



Minutes Ad Hoc Long Range Budget & Finance Planning Committee March 27, 2008

Minutes of the Ad Hoc Long Range Budget and Finance Planning Committee held on Thursday, March 27, 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:

Chris Anaradian, Dev Svcs Mgr
Neil Calfee, Deputy Comm Dev Mgr
Tom Duensing, Deputy Financial Svcs Mgr
Jerry Hart, Financial Svcs Mgr
Dave Heck, Deputy IT Mgr
Julie Hietter, TSA
Ted Hoffman, Deputy IT Mgr
Wydale Holmes, TLC
Ken Jones, Internal Audit
Jan Hort, City Clerk
Glenn Kephart, Pub Works Mgr
Jan Koehn, Neighborhood Enhance Adm
Carol Martsch, SEIU
Jayson Matthews, TCC
Gretchen Maynard, TCC
Jeff McHenry, TOA
Chris Messer, Principal Planner
Gene Obis, IT Mgr
Jon O'Connor, Deputy Human Res Mgr
Dawn Oliphant, TLC
Aaron Peterson, TLC
Nancy Ryan, Rio Salado Mgr
Cecilia Robles, Dep Financial Svcs Mgr
Chris Salomone, Comm Dev Mgr
Sue Taaffe, SEIU
Steve Wise, TCC

Citizens Present:

Mary Ann Miller, Tempe Chamber of Commerce
Lorraine Bergman, Citizen
Nicholas List, Student

Mayor Hallman called the meeting to order at 4:08 p.m.

Agenda Item 1 – Public Appearances

None.

Agenda Item 2 – Department Focus: Human Resources (follow-up) and Public Works (follow-up)

Glenn Kephart summarized that staffing levels for Public Works from 2001/02 to 2007/08 have been basically flat, down one. Since the last meeting, staff went to the Finance, Economy and Veterans Affairs Committee (FEVA) with the proposed revenue enhancements. FEVA recommended that the new Engineering fees be presented to the full Council for approval. Currently, they are included in the City Manager's budget pending Council approval. The total is \$481K. Staff may have been overly aggressive on the plat review, so that was reduced to \$150K, so total revenue enhancement was reduced to \$430K.

Jon O'Connor summarized that during the last budget cuts, staff proposed some possible changes to the tuition reimbursement benefit which comes out of the Human Resources budget. Based on the questions received, Gretchen Maynard from Tempe Learning Center (TLC) and her staff have done some research.

Gretchen Maynard distributed the TLC research and acknowledged Wydale Holmes, Dawn Oliphant and Aaron Peterson who conducted the research. The committee had asked for three areas of research:

- Would it benefit cost savings to attach tuition benefit similar to Mediflex (activation based on years of service)?
- Determine the number of employees who were involved in educational partnerships compared to pay range (instituted to meet needs of employees unable to pay upfront for tuition).
- Determine completion rates for employees utilizing tuition funds as independent students (percent of independent students gaining degrees, certifications, licenses, other)

She summarized that the tuition benefit structure in comparison to Mediflex benefits structure wouldn't really be a benefit because there is a very small percentage of employees in the 0-3 year category.

Mary Ann Miller clarified that she was assuming that this would be done on the same level where it would be ramped up every year, rather than doing it in three-year terms. With a certain level for 0-3 years, another level for 3-6 years, and more at 6-9 years, there would be a benefit.

Ms. Maynard agreed that they looked at the Mediflex model and took into consideration that employees can't actually get reimbursed until they have fulfilled their probationary period. For large users, such as public service users it is a year, and for everyone else it is six months.

Mr. O'Connor clarified that when this was brought up, one of the concerns was that people were coming into the City and within the first one, two or three years were utilizing the tuition reimbursement and then leaving the City.

Ms. Maynard summarized that the greatest percentage of users have been with the City between 4 and 9 years.

Mayor Hallman clarified that 17% of the program is within the first three years of service, or approximately \$100K. Should there be a minimum years of service before this kind of benefit is provided?

Mr. O'Connor responded that staff would look into that to see if there were savings.

Vice Mayor Hutson added that the first ad hoc committee talked about whether an employee left service within five years, should they repay the money. Was that ever implemented?

Ms. Maynard confirmed that it was implemented. They are recouping funds from those who leave the City.

Mr. O'Connor clarified that it specifies leaving the City within one year.

Mayor Hallman added that in looking at the 0-3 year category, if someone were in their second year of service and only stayed until year four, the City would have spent up to \$5K providing them with education that goes to the benefit of some other agency.

Councilmember Shekerjian asked about the independent student (#3) issue. She asked if there is a time cap in terms of how long or how many times a person can take classes and be reimbursed. Could someone be a perpetual student?

Ms. Maynard responded that they could.

Councilmember Shekerjian clarified that there's no cap in terms of what that benefit could ultimately be or a time commitment.

Ms. Maynard responded that there is not. With the cohorts, there is. That's what drives the tuition fund up because we do whatever we can to ensure those students are successful, and we make it very convenient to gain degrees. Therefore, we have very aggressive schedules from year to year. They are using more of the fund by being in a partnership than they are by being an independent student.

Councilmember Shekerjian added that only half of the 250 employees who utilize tuition reimbursement as independent students responded to the survey. We have no idea if they have been taking the class every semester for ten years, for example. She would like to know the numbers of how many have graduated, how many are continuing to take classes and how long they have taken them. It may not be problem, but we should have that data and collect data on a regular basis.

There was a question whether they have to be job-related courses.

Ms. Maynard responded that they do.

Mayor Hallman noted the chart on relationships of those getting degrees with pay range. Looking at those who use this benefit, is there some reason to think for those who are in a better position to afford it, we ought to wean the benefit back. The last time, we took out the PhD programs. He would be interested to hear from the employee representatives the extent to which it makes sense to look at the Master's Degree and the Bachelors Degree. In the Masters Degree, there are participants in the \$91,595 to \$117,249 range and we are supplying to them an extra \$5K each. Maybe there should be a weighted scale based on earnings so that we aren't subsidizing those who could otherwise afford it.

Carol Martsch responded that she wouldn't want to see any differentiation in that way, but rather remain as a set amount for everyone.

Mayor Hallman confirmed that there was no support for that idea to be added to the list.

Councilmember Shekerjian stated that while this may only look like a little bit, if it is relatively painless, she would prefer that. When we are bringing up \$10K here and \$20K, it is because we don't want to have to do anything that will affect everyone.

Ms. Maynard added that Tempe is the only city that has educational partnerships where the money is fronted. Other cities have educational partnerships, but they provide the location somewhere in the city to bring an institution on site, and each student is responsible for directly paying that institution for their tuition, books and fees. When they successfully pass each course, they can turn that in and get reimbursed. They are all independent students. Tempe is the only city that fronts the money. When you look at the Masters and Bachelors programs, they use the entire fund every year while they are in that program. However, the Associates Degree Program where students historically have a lower pay range, they are only using a maximum less than \$2K per year.

Councilmember Shekerjian suggested considering fronting money for the Associates Degree but not for the Bachelors and Masters. That would still afford the opportunity to get those degrees for everyone, but only do it in a different way with those groups that might not be able to afford it as easily.

Ken Jones added that at least one of the unions has tuition reimbursement in their current contract that expires in June 2009 and it isn't a reference to our current policy, but rather a dollar figure. Also, with the partnership programs, he didn't know if we would save any money whether we front it or not, because he didn't think we have a problem with people leaving and not repaying, unless we are borrowing from next year's money to pay this year's tuition.

Ms. Maynard clarified that isn't happening. The students know that because tuition is rising, most particularly at ASU, the funds may run out, and they have their option as a group to either scale back to take longer time to get the degree or they pay the difference.

Mayor Hallman added that in the last iteration of this committee, a lot of city comparisons were done of benefits because we are trying to remain competitive, but ultimately it will fall to the representatives of the employee groups to see how we are going to come up with the funds.

Agenda Item 3 – Community Development

Chris Salomone summarized that the Community Development Department is involved with partnering with the community, private sector and federal government. When the department separated from Development Services in 2005, the idea was to take this department that dealt primarily with partnering and negotiations with the private sector and separate it from the regulatory focus. The department is divided into the following divisions: Community Design and the City architect provide services to all other departments with design of public buildings, renderings of private development, and work with private developers. Economic Development is charged with marketing, advertising, and business retention. Housing oversees federal housing program of 1100 Section 8 units, as well as federal block grants. Neighborhood Enhancement handles residential code enforcement. Redevelopment oversees the City's redevelopment projects and does development agreement partnerships with all types of economic development physical projects throughout the City. Rio Salado oversees the operations at the Town Lake.

He continued that the total department budget is \$16M. A large part of that is federal money. Personnel services include 65 employees. Supplies and services includes the federal grants, rental assistance claimants to those 1082 rental units, and includes some of the Block grant and HOME grants, etc. Contracted services are expenses they are obligated to pay out either through development agreements or contracts. Internal services include things that are done with the federal money. The general fund part of the Community Development budget is \$2,698,772. Of that, there are a number of internal contracts and services. Those are contracted obligations that the City has accumulated over the years. Those include payments to the Town of Guadalupe for the impact of Arizona Mills project, payments to DTC for the parking that they operate in the downtown, payments to GPEC and Maricopa County Animal Control, and some agreements for parking in the Brickyard, etc. Given the fact that of the total \$16M, \$2.6M is general fund, their target reduction is \$504K.

Mr. Hart clarified that under DTC it is not the parking, but the assessment for the Enhanced Services District. What is budgeted as part of that assessment is not only the City's actual portion of the assessment, but Maricopa County collects from the private property owners and provides to the City and we send the entire amount.

Mayor Hallman clarified that it is budgeted in its entirety within Community Development. As part of the governmental agency, what part of that DTC assessment does the City pay?

Mr. Salomone responded that it is about \$150K, which would be more than 25%.

Mayor Hallman asked staff to provide the exact number for the part of the DTC assessment that the City supplies through the assessments.

Mayor Hallman asked for the other contracts.

Mr. Salomone responded that one of the contracts was with the Town of Guadalupe.

Mayor Hallman clarified that was the deal cut on the Arizona Mills Mall for \$100K per year. He asked how much longer that obligation runs.

Mr. Hart responded that it is perennial.

Mr. Salomone added that another contact is with Greater Phoenix Economic Council (GPEC) for \$64,600 through the Economic Development office.

Mayor Hallman clarified that is an annual contract.

Mr. Salomone added that the DTC assessments are \$513,500.

Mayor Hallman clarified that \$150K of that is for the City of Tempe, or approximately 30%.

Mr. Salomone added that the contract with Maricopa County Animal Control for stray dogs is for \$164,200. He added that there is \$200K for the downtown parking programs.

Mayor Hallman asked if that includes the one with Chase.

Neil Calfee responded that half of it will be transit fund.

Mayor Hallman asked if that \$200K includes a transit fund transfer.

Mr. Calfee responded that it is separate.

Mayor Hallman asked if this is the Brickyard, 6th and College, and US Airways.

Mr. Hart responded that the Brickyard is separate.

Mayor Hallman stated that he thought that we owned parking that went with our office space, plus we owned parking that we bought.

Mr. Calfee clarified that there is a monthly O&M as well as an HOA assessment charge.

Mayor Hallman clarified that we paid for the parking, but now we are paying fees associated with that parking.

Mr. Calfee responded that the fee is \$6K per month. The HOA fee is a separate charge of \$3K per month for our office space.

Mayor Hallman clarified that the HOA of \$3K per month is because we own the second floor office space.

Mr. Calfee added that the City has a license for the parking in the garage.

Mayor Hallman clarified that the O&M charge is not with respect to the second floor office space, but is for the parking we bought. He suggested putting the Brickyard parking out for auction for employees and charge fees from employees who want to park in the parking structure. What do the employee representatives think? If we charge \$50 per month for the parking spaces and we have 168 spaces, it would be about \$8K per month. We ought to at least be covering the cost of the parking we are supplying. Every other employee that has to

park on a dirt lot or amenity doesn't cost us money. If employees don't want to do that, we can swap out for those who do, and if that doesn't work, then we can at least sell them back to ASU for an amount of money that would allow us to build our own parking and pay for a parking garage.

Mr. Calfee clarified that no employees are currently parking on surface lots in the downtown.

Mayor Hallman asked what happened to all the employees who were parking at 5th and Ash?

Mr. Calfee responded that all of the parking has been consolidated to the Chase P2 garage and the Brickyard.

Mayor Hallman asked staff to follow up on how many parking spaces we are looking at.

Mr. Calfee added that Council has approved a contract to build a park-and-ride lot for employees on Apache Boulevard. The plan would be to transition all employees who are at least at Chase out to Apache.

Mayor Hallman added that it would be whichever employees ultimately choose to do that rather than pay the parking fee downtown. The park-and-ride lot on the south side of Apache at Price would be owned by the City. He asked if parking should be added to the list?

Councilmember Shekerjian asked when the park-and-ride lot for employees on Apache Boulevard would be completed.

Mr. Calfee responded that it will be ready for opening day of light rail in December of this year. At this point, the plan would be to transition employees out to that facility based on seniority.

Mayor Hallman clarified that it would be "reverse" seniority.

Councilmember Shekerjian asked how many spaces will be available.

Mr. Calfee responded that the lot will have about 400 spaces for employees. There is a 700-space in front of that and the City's lot behind it. The structure itself is currently on hold.

Mayor Hallman added that the reality is, just to get the O&M back into budget, we have to get almost 7%. Then if we want to fund OPEB, we have to get another 8%. We need any ideas. If we don't come up with ways to get it handled, then he gets to turn it over to the City Manager and tell him to work it out. We will end up in a position where we do more drastic things that he is trying to avoid. He distributed an article featuring City of Phoenix budget cuts of \$67.2M.

Councilmember Shekerjian added that any cuts will be contentious.

Mayor Hallman added that the departments have been asked to supply data and what cost savings could be, and from that a long list will be made to see what makes the cuts. We are spending \$10K just to park in one parking garage, and in almost any other employment context, employees pay for a nice structured space. ASU charges its staff for parking. Everyone in downtown Phoenix pays for parking.

Councilmember Shekerjian asked to see, for example, what ASU charges.

Mayor Hallman asked that it be added to the list. Let's see what US Airways is doing and what ASU is charging for employees at the Brickyard and for students at the Brickyard for the Engineering College. When the Brickyard was coming on line, the thought was that before employees get into this parking garage and decide it's an entitlement, let's put this out on the market and lease those spaces out. We came back with the numbers based on what was going on in the downtown and \$50 per month was the minimum. At that time, no one said we were going to pay \$9K a month just to keep them. The \$50 would only cover the cost.

Mr. Calfee added that he mentioned one time at a meeting with ASU and the HOA of Orchid House and Colliers that we should just sell our second floor because it is outrageously expensive for us, and we have no money in reserve so when something breaks, we will get hit. He got a call from Colliers the next day encouraging us to sell that second floor and move those employees into the new building on 5th Street and the third floor of the Transit Center.

Mayor Hallman asked staff to pull the numbers on what it is costing to operate that second floor. Housing, the City Attorney's Office and Community Development are there.

Mr. Calfee responded that staff has been doing space planning now and it should be done within a few months, although after the budget is finished.

Mr. Salomone summarized the proposals for the 15% budget reduction.

- Business license fee, which involves other reasons besides revenue. Most cities have a business license fee and allow tax and license to track numbers of employees, expansions, tax revenues, creates a credible, statistical database, graduated for size of business. This is based on about \$175 per year which would generate \$420K per year.

Mayor Hallman asked for information on what the other surrounding cities are charging.

Mary Ann Miller asked for clarification with the graduation based on size of business, whether they are talking about number of employees or revenues.

Mr. Salomone responded that it is done both ways. It is commonly done by number of employees and on some businesses it is done by sales tax generation. Staff will provide a spreadsheet on both ways.

Mr. Hart added that this issue has come before the committee as part of the Financial Services presentation. It was not to that level, however. The difference needs to be identified.

Mayor Hallman asked why either of these two departments should get credit for raising a fee.

Mr. Salomone responded that it just came out of their Economic Development Division and it was presented in the previous committee. They have no ownership of it.

- As part of the development agreement with Marketplace to avoid eminent domain and sunset those existing billboards on McClintock, they were allowed to put four billboards on the 202 with a 14-year sunset date. They gave us some public service

announcement time on the digital billboards. They are willing to take that back and pay the City \$12K per year for that space.

- Neighborhood Enhancement fee increases of \$50 to all three categories of code enforcement and those increases are coming into effect. Code enforcement is handling a record number of complaints now.
- The general fund portion is primarily personnel so they are sweeping accounts related to personnel in the amount of \$76K. That is taking \$50K of marketing money out of the Economic Development, plus across-the-board reductions in training, employee travel, and meetings. The largest one is a \$50K cut in the marketing division of Economic Development.

Mayor Hallman noted that #6010 Salaries are only the general fund salaries, so for those programs that carry their own overhead (for example, HUD), the entire staff gets paid for out of those grants.

Mr. Salomone responded that those programs come with an administration budget, typically 20%.

Mayor Hallman asked whether we should be charging those separate silos for the administrative overhead of those budgets. Is that generating an internal revenue source?

Mr. Salomone responded that it does. Internal Service shows about \$400K out of that going to others.

Mayor Hallman clarified that typically, this line item shows what is going to other divisions that are providing services to the group, such as the ITD charges. Community Development's is a net internal service charge of \$737K and that is an expense. That is the amount other departments are charging Community Development. We charge Water/Wastewater the internal service charges, plus the fees that we think should be coming out of that. We have these kinds of silos within Community Development that ought to be paying an overhead cost for Mr. Salomone's salary, for example. Do those silos get charged for their appropriate share of general City overhead?

Mr. Salomone responded that it could probably be done, but they don't. They do charge other staff from other departments. The more money they leave in there, the more projects there are in social services. The practice nationwide is to reduce the amount of administrative burden on those. Staff will look at that.

Mayor Hallman added that at the moment, the entire City is paying for Mr. Salomone's salary and there is a series of services that he is administering that are not paying for the cost of doing that. Is there a thumbnail way to take a look what those funds are currently being charged, non-general fund activities, and whether or not there are places that we should be increasing the charges that go to them to reimburse the general fund?

Mr. Salomone responded that staff will look at that and come back with the information.

Mr. Hart added that currently, Mr. Salomone's salary is not being charged to the federal grant program. At least half of Mr. Calfee's salary is. Even beyond that, with the Water Fund, for example, we allocate a portion of the Mayor's, City Manager's, Financial Services, Human Resources, as an indirect cost. We currently don't charge the federal grant funds for those charges for the reasons that Mr. Salomone outlined. We do not hit those federal grants with these overhead costs with the thought to maximize the dollars that are out in the community. That is a policy decision for the Council. Also, in the federal program isn't there some limitation in terms of the amount of administrative overhead?

Mr. Salomone responded that it is 20%, for example, on Section 8, and a different percent on CDBG, etc.

Mr. Hart added that the next question would be how close we are to that percent.

Mr. Calfee responded that we are there. We actually charge against programs for salaries and we are carrying beyond the limits of administrative allowed. The Housing group carries other salaries with the programs.

Mayor Hallman added, keeping in mind that about 80% of the City's operations are salaries, if we are distributing 70% for something other than the salaries to deliver services, which is all we do, that's not necessarily doing a bad job. It is important to make sure we are maximizing the opportunity and that those funds are paying their full fair share of what it costs to run the City to make those programs available at all.

Mr. Salomone stated that he would return to talk about cross-departmental services.

Mayor Hallman stated that Mr. Salomone has taken that entire part of the budget off the table in terms of examination of it, and we could go back and ask whether that set of programs is being run as efficiently as it could so that any make-up here is not coming out of programs but it is whatever efficiencies they can get into those programs. He would like staff to take all of those off, because we are trying to limit our review at general fund levels. If he's hearing there is an amount of money available over here to pay for administrative costs and that we are absorbing all of that, then it does have an impact here because if we didn't absorb all of that, it could make those programs more efficient. There would be some available resource to pay for the true cost of running those programs because you actually do get paid a salary.

Mr. Salomone added that he didn't want to create an expectation that there is any efficiency there that we haven't already tried through the last budget cycle. We would be overburdening those federal funds with non-federal activity and we can't do that.

Mayor Hallman summarized that other than the fees proposed, about \$120K has been identified.

Councilmember Shekerjian asked about bilingual pay.

Mr. Salomone responded that it is a statutory pay paid to employees who are required to speak a foreign language. It is a City policy.

Councilmember Shekerjian noted that on the 2006/07 actuals, #6656 Consultants was budgeted no money, but there were \$194K of fees. What is that?

Mr. Salomone responded that it is the project for public spaces that was brought to Council mid-year.

Mr. Hart added that the budget reflects adopted budget and he was pretty certain that was funded with a contingency transfer.

Mayor Hallman noted that there was some discussion about some of the deals being put together for charging back to developers and others the cost for legal services. He suspected that's where some of the contracted services are.

Mr. Salomone confirmed that.

Mayor Hallman added that it actually is consistent with the continuing activity in Development Services and Engineering. Are we still ahead of last year?

Chris Anaradian responded that it is even with last year.

Ken Jones noted that the actuals for wages are quite a bit below the budget. He suggested that after spending \$115K in 2006/07, and budgeting \$176K, it doesn't make a lot of sense to cut the Economic Development budget.

Mayor Hallman asked what is included in that line item.

Mr. Salomone responded that it is for part time employees. He has a supplemental in to make three of those positions permanent.

Mayor Hallman clarified that it would go from 10 part-timers to 3 full-time.

Mr. Salomone added that it would be one tech and two permanent code enforcers.

Mayor Hallman clarified that the line item will disappear and the salaries will go up by 3 positions because there is a supplemental coming forward to make that permanent.

Mayor Hallman asked for an explanation for #6854 Car Wash.

Mr. Salomone responded that it is an internal adjustment to Public Works. Code enforcement and housing inspector cars are taken to Public Works for washing.

Lorraine Bergman asked for an explanation of technology costs.

Mr. Salomone responded that is for cross-departmental services from IT to service their computers, etc.

Mr. Hart added that it is basically all the IT support which is in all departmental budgets.

Mr. Jones added that Internal Audit did look at the vehicle usage recently and found that there was a lot of under-utilization in some departments. There were several departments that had cars driven less than 3,000 miles per year and this is one of those departments.

Mayor Hallman suggested that it would be better to do a mileage reimbursement.

Mr. Jones added that the Internal Audit recommendation to Fleet was to examine that more closely and get back to the department and suggest that there was room to consolidate their fleet. The problem is that it doesn't save a lot of money because when we dispose of the cars, we don't get nearly what they are worth, and we buy new cars for other departments. It would be difficult to remove that from this budget but it has been looked at.

Councilmember Shekerjian asked if any analysis is done on what kind of value addition we get from certain memberships.

Mr. Jones responded that departments do that on an individual basis. The City Manager discusses this with department heads and asks what value comes from the memberships.

Councilmember Shekerjian clarified that there is no system-wide way that we look at memberships on a regular basis to determine the value.

Mr. Jones clarified that it is done on a department-by-department basis.

Mayor Hallman asked what we are getting for GPEC at \$63K per year. We get lots of reports, but we have to ask the question whether we would have gotten them without the membership.

Councilmember Shekerjian added that there is a bias even when they are named "Greater Phoenix" that there is a heavier emphasis on what Phoenix ends up getting out of that. Maybe we should look at what we got for that money.

Mr. Salomone stated that staff will look at that.

Mayor Hallman asked him to look beyond the usual and determine whether it makes a difference.

Mr. Salomone added that he thought we should participate in regional economic development. He thinks it is good communication.

Councilmember Shekerjian added that she knew the amount of staff ability in terms of being able to recruit and get people to come here is great.

Mr. Salomone added that he thought that most of the job generation is done by local staff working very hard.

Councilmember Shekerjian stated that she would like to see specifically what GPEC has been able to provide that our staff has not been involved with.

Vice Mayor Hutson suggested that Mr. Salomone give Councilmember Shekerjian the same briefing on GPEC that he gave to him.

Mayor Hallman asked if anyone has done an assessment of the effectiveness of having the split from Development Services four years ago and whether they should be merged back together. Is there a reason to do that?

Mr. Salomone responded that staff could look at it. The departments are working exceptionally well together.

Mayor Hallman added that given the number of people involved, the likely answer is that you would still end up with a Deputy and the best you would do is save \$10K in salary for a manager vs. a deputy. It might be worth it to get that site out on the street for an RFP, build back in appropriate staff space with parking, and sell that second story office back into the market.

Agenda Item 4 – Development Services

Chris Anaradian summarized that Development Services listens to its customers, helps them succeed while protecting public health and safety, provides advice and gives direction as projects navigate the challenges and opportunities of development, and ensures that Tempe is a beautiful and economically sustainable community. There are two divisions: Planning and Building Safety, and each division has a deputy position that reports directly to him. He has two direct reports. Within Planning, there is a Code Enforcement, related administrative support, and some cross-over positions that work day-to-day in Building Safety. Building Safety is comprised of Plan Review, Front Counter, and Building Inspection. The front counter deals with Planning and Plan Review daily and is the face of the department. The building inspectors don't work much in Planning, but they are related to what comes out of the building process. Commercial Code Enforcement is a subsidiary of Planning Division.

He continued that Development Services is a regulatory agency which lives by governing documents. There are several ways to measure their success:

- Measure success primarily by customer service. They focus on self improvement. Because of the investment they have made, they have seen very positive reviews.
- Another measure of success is tax revenues collected. He tells his department to continue to focus on their mission statement, do the things customers need, and the results will be there. \$4M was collected in 2004/05, it went to \$5M, then to \$8M and \$8M has been maintained. It increased 50% year-to-year in 2006/07 on contracting collected.
- At the end of their process, they can track planning entitlements and permitted valuation. Permitted valuation tells the story of what happened in Plan Review. It has tracked high. Three years ago when he came on board, he made a request to add some positions where he thought there was understaffing. That same year, they talked about requesting a contracted services amount that would let them deal with this workload. They believed that they had a great market, but that it was slowed down, and the next year it didn't. They used that same \$250K supplemental request the next year to deal with about the same workload.
- There is a perception that the department is cost recovery and that it makes money by issuing permits at the counter and that's how they pay for the department. It is, instead, a 100% general fund department that is organized in a way that does not make as much money as it costs. Their target for revenue is \$4M, but actual expenses are about \$6M.

The way they make money is people building buildings. The revenue they create comes from the work they do indirectly, not directly.

- The actual revenue brought in is based on the work that the Planning Division and Building Division do. Looking at the last two years, we still didn't pay for ourselves, but we did beat our revenue goals. Projection for the end of the year shows another year of excess revenue. The years ahead show a downturn in the area of revenue collections. We do see a return to a large amount of investment and construction three and four years out. We are very careful not to recommend cuts that will not enable us to quickly and flexibly deal with a rise.

Mayor Hallman clarified that when Mr. Anaradian says they didn't pay for themselves, he only refers to the direct charged revenues specifically paid to DSD as opposed to the resulting revenues from the work that is done.

Mr. Anaradian outlined with several measures of department health and feedback methods to show how the department is stressed.

- Inspections per inspector per day: 62.6 vs. 33.0 (standard)
- Premium Time Paid: \$28,350 (2007/08 to date)
- Plans Sent Out: \$187,000 (2007/08 to date)
- Turn-Around Times: 95% vs. 99%
- Errors at Counter: 36 (1Q 2008) should be closer to 20
- Accuracy at Counter: 93% vs. 98% (1Q 2008)

He summarized proposals for reductions to reach the target of \$879,020:

- Assume no range adjustments – savings of \$127,200 (2.2%)
- Every year fees go up by a cost index, and this year that is 3.4% - Building Safety Fees, savings of \$23,726 (2.6%) and Planning Fees, savings of \$131,626 (4.8%)
- Cut unfilled Management Assistant Position, savings of \$94,492 (6.4%)
- Cut travel, but not training, savings of \$15,000 (6.7%)
- Cut summer meeting and holiday events, savings of \$5,000 (6.8%)
- General line item reductions, savings of \$18,000 (7.1%)
- One time 5% fee increase – “Keeping Tempe at 60% of Valley Median Fees” – Fees were raised 10% in 2006/07. Since then, all other cities have gone up. Building fees, 5%, savings of \$193,568 (10.4%), Planning Fees, 5%, savings of \$34,891 (11%)
- Reduction of contracted services – contract hearing officer. Savings of \$35,000 (11.6%) (but not recommended). In some cases, we have external customers who are willing to pay for their own outside plan review costs.
- IGA with City of Mesa to reduce amount of contract plan review services by 90%, savings of \$48,600 (12.4%) with sharing of work depending upon the load; do not renew temporary plans examiner position, savings of \$80,608 (13.8%); reduce premium pay, savings (est.) of \$25,000 (14.2%); do not renew temporary building inspector position, savings of \$63,994 (15.3).
- Total of approximately \$500,000.

Mayor Hallman asked how long it would take to pull the numbers from the other cities.

Mr. Anaradian responded he could have the information within three weeks.

Mayor directed staff to return to the April 24th meeting with the information.

Councilmember Shekerjian asked if the department took a hit in the last budget reduction.

Mr. Anaradian responded that it was a significant hit in 2002 to 2004. In 2005, they got 11 positions, 10 of which have been hired, and he is suggesting cutting one.

Mayor Hallman added that the department is cost recovery on all of the contracts. We talked about projects that pay for their contracted services because they want to have expedited processing. He asked staff to provide that information.

Mr. Anaradian responded that there are very few, and it is usually because they are time sensitive.

Mayor Hallman stated that we have used the contracted services as a means to smooth out the responses for heavy time periods.

Mr. Anaradian stated that he will return with that information.

Mayor Hallman added that the long term implications of that are more difficult, and that is why Mr. Anaradian is asking us not to cut now. We have backfilled a huge amount of contracted services over the last two years and kept from hiring past the peak, and now that Mesa has excess capacity, that is a very good way to fill in some of those needs in a way that avoids having Mesa get rid of a huge chunk of trained individuals who they will need to be hired back in the future. He would like to look at whether we are charging effectively and fully what we should charge. What would it cost for cost recovery? The results of the work the department does generates construction sales tax, but the piece that has been getting us through the hard times is the total taxable sales number that is fully half of our budget. That is breaking even and the results of this department's and Community Development's work has gotten us offices with leases on them and those leases generate sales tax. It is because we have changed the way DSD works that causes developers and businesses to desire to be here. That is largely based on their performance and what has been done in that department to become the most effective development services department in the Valley and the western U.S. That's the kind of praise he is hearing from construction companies and businesses. He asked Mr. Hart to get a list that breaks out the non-retail taxable sales number so we can see how the economic performance is being generated. Our sales tax report goes into detail about the retail taxable sales portion, but we don't have that kind of detail about the total taxable sales.

Mayor Hallman asked about #6011 Wages.

Mr. Anaradian responded that there are two part-time plan reviewers and two part-time building inspectors.

Mayor Hallman asked about software specifically allocated to the department as opposed to coming through IT and whether that is specialty software.

Mr. Anaradian responded that they are experimenting with software that is not yet in place across the department. They are looking at plan review software that creates new efficiencies.

Mayor Hallman assumed that the duplicating charge is because the department is a big chunk of the Council packets. The City Clerk has proposed that we reduce the number of packets, and he asked the Clerk to coordinate with Mr. Anaradian on the number to reduce. What is #6906 Equipment & Machinery Rental?

Mr. Anaradian responded that they have several reproduction machines and a microfilm machine.

Mayor Hallman asked about #8307 Telephone Costs and #6701 Cell Phone Charges. Are these direct cell phones for the department?

Mr. Anaradian responded that telephone costs come through interactivity, but cell phones are direct. Every building inspector and every code enforcement officer has a cell phone.

Mayor Hallman asked him to return with information on fee increases, and perhaps that will drive the examination of whether we need to get closer to cost recovery.

Agenda Item 5 – Information Technology

Gene Obis introduced Dave Heck, Deputy Manager for Technical Services, and Ted Hoffman, Deputy Manager for Application Services. He summarized that IT is an internal service department and its customers are City employees. There is no operational contact with the public. They manage an inventory of hardware and software as well as the communications infrastructure which is valued at approximately \$24M. Over the last few years, they have made concerted efforts to maintain high levels of customer satisfaction while keeping their total cost of ownership (TCO) down. Their TCO is lower than any other organization in the government sector, especially in Arizona. Feedback from customers is that they are doing a good job. Workload has been steadily increasing as new or replacement technology comes on line. Some of the major projects this year and next year are:

- Police Computer Aided Dispatch (CAD)
- Police Records Management System (RMS)
- Replacement program for Kid Zone
- Geographical Information Systems (GIS)
- PeopleSoft Learning Management System
- Integrated Criminal Justice System (ICJS)
- Public Safety Interoperable Radio System
- Replacement of Police Mobile Data System
- Expanding Data Storage and Retrieval CIP
- Replacement of Police Laptop and Vehicle Mount Equipment
- Microsoft Office 2007 Upgrade
- Desktop and Laptop Refresh Program
- Network and Server Infrastructure Upgrade

Challenges are:

- Managing change and keeping staff trained at levels which mirrors our advancements in technology.
- Managing bandwidth and storage requirements.

- Supporting the mobile workforce and increasing data needs.
- Employee retention.
- Training.

Mr. Obis identified cost reduction opportunities:

- Elimination of some service and maintenance contracts - \$4,715
- Increase in PC refresh program from three years to four years - \$200,000
- Elimination of the Radio Refresh program for 3 years - \$332,000
- Starting in 2009, we will be receiving \$250K per year from HGI for telecom fees. IT has been negotiating and administering this contract.
- Total is \$786,000 and the balance would have to come from personnel.

Mayor Hallman added that the advantage this department has is that the costs get borne back out to other departments. In terms of the department, are there places where we ought to be examining where certain funds are not paying their full share?

Mr. Obis responded that they have been hitting Water every chance they can.

Mayor Hallman asked about charging Transit fully.

Mr. Obis responded that they are.

Mr. Hart reminded the group that once again that the Internal Services section of the budget includes technology costs and every fund bears their fair share of the costs of the IT support.

Mr. Obis added that they are also constantly looking at functions to see whether to outsource them.

Mayor Hallman asked about the Integrated Criminal Justice System and what kind of cost that is to the department.

Mr. Obis responded that they are currently negotiating with the Court and contacts at the State to have the hardware maintained down at the AOC. The City would buy the hardware and they would like the City to maintain it. We don't have the capacity, however. Once the system is fully up, they would like the City to provide the technical support, specifically programmers who make modifications to the codes that lead to legislative requirements or any operational changes.

Mayor Hallman added that in looking at the Court system and the fees we ought to be considering, one would be a technology fee, not a fine, but a fee that could be levied with alleged violations of the law. What do you think the cost is to the City of putting that in?

Mr. Obis responded that he would return with that information.

Mayor Hallman suggested looking at places where technology is being deployed where we have some opportunity to recover O&M costs associated with it. In the Court system, we have the potential to apply fees vs. fines. He agreed with slowing down the refresh on the computers. He further asked about the elimination of the Radio Refresh Program for three years.

Dave Heck responded that this upgrade is being done currently, and as part of that, they have a CIP, and built into that CIP is the replacement of all of the subscriber units. By doing that, they will be current at the end of this calendar year, so they don't need to replace anything for at least three years.

Mayor Hallman summarized that the 15% target would be \$1.8M and staff has come up with about \$800K.

Ms. Miller clarified that on the budget, #6913 Radio Refresh shows \$532K as opposed to a savings of \$332K.

Mr. Heck responded that with the new system, they will have a maintenance fee. In 2008/09, it is \$332K.

Ms. Miller asked about #6423 Emergency Preparedness. The last two years it was budgeted at \$228K, but it had actually used less than \$100K.

Mr. Heck responded that it took about a year to get a contract, plus they are in the process of meeting with all departments for planning. They anticipate they will spend all of that this year now that they have the contract.

There was a question about #7406 Computer Training and whether that was also a similar situation.

Mr. Hoffman explained that it fluctuates with the number of students.

Councilmember Shekerjian noted that on the flowchart, there are quite a few on the technical services side under Mr. Heck that specify "vacant." In looking at the budget where salaries and wages are listed, does that include filling those positions?

Mr. Heck responded that actually three of those positions were just approved by Council.

Mr. Hart added that what the 2007/08 budget wouldn't reflect is the three positions added as part of the Police Department reorganization.

Mr. Heck added that three of those positions would be in the 2008/09.

Councilmember Shekerjian clarified that this assumes that these positions that are vacant will be filled.

Mr. Obis agreed.

Councilmember Shekerjian clarified that it is assuming all will be filled at a particular salary.

Mr. Obis responded that at this point, it does.

Ken Jones noted that on the cell phone charges of \$42,500 last year, it would be \$50 per month for every person in the department. He assumes that at least half of the people are working at a

desk and don't need a cell phone. Is everyone paying \$50 a month, or are we paying \$100 for half of the people, or do we have a policy?

Mr. Hoffman added that there are a lot of Blackberries, as well.

Mr. Jones asked how many in the department have cell phones.

Mr. Hoffman responded that the majority have cell phones.

Mr. Jones asked how many are sitting at their desk and could use the telephone and computer.

Mr. Hoffman explained that they are also on call off-site. That's why the Blackberries come in handy.

Councilmember Shekerjian added that it would be good information to have next time in terms of how many are out in the field and how many are not but still have cell phones.

Mr. Hoffman added that if they sit at a desk at work it's one thing, but if someone needs to reach someone after hours, they will call them. That's why they have cell phones.

Mr. Jones added there is no citywide cell phone policy. Department managers decide who should have a cell phone. If someone needs a cell phone because they are on call and they receive only one call per month, the City shouldn't buy them a Blackberry to use 24 hours per day.

Councilmember Shekerjian suggested looking at the important parameters regarding cell phones.

Mr. Hoffman added that IT views it as providing tools to do jobs and whether there is a need.

Mayor Hallman suggested determining where such a policy should be developed within the City.

Mr. Jones added that the City Manager has an idea to develop a new set of policies called "Administrative Policies" so there would be Personnel Rules and Regulations, City Charter, etc., and the Administrative Policies would be where the City Manager designates what should be done.

Ms. Bergman asked how this IT department, as far as ratio for employee to staff, measures with other municipalities.

Mr. Obis responded that the relationship of IT employees per City employees is a bit lower and that is why their TCO is lower. They lost 13% of staff during the last budget cut and they haven't recovered since then.

Mr. Jones asked how they factor contracted services into that measurement of number of employees per employee because during that same time period, contracted services increased 100%.

Mr. Obis responded that the number of employees is just one component of the total measurement.

Mr. Heck added that there is a number out there for that. They are actually at the low end of IT employees per employee.

Mayor Hallman asked if #6702 Telecommunication Services is phone service coming through IT and then billed back out.

Mr. Hart responded that it is through the indirect costs.

Mr. Jones added that in looking at the workload staffing chart, the desktops are around 1700, but telephone numbers keep going up. How are there more phones than employees?

Mr. Heck responded that their administrative and operating costs are not set. Also, we provide a lot of different services, such as faxes, etc.

Mayor Hallman asked staff to look at this.

Mr. Obis added that years ago, IT paid everyone's cell phone bill. Departments were giving cell phones to everyone. Then IT turned that around, and it was amazing how the number of cell phones went down.

Mayor Hallman asked if Blackberries are being handled that way.

Mr. Obis responded that they are.

Mayor Hallman asked about PC's and laptops.

Mr. Heck responded that PC's are charged back.

Mayor Hallman suggested looking at that. There seem to be some control points we need to get a handle on. Is someone doing a cost benefit analysis on the kinds of printers being ordered, including color printers, for example?

Councilmember Shekerjian asked if there is a benefit to refilling cartridges.

Mr. Obis responded that they have found that in some instances, refilling will nullify the warranty on that product.

Councilmember Shekerjian added that when she came on as a new councilmember, she told her assistant that she didn't need a fax machine at home. She intended to use her lap top so her PC could go back into the inventory. As we get new council members, we need to give them a better idea of how they will use this equipment.

Mayor Hallman added that this should be part of the policy we should be addressing.

Mr. Hoffman added that IT doesn't buy the printers, but just maintains them. If a department wants a printer, they have to budget for it.

Ms. Miller added if IT doesn't buy the printers, then they have no control over what is bought so there is no consistency.

Mr. Hoffman clarified that they do have the control. They just don't fund them.

Agenda Item 6 – Review of Proposed Solutions List

Mayor Hallman asked members to review the list and discuss at the next meeting.

Mr. Hart noted that he had asked that #6 and #7 be added because staff has provided that information, but as a committee, we have not had a chance to go through it.

Agenda Item 7– Review of General Fund Budget Growth Analysis Reports

Included with Items 3, 4, and 5.

Agenda Item 8 – Discussion and Recommendations

Included with previous items.

Agenda Item 9– Set preliminary agenda for next meeting

- April 24th – Community Relations, Diversity, and Parks & Recreation **OR** Community Services; follow-up from Development Services Department, Community Development, and ITD
- May 8th – TCC and Parks & Recreation **OR** Community Services
- May 29th – go through all the recommendations.

Meeting adjourned at 6:45 p.m.

Prepared by: Connie Krosschell
Reviewed by: Jerry Hart

Jan Hort
City Clerk