



Minutes City Council's Finance, Economy & Veterans' Affairs Committee January 30, 2007

Minutes of the City Council's Finance, Economy & Veterans' Affairs Committee held on Tuesday, January 30, 2007, 1:00 p.m., in the City Manager's Conference Room, Tempe City Hall, 31 E. 5th Street, Tempe, Arizona.

Committee Members Present:

Vice Mayor Hut Hutson, Chair
Councilmember Mark Mitchell

City Staff Present:

Chris Anaradian, Development Svcs Mgr
Kathy Berzins, Special Events Spvr
Mark Day, Budget & Finance Analyst
Travis Dray, Dep Mgr Recreation
Tom Duensing, Deputy Financial Svcs Mgr
Kathy Gasperich, Council Aide
Roger Hallsted, Rio Salado Fin Analyst
Jerry Hart, Financial Svcs Mgr
Shelley Hearn, Comm Relations Mgr
Tom Mikesell, Lead Budget & Finance Analyst
Jon O'Connor, Dep Human Resources Mgr
Mark Richwine, Parks and Rec Mgr
Cecilia Robles, Dep Fin Svcs Mgr
Chris Salomone, Comm Dev Mgr

Guests Present:

None.

Vice Mayor Hutson called the meeting to order at 1:00 p.m.

Agenda Item 1 – Public Appearances

None.

Agenda Item 2 –Town Lake Park Special Event Fees 0701-01

Travis Dray summarized that on April 6, 2006, the Committee of the Whole directed staff to conduct a nationwide search of best-practice approaches to special event management to development recommendations for policies regarding Tempe Beach Park. The information was

presented at IRS on December 14th. Staff was then directed to develop fee recommendations based on:

- profit/non-profit status of applicant
- community value
- gated events
- alcohol

An ad hoc committee of community members from the Parks and Recreation Advisory Board, Rio Salado Advisory Commission, TCVB, DTC and city staff was formed. The committee found that many of the non-profits (both Tempe and non-Tempe) do serve our community and that our fee structure was extremely low.

Staff recommended two fee structures:

- Commercial - those organizations, agencies and/or entities which focus on profit as an end goal
- Non-commercial - those organizations not connected with or engaged in commercial enterprise with profit as an end goal

Mr. Dray outlined the proposed and current fee structure for parks within the Tempe Town Lake area. He noted that the fees do not include city services such as police, fire, traffic, park maintenance and public works.

There was discussion regarding the effect on City-sponsored events, Sponsorship Review Committee and budget, risk management review insurance requirements for events.

Vice Mayor Hutson felt the fees were still too low, but suggested that since this creates a baseline, staff should review this fee structure after two years. If not enough data is available at that time, staff should ask for an extension.

Mark Richwine added that staff plans to present this to full Council on February 15th and staff could include that review in their recommendations.

DIRECTION: Staff was directed to move forward to full Council on February 15th, adding a recommendation for review of the fees after two years.

Agenda Item 3 – Long Range Forecast Update 0208

Jerry Hart presented the updated five-year revenue/expenditure forecast of the City's major operating funds for FY 2006/07 through 2010/11. Staff is seeking the Committee's direction to present the forecast to Council at IRS on February 1st. The forecast includes the following assumptions:

- Includes full funding of Retiree Health Care (OPEB) beginning FY 2007/08.
- No changes in the current Retiree Health Care benefit.
- No significant additions of new programs or expansions of existing programs.
- No approval of operating budget supplemental requests or new capital improvement project operating budget impacts.
- No new revenue sources.

- No increases in existing user fees other than the previously approved water, sewer and solid waste rate increases to be implemented 11/1/07.
- Continued moderate economic growth.
- Continuation of existing programs
- Continuation of employee step increases
- Assumes no additional changes in state shared revenue allocation formulas.

Mr. Hart added that this forecast runs through FY 2010/11, but the next census will occur in 2010, so it will affect Tempe the next year in 2011/12. He summarized each fund:

General Fund

- Beginning in 2007/08 we are projecting a deficit every year, primarily because of the assumption of full funding of OPEB.
- Also includes the recently approved adjustments for the Police Officers.
- Increases in retirement system contributions.

Mr. Hart added that even without OPEB, there is a trend of expenditures growing faster than revenues and it will be important to contain costs. Also, this forecast does not assume any new programs. Last year Council approved additional resources to help with code enforcement and those were approved as a non-recurring supplemental. A supplemental has been submitted again for this budget cycle, but it is not included in this forecast. There are other programs as well that were funded as non-recurring supplementals such as funding for Care 7. This forecast does not include allocation of general fund money for pay-as-you-go financing into our capital projects. Pay-as-you-go financing has always been a vital component of our capital improvement budget.

Golf Fund

- Nothing has changed. Same concerns.
- About \$300K left in that fund. Maybe a year or a year-and-a-half left before that fund is depleted.

Mark Richwine added that staff has looked at this issue and some incremental increases in fees have been made over the years. The concession/restaurant business for the Rolling Hills Golf Course is under RFP and negotiations are occurring with the lone respondent. Phoenix has an RFP out to look at their entire golf operation. One of the options would be privatization of their operation. Rolling Hills has a limitation on public purpose, so the course can't be sold, but it could be put together as part of the package for possible consideration of a concession operation.

There was discussion regarding irrigation system improvements and status of clubhouse renovations.

Water/Wastewater Fund

- The fund also shows deficits. It reflects continued major expansion in all treatment facilities, as well as continuing reinvestment in the infrastructure.

- This does not reflect any future rate increases beyond November 2007, and staff informed Council two years ago that increases will be necessary in the foreseeable future to help fund the huge capital expansion.
- Fund balance will also be drawn down in an effort to smooth out the impact of the existing increased costs.
- With the high investment in the infrastructure, there is an increased debt service cost. The voters just approved \$210M bond election last May with \$172M of that for the Water/Wastewater system.

Solid Waste Fund

- A number of years ago, the Solid Waste Fund cash balance was driven down to about \$25K because there had been no rate increase in five years. Staff resolved not to allow that to happen again.
- Council approved a two-year rate increase last summer, effective last November, with the next one effective in November, 2007.
- Despite the fact that rate increases that will be necessary in the future, staff feels strongly that the rates will remain very competitive.

Mr. Hart explained the significant surplus is due, in part, to the replacement of the refuse trucks. Bonds are not issued for refuse trucks. Cash was not available so the service of the refuse trucks was extended longer than normal until the cash resources were available to begin replacement. That will now begin.

Performing Arts Fund

- Continues to do well. It has a \$15M fund balance and it was always the intention that any deficit in terms of revenue would be covered by fund balance. The tax expires in 2021 and at that time there will continue to be operating costs in the range of about \$3 or 4 million per year. At that point Council will need to decide what to do.

Transit Fund

- Fund remains very strong. Light rail project remains on budget.
- There will be some sizeable debt service numbers. As federal reimbursement for our share of the light rail constructions costs is received, the debt will be retired as soon as possible. Recently, Council directed staff to boost the neighborhood circulator program to add additional routes, and that would have some impact on the timing of the repayment of some of this debt. We have the flexibility to do that and that's why we issued variable rate transit bonds.

Transportation Fund

- It shows deficits in the out-years. The single base revenue source for this fund is the Highway User Revenue Tax which is part of the revenue that is allocated to the cities and towns. To the extent that our percentage of state shared population continues to decline, it will be important to watch how this might impact the Transportation Fund.
- As the population in Maricopa County continues to grow, staff anticipates our overall state shared revenues will also continue to grow and that will help mitigate the effect of our percentage decline in state population.

Rio Salado/Community Facilities District Funds

- To be consistent with the forecast process, the impact of the new developments has not yet been included.
- As these developments come on line, staff will start tracking the revenues generated in the forecast model, but for at least the next two to three years, it will be necessary to tap the Rio Salado operating reserve in the general fund to help cover operating costs.

Hut: I don't think it will happen till 2012.

Jerry: It may be necessary for Council, even in the upcoming budget discussions, to consider placing additional resources into the operating reserve to ensure that we have funding for the project to cover operating costs as the lake development continues. We are down to \$4-\$5M and it will draw down about \$2M per year.

Jerry: The money from the Rio West site (\$5M) was strictly to cover operating costs for Town Lake. Regarding the replacement of the dams, in the settlement of the Mondrian agreement, it specifies that the payment that would be coming back to the City over that 15 year period would be for dam replacements, so it is my intention that when we receive those payments from Gray Development, that I will take those monies and set them specifically aside for the rubber dam replacement. We will get that over 15 years. We are supposed to get about \$15M. About \$3.5M in a lump sum toward the end.

Hut: For clarification, all the stuff you mentioned in here, there's been quite a bit of discussion the two years I've been here, about beefing up the reserves. There's no money to do that.

Jerry: Our financial policies require 25% reserve in the general fund, and right now we have about \$41M unreserved, in addition to that we have \$8M in the rainy day reserve. That \$8M was the level set by Council several years ago. There was discussion during last year's budget discussion about whether to increase that....

Jerry: We have also not factored in new hires. This committee is working on drafting a retiree health care plan for new hires, but at this time since nothing has been adopted by Council, we have not tried to estimate what that impact would be.

DIRECTION: Proceed to IRS on February 1st.

Agenda Item 4 – Future Agenda Items

- Lake user fees
- Dock policy
- Water/Wastewater development fees
- Accident recovery fees
- Traffic fees
- Procurement review

Meeting adjourned at 2:00 p.m.

Prepared by: Connie Krosschell
Reviewed by: Jerry Hart



Connie Krosschell
Acting City Clerk