

Minutes

Special Five-Year Financial Planning Session

March 3, 2009

Minutes of the Special Five-Year Financial Planning Session of Tuesday, March 3, 2009, beginning at 1:30 p.m., in the Harry E. Mitchell Government Center, Municipal Building, City Council Chambers, 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 1:36 p.m.

1. Call to the Audience

Mayor Hallman suggested holding the Call to the Audience after discussion has taken place. No one came forward to speak.

2. Budget Balancing Proposal [20090303bbp01.pdf](#) [20090303bbp02.pdf](#) [20090303bbp03.pdf](#)

Mayor Hallman congratulated staff for their efforts since early in 2008 to recognize the problems and to continue to work toward solutions. The Council received information showing efforts other surrounding cities are making in order to balance their budgets, and there are some fierce things that other cities have had to impose. So far, we have avoided most of that. There was agreement to discuss the retirement incentive first.

Mayor Hallman summarized that the goal set at the last meeting was to avoid layoffs. It is not simply for the employees' sake, but it is to make sure the services supplied to the residents continue at the highest level possible. Council has been provided a memo outlining a draft proposal for a Retirement/Resignation Incentive Program. These incentives would provide some additional opportunity for employees to retire who might be able to.

Councilmember Arredondo clarified that public safety employees in the DROP program do not qualify for the incentive because there is an incentivized portion in DROP. By the same token, if they are not in the DROP program, they can go ahead and take advantage of it. What about a person who has been in the DROP program only a year or two and doesn't qualify for this incentive? He would like the City Manager to look at this. It isn't fair that an employee can't qualify.

Mayor Hallman clarified that Councilmember Arredondo was suggesting that an employee could exit the DROP

program and take this incentive instead. As part of the DROP program, at five years they would be leaving the program anyway, and that might build into the 86 positions.

Councilmember Arredondo stated that he would like the City Manager to say that everyone will be incentivized.

Mayor Hallman added that there is probably some point at which someone would get out of DROP to take this. He asked for consensus that there would at least be an examination of whether or not someone could exit DROP from the Public Safety Personnel Retirement Board.

Councilmember Shekerjian clarified that they would exit DROP to take an incentive, as opposed to staying in DROP and taking an incentive.

Councilmember Arredondo clarified that it would be one or the other, not both.

Charlie Meyer agreed that staff could evaluate that.

Councilmember Woods asked how this retirement incentive compares to the incentive offered shortly after 9/11.

Jon O'Connor responded that at that time the program was two-tiered. First, it included three months of pay rather than taking years of service into consideration. Second, it included 100% of accrued sick leave. With this program, staff decided that the fairest way would be to take into consideration years of service. This current option provides 1% of base pay times the number of years of service. For those employees who haven't been here so long, this is different from the previous program. This focuses on employees who have been here a number of years.

Councilmember Woods agreed that it wouldn't be attractive for an employee with a few years of service. More savings is generated, obviously, from people who are making higher salaries as opposed to those who have been an employee with only a few years of service. He asked if the previous plan was more lucrative.

Mr. O'Connor responded that when staff looked at the total average cost of providing three months of pay, the total cost is approximately the same. Obviously, those employees with less tenure end up with less money under this current plan than the previous plan.

Mayor Hallman added that it benefits the employees who have demonstrated their loyalty to the City and worked a long time. In addition, it would incentivize people who have higher salaries to retire. That allows us to keep employees with lower salaries, which also helps balance the budget.

Councilmember Woods stated that his concern is that with the financial system being in worse shape than it was back then and offering less now than previously with as few jobs as there are, is it enough to get people to consider taking it? Maybe someone a year or two away from retirement would accept it, but once it gets beyond those who may have 25 or 30 years, it might not attract employees. He would have a personal suggestion to see this worked up with 2% as opposed to 1%.

Mayor Hallman stated that he would like to see Council go forward with the plan presented. If it gets the 86 retirements, then more taxpayer funds don't need to be spent and we can better protect remaining employees.

Councilmember Shekerjian asked for the number of employees with less than two to four years to retirement. Her

feeling is that there are a lot of people who are close to retirement and waiting to see what the incentive is. The idea of the incentive is to encourage someone to take the step to retire.

Mr. O'Connor responded that there are approximately 150 employees who are currently eligible for full retirement under the Arizona State Retirement System. Approximately another 300 employees would be eligible for early retirement, which under ASRS is 50 years of age with at least 5 years of service. Probably about 100 of those are within three to four years of retirement.

Mayor Hallman asked Renie Broderick, for the projections proposed by June 30th, how many positions proposed for elimination have people in them.

Renie Broderick responded that there are 26.

Mayor Hallman clarified that the plan would be for 26 retirements by June 30th. The cap is at 86 because that is the total number needed for both years.

Councilmember Woods asked for clarification that in speaking of the 26 positions, does that already assume that many of the concepts outlined in the reorganization package would have to go through in order to only have those 26 positions left to deal with? If we decide we don't want to go through with certain concepts even later on in this meeting, does that potentially increase the number and the 26 is no longer accurate?

Mr. Meyer responded that is a difficult question to answer because several factors come into play. One of the reorganization concepts was the idea that by putting two work groups together, there are fewer employees. He didn't know from an HR standpoint if it was determined which positions were being vacated as a result of those reorganizations vs. which positions were just being cut. We would have to look at them one by one. If some of the reorganization isn't implemented, then the number of positions being cut would be reduced. Whether some of those would be part of the 26, he didn't know.

Mayor Hallman clarified that the logic would be that even if some positions aren't eliminated, it won't be higher than 26 positions that have people in them. There would only be fewer. Right now, the total number of positions to be eliminated by June 30th with people still in those jobs is 26. If some of those are taken out, that number can only get smaller. At this stage, we're looking for 26 retirements at a maximum, through June 30th, and we have approximately 60 additional ones we would be looking for in FY 2009/2010.

Vice Mayor Ellis stated that she had correspondence from some employees who had retired this spring. They said they were told there would be no retirement incentives offered and that is why they retired. Were employees told that within the last few months?

Ms. Broderick stated that she wasn't aware of that.

Mayor Hallman stated that during the December 1st meeting, there was discussion concerning the fact that Council would look at retirement incentives.

Vice Mayor Ellis stated that at the last budget meeting, Council was attacking it the other way and trying to get the \$35M figure down so that the 146 position number would decrease. Now it seems like we are going about it the other way. We've talked about additional revenue sources in order to bring that number down, so maybe the number of

employees would go down. She understands that it is the maximum.

Mayor Hallman stated that at the end of the last meeting, he said that the next step would be to go department by department to see which positions on the elimination list caused concern. Council should get through the list and see which positions are of concern and then carve out what we have left to deal with. We still have to deal with the three outside organizations (TCC, TCVB and DTC), and we still have to deal with whether or not we seek an increase to the bed tax. He didn't believe those were discussions for this meeting but those discussions will come out once we identify how much we have to deal with from the reorganization plan, keeping in mind we are down to 26 positions this year. Any city out there would be happy to have this problem. In phase 2, we have 60. From the last meeting, this Council was committed to doing its best to reduce the likelihood that anyone has a layoff.

Councilmember Mitchell agreed that the previous incentive seemed to be more lucrative. He clarified that it basically equals out. At the last meeting, Council also talked about ideas for some of the retirees, especially with the cap. Council also talked about whether there was an incentive that could be added on top of what we have here.

Mayor Hallman clarified that was the OPEB issue.

Councilmember Mitchell asked if that could be an opportunity for Council to say, instead of capping OPEB for retirees at 4%, it could be 6%? That might be a more lucrative retirement incentive.

Mayor Hallman clarified that if people were incentivized to retire with that, it would have to be applied to the entire Group 1 anyway, so it may add to someone's decision to retire if they go into OPEB Group 1, but they couldn't be treated differently. It may add to people signing up for the list when we come back for the OPEB discussion, and that may add to the incentives, but he suggested breaking this into pieces. Aside from the OPEB piece, is this acceptable to move forward, with Councilmember Arredondo's comment that we allow someone to get out of DROP if the City Manager will analyze that with the Human Resources Manager to see if that makes sense?

Councilmember Mitchell asked if there is a way to get a number for OPEB and whether that would help. He felt that is part of a retirement incentive.

Mr. O'Connor clarified that he was suggesting increasing the cap percentage for Group 1.

Mayor Hallman clarified that the goal set at the last meeting was to get 86 retirements or other reasons for openings so that no one is laid off. This is the package, plus potentially increasing a percentage for OPEB Group 1. Did he think that would reduce the incentive to retire?

Councilmember Mitchell clarified that it would enhance it.

Mayor Hallman stated that if this is acceptable, then when we come back with OPEB, we can add that to it. It won't make it worse, but will only make it better. If we adopt this with the provision that Councilmember Arredondo has added, then when we come to OPEB, we will only be sweetening the pot. We won't be taking something away. Nobody who decides to retire using this will be denied anything. We agree that it is open to potentially add the OPEB enhancement, and employees understand that if they elect to retire now, it applies to everyone under this program.

Councilmember Arredondo stated that if Council continues to talk about the incentive, there will be people not wanting to retire because they will think they can get more. If we do anything, we should say they can take advantage of it now

or it will go away.

Mayor Hallman clarified that by July 1, 2010, Council will balance this budget.

Councilmember Arredondo clarified that may mean that some of these people could lose a job. What we are basically asking is to work with us and this gives you a year and a half, but we have to balance the budget at some point.

Councilmember Navarro clarified that the recommendation is to put a cap of \$50K on the incentive payout. If we only have a few that may top out at \$100K, what is the advantage or disadvantage? How many are we talking about?

Mr. O'Connor responded that there are approximately 12 employees who could potentially get anything from \$50K to \$100K as the incentive payout. The feeling was that there may be concerns about paying out that much as an incentive and rather put a cap on the incentive. That does not put a cap on other payouts, such as vacation.

Mayor Hallman added that the concept is not to pay employees more than they need to be incentivized to retire. Councilmember Woods raises the concern whether this is rich enough to get people to retire. The answer may be that it isn't. If it is fair and we are offering employees an opportunity to take a retirement, it provides an opportunity to do that. It is also fair to our taxpayers.

Mr. O'Connor added if someone is retiring outside of any incentive program, they get 100% of their vacation accrual, and 50% payout of their sick leave. The incentive payout here is 100% of their sick leave, plus the 1% of base salary times their years of service. That incentive amount is what staff is recommending be capped at \$50K.

Mayor Hallman added that on average it almost doubles what someone would get for sick leave and vacation. Is Council agreeable to move forward with this piece with the understanding that we may come back and add on the OPEB piece?

Councilmember Woods agreed with Councilmember Arredondo about a window of opportunity. He is still concerned about the 1% not being enough.

Mayor Hallman clarified that Councilmember Arredondo's point is that if we don't make it clear when we are finished here that this is final, we will end up in a position where no one will believe this is it.

Councilmember Woods clarified that he has an issue with the percentage, not the time frame. He agreed that Council would not come back after this to do another round.

Councilmember Shekerjian clarified that the window would apply to those exiting DROP as well.

CONSENSUS: There was consensus to go forward with the retirement incentive as proposed, with the understanding that any adjustments to OPEB would be included for anyone retiring by June 30th, as well as the option to exit the DROP and take the incentive or stay in DROP.

Mr. Meyer added that staff will try to bring this back as soon as possible.

Mayor Hallman continued with the discussion on the department-by-department analysis. He clarified that this represents the department managers' final proposals.

Mr. Meyer clarified that this represents the proposals that were given to him by the department managers and then amended by him to become a package. There are some differences between what was originally submitted to him and what he submitted to the Council several weeks ago. This is essentially that package. He will only note where he has received feedback requesting a change from that.

City Attorney - Accepted.

City Clerk - Accepted

City Court - Accepted

City Manager - Accepted

Community Development

Mr. Meyer stated that he had received feedback from two areas, both regarding code inspection, one relative to the part time code inspector program, which shows up at the bottom under base budget reductions (\$176,000), and the other that we may have gone too far relative to the other code inspector positions. The intent is that all of the code inspector positions, whether commercial or residential, would be combined into one group and they would show up in Development Services. For illustration purposes, they are shown as coming out in Community Development.

Mayor Hallman clarified that if Council changes these, we are changing the annual adjustment. This is not just one year, but this is for the permanent change in the base budget. That creates a hole in the annual budget solutions that would need to be filled.

Councilmember Arredondo clarified that it would keep the part time code enforcement in the City and we would reduce the code inspector positions from the proposed three down to one.

Mayor Hallman asked for clarification that it was leaving one or two eliminations.

Chris Salomone clarified that the elimination of the code enforcement is actually five positions, transferring six and eliminating five. They are identified as the Administrator and the Neighborhood Enhancement Program Coordinator.

Mayor Hallman clarified that the actual code inspectors are the three, which would be reduced to two, which would necessitate replacing \$65K. The proposal was to combine commercial and residential to require only one supervisor. By changing the 3.0 to 2.0, that would cost \$65K, and the part-timers are \$176K. He and Councilmembers Arredondo and Mitchell were on the Ad Hoc Rental Housing Task Force when this concept was created and he agrees with keeping the part-timers. It may not have been executed well, but the idea of having people who could work nights and weekends and not be benefitted employees who are Tempe residents, makes a lot of sense.

Councilmember Arredondo clarified that the part-time people are evaluated and are held to standards. They are expected to perform the same as anyone else.

Mayor Hallman summarized that we put back in one of the code inspector positions and the part-time positions and that would necessitate changes to the base budget of \$241K.

Community Relations - Accepted

Mayor Hallman was concerned with the elimination of the new position of Call Center Supervisor. From the reorganization plan, all of the Marketing staff would be put under Community Relations. He expects to see performance out of that because there is an opportunity to create a clear message and a good marketing program that will help drive the expansion of the City's business sector and that is what has been keeping the City alive.

Community Services

Mr. Meyer stated that he had received feedback relative to the elimination of Librarian positions, the elimination of the Counselor position with Care 7, and elimination of Sr. Social Services Coordinator.

Mayor Hallman asked for an explanation of the Care 7 Counselor position.

Mr. Meyer responded that the position provides support to the Care 7 volunteers in terms of counseling and training in counseling for the work they do on the street.

Councilmember Navarro stated that in his experience, Care 7 is a link to medical and non-medical issues that the Fire Department cannot handle. It is essential.

Councilmember Arredondo agreed. Care 7 is essential in the delivery of the type of services we expect Tempeans to have.

Councilmember Mitchell asked how that would affect overall operations of Care 7.

Tom Canasi responded the counselor positions provide a range of support including training as well as follow-up support. The Care 7 staff responds to crisis on the spot, takes a hand-off from the emergency service personnel, which frees them to get back on duty, and provides crisis services on the spot. This counseling program provides follow-up the next day and thereafter for those who don't have additional insurance and/or capabilities to reduce their crisis.

Mayor Hallman clarified that in addition to training the Care 7 volunteers, they also do the outreach to those who don't have other resources. He summarized that there are two positions in Community Services that will be put back in, \$68K for 1.5 positions for the library slots, the Care 7 Sr. Counseling Supervisor for \$95K.

There was a question whether this was the Librarian I position or the Library Assistant position.

Mr. Canasi responded that the Librarian I position is more essential.

Mayor Hallman summarized that for January 2010 and July 2010, we would be adding back in \$101K, so we would be looking at \$196K that we need to fill in.

Councilmember Arredondo stated that, regarding the Sr. Social Services Coordinator position, if we eliminate them, then the youth programs in the afternoon are eliminated.

Mr. Canasi responded that the Sr. Social Services Coordinator positions provide summer programs as well as after school programs, but they don't provide it as part of the after school program.

Mayor Hallman clarified that the title “Sr. Social Services Coordinator” isn’t for seniors, but is the person in that senior position.

Mr. Canasi responded that it is a flex class from a coordinator position to a senior level. It provides a range of classes, cultural, social, and recreational, out of our multi-generational centers.

Mayor Hallman summarized that we would be adding another \$244K to that group, for a total of \$440K.

Mr. Meyer added that a fairly small amount of it is in the first year, and the larger share is in the second year.

Development Services - Accepted

Diversity

Mr. Meyer stated that he had received feedback regarding the Accessibility Specialist position.

Mayor Hallman stated that he understood that was being assigned into either Engineering or Development Services. This shows it is eliminated.

Councilmember Arredondo clarified that the person in this position is used by many departments throughout the City, and that position needs to be retained.

Financial Services - Accepted

Fire

Mr. Meyer stated that he had received feedback relative to the three firefighter positions. Those have been associated with the heavy rescue vehicle and also with the base budget reductions with the overtime savings of \$732K.

Mayor Hallman clarified that if we fund the overtime, it would put one company back into service. We have just added \$930K. He asked Fire Chief Cliff Jones if anyone has looked at whether instead of using overtime, if there is a balance that has been examined to instead hire some or a few more firefighters to fill in these positions.

Chief Jones responded that they have looked at that with mixed results.

Mayor Hallman clarified that the goal would be if we put this here, it would be to keep a company in service. That takes all three of those firefighter positions plus the overtime.

Councilmember Arredondo clarified that we are looking at putting the 3 firefighter positions and the \$732K back in. He didn’t have a problem with that.

Mayor Hallman summarized that the \$732K would be kept in, but it could be examined to see whether that should be run through overtime or permanent positions or a mix of that. We will leave it with the City Manager and the Fire Chief to figure out how best to staff that company.

Human Resources - Accepted

Vice Mayor Ellis asked for clarification of the different divisions of Human Resources.

Renie Broderick responded that essentially there is one position in the Tempe Learning Center (Sr. Learning and Organizational Development Associate), and 2.5 HR Tech positions (one in Benefits, one in Recruitment, and .5 is a position they will not fill).

Information Technology - Accepted

Mr. Meyer had received feedback regarding the Reprographics Supervisor position. The proposal is to take the four employees currently in Financial Services and move them into the IT Department to be included with the staff that works out of the control center. They do the heavy production printing operations. The proposal was to eliminate one.

Councilmember Arredondo asked that if someone was working in Financial Services and was moved to IT, would they keep their salary.

Mr. Meyer responded that if a person were bumped into a non-supervisory position, he would get his current pay unless his current pay was higher than the highest pay for the position he bumped into, in which case he would get the highest pay for that position.

Councilmember Arredondo clarified that no one knows at this point what the pay differential would be.

Mr. Meyer agreed. There are a lot of factors in play and sometimes there is an employee who worked in an entirely different part of the city and they may bump into that area, so it is difficult unless you knew who all the individuals were in the bumping process.

Councilmember Arredondo stated that Mr. Meyer or HR would have a face-to-face meeting with the employee.

Mr. Meyer responded that it wouldn't be him, but HR and department staff would do that.

Councilmember Navarro asked if there was a position on the list that would be totally eliminated, is it truly gone?

Mayor Hallman clarified that a whole classification of people wouldn't be eliminated.

Mr. Meyer responded that there is a group where the entire classification is being eliminated. It is essentially about combining two different work groups within the IT Department and giving that one work group the assignments that both groups used to do before and aligning the positions with that new combined duty.

Gene Obis agreed.

Mayor Hallman clarified that there is a group of positions that is being combined so that neither of them still exists, but instead the group that is left will do both jobs.

Councilmember Woods expressed concern as to whether they have the time to do the jobs.

Mayor Hallman asked how many of these positions are already vacant.

Mr. Obis responded that this doesn't take into account the positions that are already vacant.

Councilmember Navarro clarified that if there is a vacant position after the positions have been eliminated, and there is a person who could slide into that position from a senior position, if that it the only position he can slide into, basically he is eliminated too.

Mayor Hallman clarified that the bumping program that was adopted through the employee process to create an employment manual specifies how bumping works. A senior person whose job is being eliminated can opt into a different position for which they are qualified and their salary would not be adjusted downward except to the extent it exceeds the highest salary for the job they have taken. There are **146.25** jobs. If you thought we weren't eliminating services, then guess again. Unless you thought **146.25** people were doing nothing to delivery services, then every position we touch here has that effect.

Councilmember Navarro felt that since IT has so much specialized knowledge, does that lose customer service for the City? Can we maintain with these eliminations?

Mr. Obis stated that, given the numbers they were provided as a target, they looked at how to restructure the department and still maintain IT services internal to the City in the future. It will mean that there may be increased service times with respect to the Help Desk, and it does mean the refresh will move to 5 years from 3. There will be decreased support for hardware and software and other technology projects, the wireless initiative for the City will be slowed down, and there will be a reduction in what they do in terms of duplicating, delivery and picking up of mail.

Councilmember Navarro asked if everyone pitches in on the Help Desk.

Mr. Obis confirmed.

Councilmember Woods asked about Police and Fire. How much does IT service them and does the elimination of any of these jobs negatively affect response times or data processing as it relates to public safety?

Mr. Obis responded that Police and Fire are the two largest customers in terms of volume. Staff will have to determine how to prioritize calls and handle them as a tier one call vs. a tier two call. Someone may have to be paid overtime to fix a problem for Police and Fire. Staff will have to look at the nature of the problem and decide how to handle this.

Councilmember Navarro asked if it is worth it to pay the overtime or keep a person on regular pay who might help out.

Mayor Hallman clarified that Council would have to trust Mr. Obis as a department manager to make the analysis of when it is better to hire someone with the costs of benefits or pay overtime. That is what happens with Police and Fire and we analyze that on a regular basis. That's why we raised the question in Fire. If we put back a company, why is it all being funded with overtime? The IT Department should be doing the same thing. At some point it is better to hire someone than to pay overtime to perform the services that must be performed?

Mr. Meyer clarified the distinction between a position where we are hiring on overtime to fill a slot vs. calling someone in on an overtime basis to make an emergency repair. That is a very different scenario. In the Fire Department we can plan on how many slots will be open and whether it is more cost effective to hire someone. Here, we are talking about something entirely different where the overtime really is on an emergency basis.

Mayor Hallman added that at some point we will have enough data over time to know whether paying overtime is a

better way to go rather than hiring someone back on.

Mr. Meyer added that this is talking about a fairly significant reduction in staffing so it will not be known for awhile.

Internal Audit - Accepted

Parks and Recreation

Mr. Meyer stated that the concern is that we have bodies and those bodies are not necessarily direct service providers. Operations Coordinator positions make other programs happen. Those are positions that do everything from running youth programming to adult programs on a pay basis. When this proposal was put together, it was based on the idea of some program cuts in a variety of different areas and it is the coordinators who make that happen. In addition, there are other associated costs. Some of it is hiring the part-time staff that works under the coordinator; some of it is direct out-of-pocket costs. The concern raised is about those areas in particular.

Mayor Hallman clarified that in the budget balancing proposal there was a list of the programs that would have to be eliminated and Mr. Meyer is saying these positions and cash that goes along with it funds those programs.

Mr. Meyer agreed. You can't look just at the personnel number (8), but you would have to add to that the cost associated with it. The net to do that restoration is about \$750K, including the personnel.

Councilmember Arredondo stated that if we eliminate this, we eliminate all the youth programs and he didn't think it is in the best interests of the City in what we view as important to the commitment to our youth. We have to enhance this so we can produce a better youth.

Mayor Hallman summarized that this adds in \$572K itself, and you are saying you would have to add \$130K to \$140K. The intention is to put back in the youth programs that were listed in the budget balancing as best we can.

Police

Mr. Meyer stated that he received feedback regarding the elimination of the Central City Mounted Unit.

Mayor Hallman stated that the dollar amount is \$387,858. He asked if that covers all of the costs or just the personnel.

Mr. Meyer responded there is probably another \$70K in costs associated with that. The original proposal he presented to Council included two Academy Officer positions and the concern was whether we could get by with one as opposed to eliminating both.

Mayor Hallman clarified that the proposal is to change "Eliminate Academy Officer position" from 2 to 1 which would be about \$87K, taking it out of the first year.

Councilmember Navarro asked about the elimination of the School Resource Officer and the elimination of police office overtime positions.

Mayor Hallman explained that in 1998, police officers had been under-hired, and the Council agreed to an over-hire of 8 positions so we would never again be understaffed. That realization was that during good economic times police officers have many opportunities to become directors of security and personnel in other places. We hired, not only as many officers as we needed, but 8 more, and there are more than that now.

Mr. Meyer added that the over-hire number is 7 or 8.

Mayor Hallman clarified that the goal here would be to cut that in half.

Councilmember Arredondo stated that there has to be a number in order for Council to drastically respond.

Mayor Hallman stated if we have 8 positions and we eliminate 5, we would be keeping 3 over-hire positions which in bad times is probably enough, but he would want to watch that so that if the economy starts recovering, we go back and do an over-hire.

Councilmember Arredondo agreed, but we might consider 4 if it comes back here.

Mayor Hallman asked Mr. Meyer if that is acceptable. We will eliminate 5, keep 3, but it might be 4. He asked Mr. Meyer about the school resource officers. Two were put into the budget last year. He asked if these are the two.

Mr. Meyer responded that these are the two we have always had. The two we put in for this year were on the assumption that it was just for this year.

Mayor Hallman clarified that we are not only not putting those in for a second year, but this is taking out the original 2 we had.

Councilmember Arredondo stated that we need to determine how serious this issue is. A superintendent said that if everything went well and the bonds passed, they would cover it. We have to see that. If we sit here and start covering it, they won't. Second, we have to help and be partners and it puts a strain on our police department if we don't have one. Then we will start pulling resources from neighborhoods. We heard what the superintendent said and we ask him to stand up to it.

Councilmember Navarro agreed.

Mayor Hallman summarized that the school resource office would be left on the list, but we will be looking to the superintendent to explain why he is not going to do what he said. He asked if Phoenix supplies to their side.

Councilmember Mitchell clarified that we are to supply two and the school district is to supply two. So are saying we're taking our two off the table

Councilmember Navarro asked if there was more to this. Is what we're saying accurate?

Chief Tom Ryff agreed. He wanted to make sure everyone was on the same page. There are four high schools and we have one officer at each school. There are two positions being considered for cuts. If those two positions go, we lose all four positions at the high schools and there will be no SRO program at the high schools. Two of the positions were funded last year by Council for one year only. Since the schools have not come through with any grant monies, we are assuming that they won't have that funding. These are two positions that are full time employees that are being paid for out of the Police Department budget.

Mayor Hallman clarified that Councilmember Arredondo's point is that we leave it on the list, go to the school districts and ask them if they are serious about supplying this because that was the indication during the bond election. If we

take it off our list and say we will fund it, they have no reason to look for the money. He supported that.

Chief Ryff stated that he had met with Superintendent Adolph and the school is having difficult times as well. They are also exploring additional grant opportunities and there are many unanswered questions at this point.

Councilmember Mitchell clarified that if we leave these two officers for elimination, the intent would be that the schools will pick up two officers, so there would only be two officers for the four schools.

Chief Ryff clarified that if we lose these two, we lose all four.

Mayor Hallman clarified that he is asking that if the school district picks that up, they could pick up two or four.

Mr. Meyer stated that the school district is seeking funding for all four of those positions and are in that process now. If they don't succeed in the funding, they may still be able to pick up all or some of the positions, and that is the commitment they have made.

Councilmember Shekerjian added that last year we had SACA money. Is that money they could apply for? She knew they were also applying for money from the State Department of Education. Is that also another area that they could find, and if not, is there some way in which some of the people could assist in identifying other areas where grant money is available, such as through the Department of Justice.

Chief Ryff responded that the SACA money will not be an alternative. They will be lucky if they can offer the summer programs as they've done before. They will cap that at \$30K. Currently, staff is developing a couple of different grant opportunities through the Department of Justice. Right now it is premature to speculate if that will be successful. They are investigating grant money for sworn police officers and will pursue those grant opportunities.

Mayor Hallman asked if the Chief has examined ways to maintain some of the mounted police service. Presently there are seven horses and typically, we end up with three officers for an event. Is there some examination of how we might do that?

Chief Ryff stated that staff has already looked at that and he is prepared to answer that. There are currently six horses and in the last year, the unit has been reduced from 8 to 6. It would be difficult, if not impossible, to reduce the size of the unit and still maintain its efficiency.

Councilmember Woods asked about the park rangers. He was concerned with eliminating park ranger positions and replacing them with private security. Where are the areas where our park ranges are located?

Chief Ryff responded that they are out in the parks. Actually, two park rangers were initially here at City Hall and two were at the Library. For many reasons, it wasn't a good fit. We sent them back into the parks to provide service to the parks and we subcontracted at a lower cost to provide those security functions for the City.

Councilmember Woods was concerned that the private security the City would be employing would be monitoring a lot of our parks. His concern was the visual effect. It might appear that something is wrong when people see private security in the parks rather than park rangers. He wanted to make sure when residents are going to the parks or to the Library that they are not alarmed when seeing security.

Chief Ryff responded that Wackenhut Security is already in position at City Hall and at the Library. There has been no intent to put them out into the community patrolling parks. The park rangers have been re-deployed back out into the parks.

Councilmember Arredondo agreed the park rangers should have been in the parks all along.

Chief Ryff added it is not just the park rangers that are supplying that service, but a lot of police uniformed officers are also providing an extensive amount of support in the parks. He asked for clarification on the police mounted unit.

Mayor Hallman clarified that it is being put back on the list for further consideration. He summarized that everything for the Police Department is acceptable except that the mounted unit will be pulled back out at \$390K, the elimination of an academy officer position at \$87K, we will add one of those back into the budget, and for the line item reduction costs for the mounted unit, we are adding \$70K back in. We will go forward with the over-hire, but that is assuming we have three remaining over-hires. That totals \$547K.

Chief Ryff clarified that there are currently 7 over-hire positions in the budget.

Mayor Hallman clarified that we have to put one over-hire back in. The 5 would change to 4 and that would be another \$90K for a total of \$637K.

Public Works

Councilmember Arredondo stated that the custodial/administrative item can be cut a number of ways. He is concerned that the person who was handling this position was also handling diversity. That is an area we cannot do without. He wanted to make sure that a half-time position will be designated as Diversity/Public Works.

Mayor Hallman summarized that a person would maintain the position as the "go-to" person for diversity issues. We need to make sure we have someone identified. The position is a "0" number because it was a HURF-funded position. He asked the City Manager to come back on how that could be handled.

Glenn Kephart clarified that the current person in that position is the person to be doing that and this is a position where we are going from being reactive towards diversity issues to being very proactive towards a healthy environment. He would propose that the position transfers to another area of the City to take on additional duties and a portion of that would be to maintain the diversity portion within Public Works.

Mayor Hallman clarified that we are not identifying a person to do the job, but we are identifying a job and how that gets handled in the management of the organization is staff's concern.

Councilmember Navarro stated that he knew we were looking at outsourcing custodial work and there was a proposal to eliminate five custodial positions. He would like to see at least three of those positions saved.

Mayor Hallman clarified that Councilmember Navarro's position would be to maintain three of the maintenance personnel between maintenance and custodial positions. How would these positions get paid for if they are outsourced?

Mr. Kephart responded that it is a partial savings. The outsourcing of the contract specifically for the restrooms is that we can actually have about a \$65K savings by outsourcing that particular function.

Mayor Hallman clarified that Mr. Kephart would like to keep that piece and the five custodial positions that Councilmember Navarro raised.

Mr. Kephart added that those five positions generally result in a lower level of service that we would provide. We have standard operating procedures and we've cut back on those procedures to account for having fewer people. We are looking organizationally at how we group our work.

Mayor Hallman summarized that Councilmember Navarro is proposing to maintain a few of these positions—three out of those five. We would be adding \$130K (three positions).

Mayor Hallman added that Council is committing that the further work is to find annual savings to keep the budget in balance of \$3.2M in other positions or other costs we want to eliminate as part of this effort. The balance of the proposal was just in the reorganization. It wasn't eliminating positions, it was moving people around that gave rise to some of these positions that were acceptable to eliminate. We need to re-examine these 33 positions at \$3.2M. Staff has heard the Council's consensus that these are positions of high sensitivity. We started by designating 179 positions, and it was reduced to 146.25. Of that, we added back in 33 positions. We are now at 113.25 positions that we are agreeing to eliminate. We recognize as a Council that we have now taxed the City Manager and his staff to go back and figure out how to make up for that \$3.2M. There are also other ideas that were put on the table. These include: tuition reimbursement, 401K matching money, Mediflex, furlough concept, Wellness Coordinator, equipment, and parking.

Mayor Hallman added that the City provides parking to staff and most organizations do not. That is a huge scab. The City is spending approximately \$80K a year validating parking in the Brickyard. We need to get out of third party garages and into City garages off-site. Look at both employee parking and how we are validating parking and who we are paying.

Mayor Hallman stated that Council recognized that a furlough cuts against what was proposed already, which was no reduction in salary. A furlough would save approximately \$225K, not including public safety personnel, because those jobs would need to be covered by time-and-a-half. With non-public safety personnel, it means salaries are being cut. One example of how it might work would be the day after Thanksgiving. Don't treat it as a holiday. People still take the day off and now the public safety personnel who work it don't get that double time-and-a-half. If we change it from a holiday to a non-holiday, the same people would work it and we would get the savings.

Mr. Meyer added that it would cost money to furlough if public safety was included.

Mayor Hallman added that we could tell non-public safety employees that anyone who doesn't go time-and-a-half will take a day off and the other groups will have to determine their equal savings.

Councilmember Mitchell asked about sabbaticals.

Mayor Hallman responded that a sabbatical doesn't save any money. The only way to save that money is to say employees have to take sabbaticals but they won't get paid. He asked if sabbaticals are done for Police and Fire?

Mr. Meyer responded that sabbaticals for Police and Fire are fairly rare. Sabbaticals are generally in other parts of the City. As a rule of thumb, we would not hire back someone else to fill in for a sabbatical.

Councilmember Arredondo stated that in good times, Wellness personnel and equipment are nice things to have, but the bigger issue is that we have to be committed to the City Manager to find \$3.2M. We can offer suggestions, but we can't have a parade of people demanding what can't be touched.

Mayor Hallman stated that he was unwilling to say to the City Manager that he gave a presentation, and Council just came up with \$3.2M of changes he can't make. Make other changes, and he has to make it painless for Council. Ultimately, he will come back with his proposals. Then there's the next set of things Council can propose. He wants the ideas on the table so employees and the community know what we are talking about, and we can get more feedback on those things. Do the residents have more ideas? Does the SEIU have ideas? Everyone come up with more ideas to finish the \$3.2M. We went from a \$34.5M problem and we've handed back \$6.4M. We've gone forward with \$28M in changes, and we now have \$3.2M per year that we have to solve. We have to deal with a \$3.2M obligation. He suggested that the City Manager work on this proposal through the spring break and return in mid-March with the next round of proposals to address the \$3.2M deficit. That includes at the same time to deal with the OPEB piece which will add some amount to the hole. Going from a 4% to 5% cap means an additional \$100K additional every year. He agreed with Councilmember Arredondo that it is not Council's role at this stage to figure out where we're going to get the money. It is Council's role to identify the things that we think can be considered, among others.

Councilmember Arredondo agreed, but he added that there are things that the City Manager might know that we don't. Everything is on the table.

Mayor Hallman clarified that Council has adopted everything but those things we have called out, totaling \$3.2M. A new document will come forward with all the positions we have added and proposals to save money within this and anything else.

Councilmember Shekerjian stated a concept was discussed on December 1st and it has been brought up several times. It isn't a cost-saving idea but it is a parameter we have talked about and that is that the pain be spread equally, that no one group be hit harder than anyone else. When we talk about things like Mediflex, the 401K matching funds, tuition reimbursement, or the day after Thanksgiving, she wants to know how it will affect each employee group.

Mayor Hallman added that it is also a fair point about the things just put back into the budget. Departments are now being benefitted differently across the group. Of the \$1.4M in cuts that were proposed by the Fire Department, we just put back in \$930K. That means the Fire Department will now only be responsible if we didn't make other changes for \$500K in adjustments. There is some unfairness we have to deal with about how this has been balanced already. Departments were asked to come forward as best they could and he agreed that departments that just had things preserved need to come back with their recommendations on where they can save money as well.

Councilmember Shekerjian added that her understanding is that the last time these kinds of cuts took place, there were many departments that took a big hit. Some were backfilled.

Mayor Hallman added that of the 135 positions eliminated, none were Police and Fire. When we added positions back in, of the 112 positions, 80 were Police and Fire.

Councilmember Shekerjian stated that her concern is that some departments were decimated last time that never fully recovered and they are now taking additional hits. Her concern is not only in terms of the workload for those people in

those departments, but the kinds of services that they provide for our citizens. One of the parameters we also instructed the City Manager and staff in preparing this balanced budget was to make sure a minimal negative effect in terms of the incredibly high quality of service that we provide be maintained. While all of these positions are of great value, she is concerned that some of the cuts may not be fair to certain employee groups. She would like to have some analysis of that done before we have the opportunity to review these once again.

Mayor Hallman asked when the City manager comes forward to include an analysis of the distribution of the cuts that are being made based on various criteria such as total number of employees, total budget, etc.

Councilmember Shekerjian clarified that IT is a perfect example. We are trying to ramp up in our technology and provide wireless service to our citizens. In the not-too-distant future that won't be a luxury. They are losing twelve people in a department that previously took huge hits. She is concerned about decimating the service areas and to remain competitive.

Councilmember Navarro added that he would like to look at the reduction of the general fund reserve to approximately 10% to 15%, at least for two years to see what programs and services we can maintain. He would prefer to dip into the reserves a little more. We talked about furlough days and other things to save for that one or two years. We also talked about bringing programs back, so why are we not considering at least dropping down the reserve and still maintaining our bond rating?

Mayor Hallman responded that we don't. It is illusory to say that you can take the reserve money and spend it on a problem that is not an annual problem. This is a \$3.2M problem next year and the year after. The moment we spend our reserve it is gone for good. The budget proposal has not been based on it being bad forever. It is based on the likely recovery and he thought we are showing return to growth and revenues at a rate of 4%.

Mr. Hart clarified it is 6%.

Mayor Hallman stated that we are down by 6.7%. There would have to be a reverse in the economy of 12.7% in order to get to that. That's what keeps this budget balanced. We are assuming that things get better and that revenues grow by 6%. That is an estimate. If things don't return to 6%, then we have to dip into reserves more or lay people off. The City of Phoenix did what Councilmember Navarro is proposing, and had to lay off 1200 people over two years. He didn't want to be stuck in that position. Let's work over these two years and try to fill that hole. If things get better, we already prioritized what we want to do next. We need to come back at the next meeting to say if we have more money than we thought we'd have, it goes first to the salary range adjustments.

Councilmember Navarro stated that he thinks in two years, if we relieve some of the pressure with some of the money from our reserves in hopes that times get better, we will have something more negotiable with respect to our work groups. The City of Phoenix didn't layoff that many people.

Mayor Hallman clarified that the City of Phoenix is eliminating 430 positions this year and 924 positions next year. The point is they have done that already. We haven't even done that. We would have to eliminate 120 positions and the Council has reduced down from the 146 to 113. Council has done something responsibly.

Councilmember Arredondo added that he has lived in this community all of his life and being a senior member of Council knows that things will never be treated fairly and evenly. You will have to go with what your gut, your community, and your people are saying are the most important.

Councilmember Shekerjian added thanks to those who have been on Council in the past for maintaining the reserve. Our employees should be thanking you as well. It is because of that reserve that we can offer a good retirement incentive, it's because of that reserve that we can provide a soft landing and stretch out the amount of time it takes for these positions to be eliminated. As for the forecast being brighter, other forecasters are not as bright about the future and she is very concerned about the reserve. If we spent it all trying to maintain some ongoing costs this year, it will not be available for us to provide those kinds of soft-landings in the future.

Mayor Hallman clarified that in the last downturn, we talked about the 135 positions in non-public safety that were eliminated. When we staffed back up, we added 112 positions, of which 80 were Police and Fire. We are now eliminating, based on what we have directed, 34 total positions in Police and Fire, which means that there are 50 positions that were added back into the budget over and above the last downturn. Councilmember Arredondo's point is well taken. Public safety is very important. What that also means for the rest of the City is when we eliminated 135 positions and added back 32 to non-public safety personnel, we have added 32 during the good times and are now eliminating 80. So they are actually down from the last downturn another 50 non-public safety personnel. Councilmember Shekerjian is right to ask the City Manager to come back and show us how the different departments are affected so we can do the best we can to be fair to our employees and residents.

It was accepted that the meeting on Thursday [March 5] for the Financial Plan was not needed. Council will come back after spring break [March 24] and look at OPEB for the decision on the OPEB percentage. The City Manager will come back with the newest proposal, with all employees and the community giving feedback on how we are going to pick up this other \$3.2M a year, including sources of recurring money that we maybe haven't thought about and is there an amount of reserves.

Mayor Hallman proposed that the SEIU's list, the Ad Hoc Long Range Budget Planning list, and anyone else's list be forwarded to the City Manager and those should be discussed among the employee groups about other places to save.

Mayor Hallman asked Jerry Hart to provide a re-presentation of the newest estimates and all the assumptions.

Mr. Meyer stated that the plan originally submitted to Council was put together without one-times. The one-times that were in there were offset by other one-times. When we said we would defer position reductions and were going to pay for that out of fund balance, the position reductions were for a fixed time period, and then we would get to a lower point. This is not a plan based on one-times and hasn't been from the beginning.

Mayor Hallman clarified that Council's request on the \$3.2M is not to be based on one-times.

Mr. Meyer agreed that the \$3.2M is clearly not one time. Retirement incentive would be one time and would be something that would be taken out of the fund balance. If we have a flood of employees that take the retirement incentive, much higher costs for the vacation payoff and the other half of the sick leave than we would normally experience would be incurred, which we would normally pay for out of vacancy money. We will, perhaps, have several million dollars of one-times that we will be adding into this package. When we did the balancing workshop on December 1st, we were looking at four categories: revenues, freezing the City's contribution to compensation and benefits, reduction of positions, and other non-personnel budget lines. The other non-personnel budget lines were cut by about 20% with this plan. He didn't believe we were talking about additional position eliminations based on today's conversation. That puts us back to compensation and benefits.

Mayor Hallman clarified that we could be. We're directing to look at everything again and see if there are other lower priorities based on the Council's and community's response that ought to be added for position elimination. In December, we thought it would be 179, then we plugged it as 146.25, and we just cut it back to 113. No one is saying you can't find other positions than the ones we put back in, including how some of these might be done more cost effectively to get the service. Council recognizes it is a hard challenge, but no one is saying you can't look at positions, just that these positions are much higher priority than you might have been aware of.

Mr. Meyer agreed. The fourth category was pay and benefits. If the \$6M in savings accounted for in pay and benefits was about \$4.3M of compensation and \$1.7M of benefits, we would be going back to the four employee groups with a proposal to reduce \$1.7M in current benefits in order to offset rising costs. A significant portion of that \$3.2M is coming out of benefits. That adds to the \$1.7M. If we were to take the whole \$3.2M, it is almost at \$5M in cuts to benefits that would have to be negotiated as part of the Meet and Confer Process.

Mayor Hallman clarified that Mr. Meyer will come back with a proposal, but Council may have made it impossible to get to the balanced budget.

Mr. Meyer clarified that a large amount of what we are talking about is subject to the Meet and Confer Process.

Mayor Hallman added that it will now be back on the employee groups that if we don't save these kinds of monies, then putting these positions back in won't be possible. The bottom line is that we have just put money back into a department's budget. The employees who are affected and their employee groups need to tell us whether that is the priority. If it is not, then you tell us which positions to eliminate.

There was agreement.

Councilmember Woods clarified that the original budget included no one-times. Wouldn't some of those one-times potentially help to save certain positions? He understands we're talking about a five-year budget outlook, but his concern is that we don't put anyone out into the street during this time. The reason he brought up the concept of furloughs was because he would rather have that than a pay cut because then someone has to build themselves back up to that point. Councilmember Navarro is talking about dipping lower into the fund balance, and if it is a rainy day fund, it is pouring rain right now. Isn't that what we saved the money for?

Mr. Meyer responded that no positions have been saved with the use of fund balance. We have only delayed the time period in which we would eliminate those positions.

Mayor Hallman added that we are burning fund balance to save jobs and that is to prevent having to lay people off while we try to get to openings. We are burning about \$13M per year. There are two years left, and that assumes that Mr. Hart is right and we get a 6% increase in sales tax by the second year of this budget. If he is wrong, then we get to fire people because we won't have the fund balance that we are using to keep from having to lay people off. If things improve, what he is asking Council to do at an upcoming meeting is to choose what we want to do. Put jobs back in, give raises, give Mediflex back, or whatever else we change, Council will have that choice. This Council makes the decision where to spend the money, but we can't sit here today, knowing what we know, and pretend that we don't have to deal with the 86 positions. We just put 33 back in, some of which may already be vacant. If a position is vacant right now, our priority would be not to put one of those jobs back in, but let's find a position for the people whose 26 jobs are at stake right now.

Councilmember Navarro added that some of those are also projected for 2010.

Mayor Hallman added that the three firefighters, for example, are vacant positions. In fact, there are five vacancies in Fire. Should we go out and hire firefighters today to fill the vacancies, or should we find some of those 26 people other jobs first?

Councilmember Navarro added that it also goes back to Councilmember Arredondo's comment. If those firefighters in the overtime budget saved money, is that a potential savings, too? We still keep our protection up there and we still man the trucks.

Mayor Hallman agreed, but added that we can't dodge the hard question. Is your priority to hire three firefighters whose positions are vacant today or find some of the 26 people new jobs? His priority is to deal with the 26 positions first and then move forward. If we don't, we have another set of one-time money. If we try to preserve no layoffs, there is one-time money we could spend through June 30, 2010, but the price tag of that is \$3.8M more than this. We need to work hard to get those positions replaced and get people retired with that one-time money.

Council adopted the proposal with the exceptions pulled out of the Departments.

- Community Development: 1 Code Inspector, \$195,945; 5 FTE equivalent \$176,000
- Community Services: 1.5 Librarian I, 1 Care 7 Counselor II, 3 Sr. Social Services –\$441,093
- Diversity: .5 ADA Accessibility Specialist - \$40,370
- Fire: (estimated at 10 positions total) 3 Fire Fighter Positions - \$197,000, Overtime - \$732,287
- Parks & Recreation: 8 Operations Coordinator plus related expenses for an estimated \$750,000
- Police: 1 Police Officer overhire, 4 Central City Mounted Unit, 1 Police Academy Officer position plus related expenses for an estimated \$637,000
- Public Works: 3 Custodial - \$129,720

The City Manager will return with proposals on how to figure out the estimated \$3.2M with input from employees and department heads. Ideas given by the Council to be included are:

- Tuition Reimbursement
- 401K Matching
- Mediflex
- Furlough – Day after Thanksgiving non-holiday. (Public Safety to figure out how to save comparable match)
- Wellness Coordinator
- Equipment
- Parking

The March 5 meeting was eliminated. The next session of the 5 Year Financial Planning will be held on Tuesday, March 24rd to look at the 33 positions we are proposing to put back in and ways to pay for them, issues regarding the TCVB, TCC, and DTC, the bed tax proposal, and OPEB.

Meeting adjourned at 3:55 p.m.

I, Jan Hort, the duly-appointed City Clerk of the City of Tempe, Maricopa County, Arizona, do hereby certify the above to be the minutes of the Special Five-Year Financial Planning Session of March 3, 2009, by the Tempe City Council, Tempe,

Arizona.

Hugh Hallman, Mayor

ATTEST:

Jan Hort, City Clerk

Dated this day of , 2009.