas were hit too hard and some not hard enough. Our employee count used to be 1,800; it's about 1,550 now. Creating constant efficiencies buffers us from economic fluctuations.

Q7: What percentage of our revenue comes from state-shared revenue and how is it calculated.

A: It is calculated based on population and is currently 25 percent of the General Fund budget. Current state policies will always drive this. If the population of Arizona grows but Tempe stays stable, our proportionate share goes down.

Q8: This financial forecast model will be updated annually – at what point do we project so far out that it's not meaningful?

A: Things that we know will happen, like the expiration of the additional sales tax, are absolutely figured in. We are looking out more than five years in the General Fund and 15-20 in the CIP. These models simply provide context for the decision you'll make next year.

Q9: What about the possibility of extending the additional sales tax?

A: The City Council has expressed no interest in doing that. We are working with the assumption that the additional tax will expire. There's a trust relationship with this community. People trust us in Tempe. If you tell people it's going to be temporary, we can't change that proposition because it's inconvenient. When we need to ask voters about bond questions, they keep these upheld promises in mind.

Q10: How many vacant positions do we have?

A: There are about 60 in the General Fund and 90 citywide. It is always typical to have some vacant positions. We have about 7 percent turnover right now.

Q11: Is a retirement incentive/package being contemplated?

A: These tools work well when you have decided you want to eliminate a certain number of positions. When you're looking at reductions through efficiencies, it's not a good approach. If you start a cycle of doing this every five years, you get people holding off their retirements and expecting these to be offered.

Q12: What have been the impacts of the city reorganization of a few years ago as it relates to costs and service levels?

A: Three years ago, we eliminated some levels of management, among other changes. That made the span of control for a manager like Charlie more manageable and resulted in $2 million in savings. The effects on service levels have been mostly temporary. Changes to the way parks programming and parks maintenance were handled took some getting used to at the staff level, as did changes in Community Development. Our residents' opinions about code enforcement on the annual satisfaction survey have suffered.