



Minutes City Council Issue Review Session February 19, 2009

Minutes of the Tempe City Council Issue Review Session held on Thursday, February 19, 2009, 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 6:14 p.m.

Call to the Audience

No one came forward to speak.

TAVCO Letter to Congressional Delegation

INFORMATIONAL BACKGROUND available in City Clerk's Office.

DISCUSSION – Presenter: Water Utilities Department Manager Don Hawkes; Environmental Quality Specialist Oddvar Tveit

Don Hawkes summarized that because Sky Harbor has put a list of projects in the economic stimulus money queue, the letter TAVCO has requested will need to be revised. Some of those projects include money for noise mitigation or air traffic control improvements at the Mesa Gateway Airport. Staff has spoken to some of the TAVCO members and is suggesting redrafting the letter to suggest to Phoenix Sky Harbor that if they receive any funding for these ready-to-go projects, which are probably already funded under their programs, they take the replacement money and apply that to the noise mitigation and the air traffic control improvements at Mesa Gateway airport.

Mayor Hallman stated that the concept of replacement dollars is problematic so it is important to be cautious to make sure terms are not used that would make it impossible for the City to benefit from it. We look forward to understanding the final provisions to see the extent to which we may be able to help identify funding sources to address these issues raised by TAVCO.

CONSENSUS

Staff was directed to redraft the letter in terms of the economic stimulus package regarding noise mitigation use of funds.

Follow-up Responsibility: Don Hawkes

2009 Federal Legislative Agenda

INFORMATIONAL BACKGROUND available in City Clerk's Office.

DISCUSSION – Presenter: Government Relations Director Amber Wakeman; Advocacy Group President George Ramones

George Ramones stated that the first act of Congress this year was an expenditure of \$787B known as the Economic Recovery Act. As yet, that bill is not available publicly. Economists on both sides of the aisle agree that, given the unique once-in-a-hundred years situation, the important thing was to get money into the marketplace. He summarized as follows:

- When the President-Elect met with the governors at their annual meeting, the governors indicated that their number one priority was the deficits they were facing and they asked for federal help. The President-Elect agreed to do that. He used the stimulus portion of the proposed legislation as a promise to the governors that they would get a great portion of the money to help them through the difficult times.
- A few days later the President-Elect met with the U.S. Conference of Mayors and the mayors asked how he could have committed all of this money to the governors which made them unsure what they would get. The President-Elect responded that he would ensure there would be provisions where some of the money could be passed through the governors' offices to various cities.
- Mr. Ramones believes all the governors would be notified by today the amount of dollars they can expect. A great portion of that will be, for the first time in this country's history, discretionary dollars to the governors. Those dollars will be for "shovel-ready" projects", those with all the necessary paperwork in place. The government will try to get money released within 14 days to the states. Within 60 days, the states are to obligate the dollars and the dollars should start flowing between 120 to 180 days.
- Originally in the legislation there was a requirement that after 180 days, the money was either used or the federal government would repossess the dollars. That was softened and 180 days was designated as a target.
- The key will be in "shovel-ready" projects. Tempe has a reputation for excellent projects and when Tempe says they are ready to go, people in the federal delegation can believe it. There will be no difficulty in compiling a wish list, but he believes that very few of the projects will be 'shovel-ready', and it depends upon how strict the federal government is in enforcing those requirements.
- The goal is transparency in the process, so a website has been created at www.recovery.gov where the flow of dollars will be documented, every project that receives money will be listed, and the expenditure and timeframes will be included. If someone does not comply with the deadlines, then internet traffic will make the federal government aware of it and the money will be lost.
- From the time the governor is informed of the dollars, there will be an 8-day period of time for this City to contact the governor and make the governor aware of the 'shovel-ready' projects and the dollar amounts. The other two criteria are temporary jobs created and permanent jobs as a result of the finished project. The rest is up to the governor.

Mr. Ramones stated that he listened to today's earlier meeting dealing with the City's shortfall. Part of the stimulus package was a commitment by the President to the governors and the mayors that with creativity, dollars could be taken from the stimulus package, supplanted for activities previously planned in the general revenue fund, and get federal dollars

for those which would free up flexible dollars to allow cities to get through the hard times. That would be a legitimate purpose for these dollars and he encouraged the City to do that. On Tuesday when the Congress returns, the President will give his first State of the Union address. His budget will come out approximately 8 days after that and that will begin the funding cycles for the Congress. The Congress has not yet finished 2009 appropriations and that will be finished within the next 10 days. The City of Tempe has requests from 2009 that he believes will be funded, either wholly or partially. He is working with staff to ascertain what dollars can be expected from that cycle. At the same time, there are requirements by each individual office to have the requests in writing to them in the next 10 days. He is asking Council for permission to go ahead and submit proposals for the 2010 fiscal year appropriation process.

Mayor Hallman clarified that is the stack of items in our federal legislative program that has been prepared by staff.

Mr. Ramones added that Congress is not done spending money. The City has benefited from the Highway bill in the past. For example, the pedestrian bridge over the dam was funded through the Highway bill and the Highway bill comes to fruition between every two and five years. It was initially felt that since there was a great infusion of stimulus money that perhaps the Congress would slow down on the Highway bill. The answer is that they are going to go forward in March and probably do between \$300B and \$500B in highway projects before the end of the year. He believes a good target for the City would be between \$10M and \$15M.

Mr. Ramones added that there will be an Energy bill and the purpose of the bill, as much as it will focus on energy, is to create "green" jobs. The City has a great reputation for environmentally friendly projects and that will be important.

Councilmember Arredondo clarified that at some point when the City Manager figures out the numbers, he will share that so Council can look at the number.

Mayor Hallman clarified that we need to find out how that money will be allocated to the cities. We also don't know yet what amount is coming to the governor and how much the City will get. We can put all of our proposals together that could likely comply with the requirement of "shovel-ready" projects with the temporary and permanent jobs that are created. Then we can use that to see how much money we might attract. In looking at the CIP, Council also needs to determine if by building something, whether it can be operated. Council needs to look at all of those things. We have already prepared a significant list that went through the MAG process. All of the City's projects were rolled up into the County submission and that submission went into the process. We still don't know the real answers on that, but he thought the County's estimation on the transportation/transit dollars was about \$277M. Staff needs to look at identifying every place where we might receive funding and in assessing whether or not we take it, Council needs to look at matching capital issues and O&M cost.

Councilmember Shekerjian asked, regarding the transparency issue, whether Mr. Ramones has any estimation when that transparency will really begin.

Mr. Ramones responded that it looks like, as of yesterday, the website was not operating, but the President referenced it in his comments in the bill-signing ceremony in Denver, and he would estimate in a day or two it will be operational. He thought the President wants to give each governor the press opportunity to announce how much money they are getting and he thought it will all flow from that point on. The President was very efficient in using the internet in his election campaign. It will basically force the governors to stick to those deadlines and many of the projects the governors want to do will not be able to beat those deadlines.

Councilmember Shekerjian added that it was disappointing that our elected officials didn't have an opportunity to read the bill before they voted on it. Regarding the CDBG grants, Mr. Ramones had indicated there were some congressional

actions that he would like Council to support regarding the formula of about \$10B and that Council needs to urge Congress to strongly reject the proposal. She clarified that he would like Council to take that stand because to reform that allocation formula would do harm to the funds the City gets. Would it be significant in terms of the negative impact on Tempe?

Mr. Ramones responded that every year when the budget comes out there is a proposal to trim it as a cost-savings measure. It depends when the budget comes out, but they will try to cut it which would impact Tempe and he is saying to hold it current.

Councilmember Woods asked if the City of Tempe is receiving any money contingent upon the governor accepting that money.

Mr. Ramones responded that it is still discretionary to the governor. Again, there are various portions. For example, the City knows when the Highway bill gets funded there is a formula in place to determine how much Arizona will get. For what projects, that requires negotiation. For the first time, the money is virtually discretionary. When the governor announces that amount of money, it will be like the tip-off at a basketball game. Everyone will be jumping for the ball. The only criteria are "shovel-ready" and jobs creation.

Councilmember Woods noted that he has read about different governors saying they won't take the money. If the governor chooses not to accept the money, does that mean the City of Tempe is cut out of that process? Has the governor signaled an indication to take the money?

Mr. Ramones responded that what the governors are talking about are those portions which are discretionary to them. The portions that go into the Highway Fund will automatically flow. The only governor that has made that statement is Gov. Sanford and he was unaware that there was \$2B in employment for his state that is buried in that package. He is suggesting that Council focus on the other because those first in with "shovel-ready" projects will have a great degree of success and the ability of the City to come forward with the necessary paperwork will provide an advantage. There is, however, only about an eight-day window of opportunity with the governor.

Councilmember Mitchell stated that Tempe has been successful with brownfield opportunities and has turned an old Superfund site into an economic opportunity. There are still more than 30 acres identified in our community that could be turned into economic development. Is there a chance for that brownfield opportunity to be included more in the Energy bill later on, or is it something Council should look at now?

Mr. Ramones responded that semantics of the project would be important and if the City could put together a proposal for an energy innovative green development site on an old brownfield site, there might be an opportunity for funding both from Superfund as well as from the Department of Energy. There are very creative ways to use energy to clean some of these sites. It would depend on the direction given by Council.

Councilmember Navarro asked about the veterans' memorial.

Mr. Ramones responded that all things regarding veterans are very popular but very difficult to fund. In austere times, it will be more and more difficult to fund projects like this. They are putting it on the list and are looking to find untapped sources of money.

Mayor Hallman added that many of the projects in the proposed legislative plan for the future are also projects that may qualify under the governor's discretionary plan because, for example, the veterans memorial planning that is already going on may be close enough for a 'shovel-ready' project. Many projects are very close and some of them are on the list for

future bill efforts. There is a lot of cross-over where we can take advantage of the current recovery act, the governor's money, the City's money, the highway money as well as the future highway bill, the energy bill, and general appropriations. All of those are part of the same deal, and in some ways we really are needing to start with taking any project that we think qualifies for the stimulus recovery element and making sure we are moving forward with those, while at the same time looking at all of the other possible places. Do we have anything else we want to add to the general program, keeping in mind, that we have already submitted a huge list which came out in a Friday packet of all the projects the City felt matched the original concept of 'shovel-ready', six-month, twelve-month, or eighteen-month possible projects. Now we can start matching projects with sources of money.

Councilmember Arredondo agreed.

Charlie Meyer added that staff did an excellent job in preparing for the transportation, public utility, water, and sewer kinds of projects. Based on what actually comes through in the stimulus bill does change the landscape considerably. The eight-day window for the governor's directed portion, in particular, is causing him to rethink the approach taken. There may be a number of projects currently proposed for funding by one means or another in the current capital improvement program that Council adopted a year ago that might be eligible for the stimulus package. If we can get some of those projects funded, it would free up money to do something else. It may not create money for operating purposes, but if we free up capital project money, we might be able to do something else with that project. Most of what is in this package has already been vetted by Council and is approved. We know the operating implications and what our capital share is. So even if there is a share that we have to kick in, it may be a lot less than funding the project ourselves. In order to do that, however, we have eight days. He would ask Council's forbearance so he can schedule a meeting tomorrow morning with staff to determine if a new list can be developed based on the new information with the understanding of Council that we will be working from projects that the Council has seen. If we don't move now, we will lose that window of opportunity.

Mayor Hallman clarified that staff will be looking at the CIP that is already set to go forward from last year's budget process for projects going forward in the 2009/2010 year, projects that are already underway, where a phase may not have been started but would be deemed 'shovel-ready' as a separate project. Staff will go forward and identify every project that might qualify and we will seek which source of money to attach it to. Replacing capital money may expand our CIP. In the capital program, there are certain monies we have set aside that came from non-capital sources that could be reallocated to O&M.

Vice Mayor Ellis asked if it was expected that Council would prioritize these.

Mr. Ramones responded that each state has a different process. He presumed that the governor would set up some criteria when the announcement comes out.

Mayor Hallman clarified that with the CIP, any project that we have money for would move money back out of this because these are funded projects and would allow us to move it to a project further down the list that is not funded.

Vice Mayor Ellis added that for Mr. Meyer's meeting tomorrow, it may not be only pulling out the projects to put on that list, but choosing some kind of priority for them as well.

Mr. Meyer stated that his initial reaction was that he would like to take every possible project that could be eligible because it could be a project that we rank lower that meets the criteria the best, but it will go to the top, and if that frees up money for some other purpose, then the project that may be higher priority to us might get some funding freed up to do it. At some point, we will have to set some priority, but right now, our intent would be to get as much in the pipeline as possible.

Mayor Hallman added that in addition, on the Transportation/Transit, it looks like ADOT is playing a role under the legislation, so it is an ADOT/MAG process and we aren't even at the table in selecting projects at the moment on the whole transportation/transit part of the stimulus package. Each one of these pools of money has different rules associated with it and the rules are yet unknown.

There was agreement on the 2009 federal legislative agenda that Mr. Ramones presented.

CONSENSUS

- Staff was directed to meet on Friday, February 20, to relook at the CIP to submit every project that meets the economic stimulus criteria.
- Staff was directed to identify projects from the list prepared previously for which the City could receive money based on the criteria ('shovel-ready', job creation)

Follow-up Responsibility: Charlie Meyer

Proposed CIP Process & Timeline

INFORMATIONAL BACKGROUND available in City Clerk's Office.

DISCUSSION – Financial Services Manager Jerry Hart

Jerry Hart summarized that the Council has received a comprehensive listing of all of the CIP requests. It was his intent to provide this information early enough for time to consider these. On March 26th, at a CIP work session scheduled at 6 p.m., staff will come with a proposed five-year balanced CIP for Council's consideration. If necessary, there is a follow-up session scheduled for April 2nd to continue discussion on the CIP. Staff would then proceed with CIP adoption which is scheduled for May 14th.

Mayor Hallman summarized that Council will begin ranking projects. The previously approved projects total \$332M, including \$99M of newly requested projects, and Council will discuss which ones of those fall into the closest four years and what falls out in year five.

CONSENSUS

Council will review the CIP projects for the March 26th CIP work session.

Follow-up Responsibility: Jerry Hart

Operating Budget Process & Timeline

INFORMATIONAL BACKGROUND available in City Clerk's Office.

DISCUSSION – Presenter: Financial Services Manager Jerry Hart

Mayor Hallman stated that the meeting schedule has been set up according to the legal guidelines. At the meeting earlier today, Council recognized that it will need to meet again, and he asked staff to look at their calendars for the week of March 26th for a time for a 3-hour meeting with staff to discuss department-by-department proposals for position reductions and reorganization issues.

Another budget session was scheduled for March 3rd at 1:30 p.m. to 4:30 p.m. He requested information to be given to

Council no later than February 27th. A second meeting was scheduled for March 5th from 4:00 p.m. to 5:00 p.m. A tentative meeting was scheduled for March 24th from 1:30 p.m. to 4:00 p.m. and a second tentative meeting was scheduled for March 26th from 3:00 p.m. to 5:00 p.m. At the first meeting, Council will look at all the information staff will provide, plus go department by department, develop more questions, and work until a balanced budget is achieved.

CONSENSUS

Staff was directed to schedule additional budget meetings as follows:

- March 3, 2009, from 1:30 p.m. to 4:30 p.m.
- March 5, 2009, from 4:00 p.m. to 5:00 p.m.
- Tentative – March 24, 2009, from 1:30 p.m. to 4:00 p.m.
- Tentative – March 26, 2009, from 3:00 p.m. to 5:00 p.m.

Staff was directed to cancel Council committees that conflict with this schedule.

Follow-up Responsibility: Jerry Hart, Jan Hort

Formal Council Agenda Items

Mayor Hallman noted that there is an item on the Formal agenda to begin setting the OPEB documents, but at the previous meeting, it was decided that it will go forward with the caveat that Council may adjust the percentages as previously discussed. He will pull that item so that the motion includes that caveat.

Future Agenda Items

None.

Mayor's Announcements/Manager's Announcements

None.

Meeting adjourned at 7:00 p.m.

Jan Hort
City Clerk