



Minutes City Council Issue Review Session October 16, 2008

Minutes of the Tempe City Council Issue Review Session held on Thursday, October 16, 2008, 6:00 p.m., in the City Council Chambers, Tempe City Hall, 31 E. Fifth Street, Tempe, Arizona.

COUNCIL PRESENT:

Mayor Hugh Hallman
Vice Mayor Shana Ellis
Councilmember P. Ben Arredondo
Councilmember Mark W. Mitchell
Councilmember Joel Navarro
Councilmember Onnie Shekerjian
Councilmember Corey D. Woods

Mayor Hallman called the meeting to order at 6:04 p.m.

Call to the Audience

Colleen Byron, Tempe, professor of Public Administration at ASU, re: Item #4. Research demonstrates that in taking a very large group of people and subdividing it into smaller groups and assigning those groups a series of tasks to perform, the groups will perform those tasks to the best of their ability. If, during the formation of the groups, a contrarian (a person who questions the assumptions and the possible solutions) is instigated into some of the groups, those groups will consistently perform higher and better than the groups without a contrarian. If the groups are given the opportunity to vote a person "off the island", they will invariably vote the person who is most responsible for the increases in productivity, efficiency and effectiveness. This is because we are more comfortable with persons who see things the same way we do, when the conclusions we draw are reinforced by others, and when we believe the people around us are more like us than different. The City of Tempe and all of the Valley municipalities face unprecedented challenges. It is necessary to have innovative problem-solving from every single employee to work through the complicated financial maze. The Diversity Department is both a symbolic and actual safe haven of innovation and of the contrarians who contribute so much to the innovation that has characterized Tempe so far. To diminish this department in any way would send a very strong signal to employees that it is time to vanish into the group of sameness, to stop questioning whether there are better possible solutions. It will also provide those who unconsciously want to be more comfortable with a way to unload those who don't quite line up with their point of view. It is the uncomfortable people who bring out the very best in all of us. Vote for efficiency, for effectiveness, and for the contrarians who will provide the magic that will help us navigate through the troubled financial waters ahead.

Rich Woerth, residing in Scottsdale, President of the Firefighters Union in Tempe, re: Item #4. He spoke on

behalf of the Tempe Firefighters and also the Tempe Officers Association. He is disappointed with the City Manager who promised that before anything would be released to the Council regarding recommendations, they would have an opportunity to sit down and talk about the issues and weed some of them out. Neither the unions or the employees were contacted, and yet the list shows up on the internet. Many issues are very relevant, but some almost seem like a witch hunt. Some of the items affect peoples' jobs.

Mayor Hallman clarified that this was a list of suggestions that employees made over the last four weeks, not a survey and has no survey value. It is similar to the list of recommendations for the ad hoc budget committee. These are simply anonymous suggestions.

Mr. Woerth stated that he misspoke by referring to a survey, but the suggestions were put out there for the public and many of them didn't need to go out there. This process was flawed.

Councilmember Shekerjian stated that having the opportunity to brainstorm anonymously is very helpful. Each item, whether it was suggested once or fifteen times, doesn't necessarily give it more weight. If a good idea is suggested one time, it is still a good idea. Council has asked the employee community to give some ideas and she is thankful for that. Some have validity and some don't. Some employees have said they appreciate the opportunity to give ideas without their names. It had to be public because it came to the Council. While it is uncomfortable to have negative things said, it was something that was necessary.

Councilmember Woods asked if there would be substantial time to go through certain lines. There were items that he would like to discuss.

Mayor Hallman stated that he anticipated this to be a global "how are we going to approach the budget" process. This session tonight won't be about implementation of any budget-cutting. He thought the goal was for the City Manager to bring the Council up to speed on the approach we will take over the next two months.

Charlie Meyer agreed. His only intent in providing this to Council was to allow Council to see what has been received through yesterday since there won't be another Council meeting for three weeks. Suggestions are still coming in. It was not the intent to evaluate any of these suggestions. For this agenda item, his intent was to talk about how to go forward from here. He would be willing to talk about how this was put together and how it is being used.

Mayor Hallman suggested starting with what approach we are trying to take. He viewed the list as interesting, but not relevant for what Council's work is. When Council gets down to the budget issues, his expectation was that Council would actually go through a process of determining where to cut the budget and these were merely ideas from employees. He wasn't sure why an approach that would allow employees some anonymity if they are concerned about how their ideas will be accepted is inappropriate. An idea is an idea and it has no merit based on anything but that it will be evaluated along with everything else.

Mr. Meyer added that the three work groups have been getting these suggestions as they come in. This was intended to give all the employees an opportunity to make suggestions. The intent is not to take the suggestions and say they are recommendations. They are not weighted and they are not all good suggestions, although there are a lot of good suggestions. It is very difficult for an employee to make suggestions, and providing an opportunity to do it anonymously gets the ideas out there. By being anonymous, of course, the same person could submit an idea more than one time. Out of 750 ideas, there are some good ones and those are being looked at as staff is preparing recommendations to bring to Council. His intention tonight was for Council to have them and he will update the Council in a week or so about what else has come in.

Mayor Hallman clarified that all of this will be subject to a process in which Council will have a part in determining how to trim the budget.

Councilmember Navarro added that it is important that everyone is involved and that Council has a grasp of the feelings of all the areas, including the unions, on what will be good for the City and for the employees to make sure that representation is there.

Mayor Hallman asked for clarification that if the unions do not agree with something that Council shouldn't consider it.

Councilmember Navarro clarified that everyone should be at the table. This whole process from start to finish should have representation from everyone.

Mayor Hallman asked if any employee should not have the right to submit an idea without fear of retribution.

Councilmember Navarro agreed that it should be anonymous. All sides should be represented.

Mayor Hallman clarified that he felt this was the beginning of a process that addresses a downturn in the economy that is striking our sales tax revenues to the tune of about \$7M, and, in addition, the State is being hit which means State shared revenues are going down, probably another \$3M to \$4M. We are still relatively well off, however. The City of Phoenix is addressing a \$250M problem. This Council has done a lot of good work to put this City in a position where the job we have to do is much less difficult than other cities. His hope is that the politicking will stop and we can work together to find every good idea to solve this budget problem and save as many jobs and provide the benefits we have offered our employees as best we can. Most of our expenses have to do with employment costs and every dollar we save is a dollar that benefits our employees who, in turn, benefit our community.

Carol Martsch, Mesa, President of the SEIU group. She felt it was good to solicit comments from employees and doing it anonymously is the only way it can be done. There is also the risk, however, of some sniping at one another. As unions, however, we thought we would have the chance to cross a little bit of that out before it went to the public. As Mr. Woerth stated, lots of people have been calling and it has caused more stress for employees. The unions are partners in this situation and they expect to have a seat at the table when it comes time to determine which suggestions go forward. The three committees have not included union membership as yet. She also felt some of the snipes at the Diversity Department were mean-spirited.

Budget Update

INFORMATIONAL BACKGROUND available in City Clerk's Office.

DISCUSSION – Presenter: City Manager Charlie Meyer

City Manager Charlie Meyer summarized that the material provided is a response from giving a call to employees to give suggestions. The IT department set up a site on the City's intranet so that any employee could key in through their password and put a suggestion out there. There was some griping, some dissenters, and some things that were not appropriate. He removed eight items because they were not budget related but were personal instead. There was no intent to try to censor out, but rather to give an understanding of what the employees were suggesting. As the process goes forward, some of these ideas will require a lot of follow-up. Others will simply give a sense of what people are

thinking.

Mayor Hallman asked if it is known whether the contributors were union members.

Mr. Meyer responded that the only thing known is that these were City employees with access to computers. Most would be union members because they make up the vast majority of our employees. He held a meeting with the four employee groups around the third week of September which is about the time intranet site was created. He provided an update on the financial forecast and what he knew in terms of the process. He made a pledge to those groups that before recommendations came out, they would meet again and work through those discussions. He had said he couldn't promise that what they wanted is what he would recommend to Council, but that they would at least have an opportunity to talk it through. At that point, he wasn't thinking of the employee suggestions as recommendations, but was thinking of recommendations as being things coming from the City Manager to the Council. He apologized for any misunderstanding about that. He was the one who edited anything out from the list. Many employees have noted their appreciation in having the opportunity to vent and some of the ideas are very good. They don't need to be dealt with tonight. No weighting process is being considered to determine that recommendations made more than one time are more important than other recommendations. Every one is being judged on its own merit. The ideas were submitted through the three work groups and they are being incorporated into the work. Not every idea will come out through that because some are specific to a department and would require the department to evaluate how they could implement an idea. That's all part of the process of lowering costs.

Mr. Meyer continued that he would like to focus on where to go from here. He added that a hiring freeze has been implemented, but there are exceptions. He didn't want to not fill a position, such as public safety dispatchers where overtime is paid if there is a vacancy. That is not cost productive.

Mr. Meyer added that the finance staff had a meeting yesterday with the State Joint Legislative Budget Committee. This group meets quarterly to evaluate where the State is relative to its budget and revenues. Our particular interest in that is the future of our State shared revenues which make up over 30% of our budget. Based on everything that is going on, this group of economists has suggested that from a State shared revenue standpoint, we won't reach the 2007 level of State revenues again until 2012. That is different from what staff has been forecasting. It allows us to re-evaluate where we are and it does increase the projected deficits.

Mr. Meyer summarized the three work groups:

- Financial policy process: Staff would like to come back to Council with a suggested financial policy. One way to ensure that we are not surprised by our financial circumstances is to use a balanced five-year financial forecast. Instead of simply showing revenues and expenses, also show what it will take to balance the budget in each of the five years of the forecast. That gives an opportunity to look out into the future and make suggestions for steps to either increase revenues or decrease expenses. The finance staff could make recommendations, or a process could be developed. Right now, the financial forecast is not used to the greatest extent it could, but if we would try to tie a policy together, we would know in what years and what areas we are showing a problem. That does give the opportunity to meet with the work groups and anyone we need to and determine if we have been too conservative in our projections of revenue, or too conservative in our estimate of employee-related costs or other areas. It would give a different focus for the five-year forecast.

The other thing the financial policy group is looking at is trying to find that right starting level. If we are assuming a deficit in future years, we need to lower the base that we are starting from in order to accomplish balancing those deficits in the out years.

Mayor Hallman asked for clarification on what he is asking Council to adopt tonight.

Mr. Meyer clarified that this is the concept that the group is working on and he would like to return to Council in early November with more details and start to talk through the policy at that point.

- Human Resources: Staff is looking at the entire menu of what the City spends its money on and where we spend on wages, benefits, and how much those things cost. This provides the opportunity, in particular with our employee groups, to know what areas are most important. That may vary from one group to another, but it gives the opportunity to have some discussion about that. That group will lay out the options.
- Reorganization: Staff is preparing a menu of options. Organizationally, how we can re-structure ourselves so that at the end, our base of cost is less than what it is now. Any kind of reorganization process is always upsetting and challenging. There are no recommendations at this point, but they are being developed. He will meet with the employee groups and the department managers and talk through the options that are being considered.

Mr. Meyer added that he didn't believe by the early part of November that a hard and fast package will exist, but options can be presented for discussion. This lends itself to a workshop format.

Mayor Hallman clarified that a workshop would be better than an hour in an IRS.

Mr. Meyer added that this is not shooting for a budget target, but is shooting toward the way we do business as a City over the long term. We have had the good fortune and foresight of putting away some reserves and those reserves will allow us to stage the ideas. He didn't anticipate when staff returns to look at recommendations that this is a one-time fix. It will involve much more staging. As the economic circumstances change, we will have to adjust those plans as well. If things go better than anticipated, we may not have to be as aggressive in some areas as we had planned, and if things go worse, we might have to take some greater steps. It is more important to think of this as a phasing in of a process and also phasing in of the solutions than it is to say it will be a one-time fix.

Mayor Hallman asked if his idea was to use reserves as a means to bridge from today to the future so that we smooth out and can have a softer landing for people who might otherwise be affected.

Mr. Meyer agreed that is what prior financial practices allow us to do, and that is what he would hope to do. One of the things we agree on is that we don't want to see layoffs of employees. One of the ways we can avoid that is to use some of our fund balance to allow a more natural attrition process to occur. We also have to look at our organizational issues and how to work as a city as we reduce the size of our workforce. This is an ongoing process. A workshop in early November where we can spend some time to talk it through and come to a better understanding of where we want to go would be a very important beginning.

Mayor Hallman clarified that the goal would be to have recommendations of a variety of things to consider, but that ultimately after a process with staff, management and employee groups, Council needs to roll up its sleeves and make the policy decisions on which direction to move.

Mr. Meyer added that the next budget process is already close.

Mayor Hallman asked if he is suggesting a workshop after the November 6th Council meeting to start that process.

Mr. Meyer agreed. It would give the Council an opportunity to ask questions and think through ideas.

Councilmember Arredondo suggested that this be an off-site workshop, perhaps on a Saturday. He added that putting numbers on recommendations makes it a weighted list. From an employee perspective, it was a weighted list. He would also appreciate getting such a lengthy document earlier than the night before the meeting. He also urged the City Manager to have dialogue with the unions before the next meeting.

Vice Mayor Ellis added that there were lots of “combine”, “consolidate”, “share”, “coordinate”, and “partner” in the list, and those comments are great. Concerning the process, did the employees know when they submitted it that they would be released?

Mr. Meyer responded that in his weekly newsletter, he said they would be allowed to submit anonymously, and for those that did submit, they are anonymous. He didn't address on the site that this information would be released publicly. It wasn't addressed one way or the other, so it is hard to know.

Councilmember Arredondo wondered if there would be good buy-in if Mr. Meyer went to the department heads to find reductions. We don't want to impact what the citizens say are the most important things to them.

Mr. Meyer added that he is working with department heads to actively pursue these suggestions. Each one will have a different timeframe, but all of these ideas are worth looking at. Some could be implemented immediately and others would take longer. Ultimately, this is all about services to the public, and at this point, we have not developed public dialogue. He asked that Council think about how we might want to involve the public. The intent was not to cut services. We went into this with the intent of trying to develop the highest level of efficiency possible. Without any doubt, if we reduce staffing, we are reducing services somewhere. We have to figure out how to continue to provide services. That's the job the department managers, in particular, have to focus on.

Mayor Hallman added the City of Phoenix is already talking about closing pools, libraries, and all kinds of public services off the top. It sounds like we have a smoother process and we don't have to start pulling the ripcord, but the process needs to continue to be open. He suggested holding a workshop on Saturday, November 8th, from 9 a.m. until noon. The public would be invited and it could be held somewhere with a meeting setting, and take input from our employee groups, work groups, the public management and other staff members as well.

Councilmember Arredondo agreed.

Councilmember Shekerjian stated that there were 759 comments made and, over all, she was amazed at the creativity in the ideas. It speaks to the quality of the employees and the fact they were willing to submit ideas. While she doesn't want to be insensitive to the fact that maybe some people were uncomfortable, she feels it validates City staff.

Councilmember Navarro added that it is important to be proactive and think outside the box. We need to appreciate the sensitivity, however, and make sure we keep that in mind.

Mayor Hallman summarized that the goal is how to reduce the budget costs to save jobs. The first step is to make sure that any jobs that disappear are jobs that are disappearing because someone chose voluntarily to go somewhere else. We are looking to get holes in our City systems from attrition and then be able to move people around in comparable jobs to the extent their job doesn't make any sense anymore. We want to preserve as many jobs as we can and provide the benefits

we have promised our employees.

CONSENSUS

- Staff was directed to return to Council on November 6th with recommendations for a financial policy.
- Staff was directed to schedule a workshop with Council (tentatively set for November 8th) to walk through ideas.

Follow-up Responsibility: Charlie Meyer

Reconsideration of Council Meeting Times

Councilmember Navarro stated that he had suggested starting Council meetings earlier.

Councilmember Arredondo stated that there is a history of why the meetings have been done this way, so he suggested referring this to one of the committees for discussion.

Mayor Hallman summarized that years ago, the Issue Review Session was conducted upstairs. In 1994, it was brought down to Council Chambers for the public's involvement, and in 1998, the public was able to come to the table during the meeting. The reason the meetings ended up being held in the evening historically was so that the public could have an opportunity to attend.

Councilmember Arredondo added that it was also so that citizens would have the opportunity to serve on the Council and not be threatened by losing their jobs in the daytime.

Vice Mayor Ellis added that she is a member of the Regional Transit Authority Board and they meet on Thursday afternoons.

Mayor Hallman suggested referring it to the Mill and Lake District Committee for a discussion and brainstorming. The public would be invited to provide feedback.

CONSENSUS

Staff was directed to place this item on the Mill and Lake District Committee agenda for discussion.

Follow-up Responsibility: Council staff liaison Chris Salomone; City Clerk Jan Hort

Val Vista Waterline Construction Project

INFORMATIONAL BACKGROUND available in City Clerk's Office.

DISCUSSION – Presenter: Assistant City Manager Jeff Kulaga

Jeff Kulaga summarized that this is a City of Phoenix project going through Tempe. The purpose of this presentation is to provide an overview of this significant City of Phoenix project that impacts the Tempe community.

- The Val Vista line was originally built by the City of Phoenix in 1975 and runs from McDowell and Lindsay in Mesa to 48th Street and University in Phoenix, cutting through the north downtown section of Tempe along Rio Salado

Parkway.

- This is a \$110M project over a five to seven year period.
- Since the waterline was built in 1975, there has been no significant rehabilitation. During this project, a liner will be installed which will last for 50 years.
- Three key factors: (1) minimize impact on businesses adjacent to Rio Salado, community in general, Tempe Beach Park, and the motoring public who utilize these roads; (2) create a safe workplace for the contractors and for traffic adjacent to these areas; and (3) get the job done on schedule during the winter months when there is less water demand.
- Each portal involves a 30'x 50' hole in the ground to install the liner and provides access to the pipe which generally is 30 feet below grade. The pipe size inside diameter is 90". At each portal there will be construction fencing of about 75' x 200' to provide work space.
- Portal #1 is south of Rio Salado. The right-turn only lane into Lakeview will be impacted and right turns will be made from the through-lane. There is minimal traffic volume on that road. Project work will begin November 3rd through April 24th.
- Portal #2 is in the median area between the parking lots of the US Air property, the old Pennysaver, and Tempe Beach Park parking lot. There is no impact to either Ash Avenue or the parking to the north. The parking area on the south will be closed for construction staging. The manhole cover in the middle of Beach Park near the restrooms will be opened up for ventilation. A 20' x 20' fence will be installed around the manhole.

Mayor Hallman stated that there was a proposal to repair the sewer line associated with those restrooms and he asked if this would be the time to do that.

Mr. Kulaga responded that discussion regarding that is being pursued.

- Portal #6 is on Rio Salado, west of McClintock. This will impact the eastbound lanes and timing has been a concern. This construction activity will eliminate lanes, eastbound and northbound left turns from Rio Salado, and will be limited to one lane in each direction. Originally, this was proposed to start sometime in mid-November, but this will now begin January 2nd and finish on May 1st. This does not impact the holiday season in any way for Tempe Marketplace, nor the Ironman event or the Rock 'n Roll Marathon on McClintock.
- Portal #8 is just east of the Tempe Marketplace, between River and Siesta. This will impact the two eastbound lanes. The raised center median will be removed to allow one lane eastbound where the median used to exist and the two westbound lanes are maintained. This will begin on November 17th and finish about April 7th. This does not impact anything at the intersection between Rio Salado and the frontage roads at the #101 Freeway.
- Portal #9 is east of the #101 Freeway, near the driveway to the apartment complex. There will be one lane in each direction, utilizing the north lanes of the Rio Salado to get around the construction. It does provide some impact to the apartment complex, but does provide directional traffic. The project will begin on November 10th and be completed on March 23rd.

Mr. Kulaga added that the hotline number will be 602-235-2896 and mailings will be provided by the City of Phoenix to the adjacent business and property owners. The City of Tempe will provide a web link from the City's website to the project information for the City of Phoenix.

Councilmember Arredondo added that the timeframe for this project was moved back to January 2, which took it out of the holiday season and it didn't disrupt the Insight Bowl and Block Party. He commended the partnership between Phoenix and Tempe.

Mayor Hallman added that the City of Phoenix is a good partner.

NO CONSENSUS – INFORMATION ONLY

Formal Council Agenda Items

None.

Future Agenda Items

None.

Mayor's Announcements/Manager's Announcements

None.

Meeting adjourned at 7:30 p.m.

Jan Hort
City Clerk