

MINUTES OF THE PEORIA CITY COUNCIL
CITY OF PEORIA, ARIZONA
PUBLIC SAFETY ADMINISTRATION BUILDING, PEORIA ROOM
April 23, 2008

A **Budget Study Session Meeting** of the City Council of the City of Peoria, Arizona was convened at the Public Safety Administration Building (PSAB), Peoria Room, 8351 West Cinnabar Avenue, in open and public session at 3:34 p.m.

Members Present: Vice Mayor Cathy Carlat; Councilmembers Ron Aames, Joan Evans, Vicki Hunt, Carlo Leone and Dave Pearson.

Members Absent: Mayor Bob Barrett

Other Municipal Officials Present: Terrence Ellis, City Manager; Carl Swenson, Deputy City Manager; Susan Thorpe, Deputy City Manager; John Wenderski, Deputy City Manager; Mary Jo Kief, City Clerk; Stephen Bontrager, J.P. de la Montaigne, Brent Mattingly, Bill Mattingly, Bob McKibben, Dave Moody, Steve Prokopek, Larry Ratcliff, Sandy Teetsel, Jeff Tyne, Glen Van Nimwegen, James Mason and Rhonda Simmons.

Audience: Approximately 3 members of the public were present.

Fiscal Year 2009 Budget Workshop

Clerk's Note: The complete Proposed FY2009 Budget is on file in the City Clerk's Office.

Vice Mayor Carlat informed that Mayor Barrett was unable to attend the meeting as he is attending a meeting held by the Governor regarding transportation sales tax. Vice Mayor Carlat stated the Council will be making very tough decisions with the budget and evaluating it very closely. Vice Mayor Carlat added that other cities are laying off employees and cutting services, but that is not the intention of this City Council. Vice Mayor Carlat stated the goal is to have a balanced budget and reduce property taxes by five cents, while continuing to provide quality services.

City Manager Overview

Terry Ellis, City Manager, gave an overview of the \$234,000,000 operating budget. He explained that this was a 1.9 percent increase over last year. Mr. Ellis stated that this budget provides for continued funding for current services and programs. Mr. Ellis stated this budget reflects the current economic struggles and the City of Peoria is working to adjust to the economy. Mr. Ellis explained there are overhead costs that are out of our control, such as the cost of fuel, utilities and county incarceration fees. The budget includes requests for 12.7 new full-time employees (FTEs) which includes 5 FTEs for the new branch library which is under construction. The remaining 7.7 FTEs

were necessary to bolster core services and are funded through various grants, transportation revenues, internal service charges, and utility rates. Mr. Ellis stated that Staff was presenting a balanced budget with specific revenues identified to support all proposed expenditures.

Mr. Ellis reported that Staff proposes decreasing the property tax \$.05 from \$1.49 to \$1.44 per \$100 of assessed valuation.

Mr. Ellis stated the Council has previously approved rate increases of 3 percent effective January 1, 2009 for water/wastewater residential sanitation which are already incorporated into the recommended budget.

Mr. Ellis stated the budget proposal this year focused on maintaining our existing programs and services; Departments were encouraged to move resources around. Position requests were only asked for if it was absolutely necessary to maintain existing services. Departments were also asked to do additional budget scrubbing to cumulatively reduce the budget by \$500,000. Vacancies are systematically reviewed to determine if filling each vacancy is necessary.

Mr. Ellis summarized that the Ten-Year Capital Improvement Program (CIP) remains ambitious and totals \$1 billion; the Capital budget for Fiscal Year (FY) 2009 totals \$340 million. The 10-Year, fully-funded CIP aligns with and helps implement the General Plan, as well as the infrastructure master plans for our various services.

Process Discussion

Jeff Tyne, Budget Director, explained the FY2009 budget process and reviewed agendas for each meeting. The Tentative Budget is scheduled for adoption on June 3, 2008 and the Final Budget is scheduled for adoption on June 17, 2008.

T.A.P.E. (Trend Analysis and Planning of Effective) Measure Report

Debbie Card, Treasury Manager, reviewed Peoria's Trend Analysis and Planning with Effective (TAPE) Measures Report which provides a systematic method to monitor and evaluate the City's financial outlook and performance. Ms. Card explained that the report provides 29 key indicators with 18 of the 29 indicators used for comparison of the City's data with the following other comparable jurisdictions in Arizona: Avondale, Flagstaff, Gilbert, Glendale and Scottsdale. Ms. Card explained that the City removes the inflationary factor using the Municipal Cost Index (MCI) for purposes of the report in order to remove any distorting effects of inflation in the comparisons.

Ms. Card reviewed the indicators that changed this year:

Revenue Indicators that changed

- Business Activity changed from favorable to neutral
- Intergovernmental revenues changed from favorable to neutral

Operating Position Indicators that changed

- Wastewater changed from neutral to favorable

In response to questions from Councilmember Pearson regarding trends for next year's budget, Ms. Card stated that based on the economic information, financial information and the revenues we monitor from month to month this report is a good indication of the potential financial trends for FY2010.

In response to questions from Councilmember Aames, Ms. Card stated the City has increased the fringe benefit costs as a percent of our wage, and salaries have increased over the measurement period. For most of the measurement period this has been primarily due to increases in health care cost, retirement, and benefit costs. Mr. Tyne stated the fringe benefits and pension funding shows as a warning to indicate that the increases have been noted and are reflected in the City's five-year forecast.

In response to questions from Councilmember Evans, Terry Ellis, City Manager, stated the only control the Council has over the fringe benefits is in the increase and decrease of staffing. Mr. Ellis also stated the City bids health and retirement benefits periodically, and the City will do that again in the next year or so.

Financial Overview

Brent Mattingly, Chief Financial Officer, presented an overview on General Fund Revenues for the current year. He reported the sales tax on retail sales for FY2008 is projected to be \$17.1 million, which is a 2 percent decrease. Sales tax revenue from Construction Contracting is estimated to be \$6.8 million, which is a 15 percent decrease from FY2006. General Fund Revenues are estimated to be \$117,849,488, which is a \$7,296,125 decrease from the FY2008 actual budget.

Mr. Tyne identified other operating funds: ½ Cent Sales Tax Fund, Street Fund, Transit Fund, Sports Complex Fund, Utility Fund and Transportation Sales Tax Fund. The City uses the total \$680 million for the following uses:

Capital Expenditures	50%
Debt Service	8%
Contingency	8%
Operating Expenses	34%

The City anticipates a 1.9 percent increase in the operating budget for FY2009. The Operating expenditures by department include:

Public Works	18%
Utilities	16%
Police	16%
All Others	15%
Community Services	12%
Fire	9%
Information Technology	6%
Community Development	4%
Engineering	4%

Mr. Tyne explained that base budgets are based on last year's departmental budget with any one-time funding taken out. He explained the extensive budget review process that departments have completed in preparation for presenting their budget to Council. Each department's budget supplemental requests must address the Department's needs, itemize costs, explain how the supplement will affect operations and describe how results will be measured. Departments also must prioritize their requests.

Vice Mayor Carlat declared a short break at 4:30 p.m. and resumed the meeting at 4:43 p.m.

Cost of Service Study

Mr. Tyne explained the City has undergone a Cost of Service Study which calculates the true cost for providing services and identifies potential revenue sources. Mr. Tyne stated the Council may see requests for adjustments of fees through ordinances over the next year based on the Cost of Service Study.

In response to a request from Councilmember Evans, Mr. Tyne agreed to provide the Council with the total funds collected in user fees and enterprise fund collections at the next Budget Meeting.

Capital Improvement Program Review

Capital Improvement Program planned uses in FY2009 include:

- Streets 50%
- Facilities 14%
- Parks 10%
- Wastewater 10%

- Water 10%
- Drainage 5%
- Public Safety 1%

Mr. Tyne summarized the Capital Budget Areas of Emphasis:

- Easing traffic congestion
- Intersection improvements
- Widening and extending key roadways
- Trail connectivity
- Neighborhood improvements
- Coordination with Economic Development Work Plan
- Creating a network of sustainable infrastructure

Mr. Tyne stated the Capital Improvement Program Revenue Sources for FY2009 through FY2018 include:

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|----------------------------------|-----|
| • General Obligation Bonds | 30% |
| • Development Impact Fees | 23% |
| • Operating | 13% |
| • Utility Revenue Bonds | 11% |
| • Transportation Sales Tax | 8% |
| • County Sales Tax Reimbursement | 7% |
| • Developer Agreements/IGAs | 3% |
| • Municipal District Authority | 3% |
| • Grants and Other | 2% |

In response to questions from Councilmember Evans regarding General Obligation Bonds, Mr. Tyne stated the CIP includes revenue sources from General Obligation Bonds that would require voter authorization including Streets, Facilities, Public Safety, Drainage and Parks.

John Wenderski, Deputy City Manager, stated that if there is no change in authorization which will be impacted in 2011, the City will begin to shift projects from the current scheduled program in the CIP.

Mr. Wenderski informed Council that more information will be made available to the Council at the Budget Study Session regarding the Bond Authorization Program at the Saturday, May 3, 2008 Budget Study Session, which will give the Council a better sense on whether to pursue the bond elections. Mr. Wenderski also stated, in response to questions from Councilmember Pearson, that the bond elections would go to the voters

in possibly four different sections and the voters could vote separately on each section. The sections include: Transportation, Streets and Drainage, Parks/Trails and Public Safety/Facilities. The Council will need to decide on the bond elections in the first meeting in June.

Mr. Wenderski stated that the 103rd Avenue traffic mitigation project will be included in the final proposal for the CIP as an additional funding source has been identified to cover the \$150,000 project. Mr. Wenderski responded to questions from Vice Mayor Carlat confirming that funding for a new truck route will be included in the CIP to be discussed on May 3, 2008.

David Moody, Engineering Director, responded to questions from Councilmember Leone regarding the block wall project near 103rd Avenue by stating that a traditional 8-foot wall was approaching a budget of \$2.2 million and did not make it into the CIP. However, Mr. Moody stated through meetings with the residents, they have agreed to a shorter block wall and agreed the project could be completed over a 2- to 3-year time period. Further discussions will take place with the City Manager and a recommendation will be submitted to the Council.

In response to Councilmember Leone's request to have certain projects within the CIP moved up in completion dates, Mr. Mattingly, informed that the CIP presented is a balanced program and moving project completion dates up would require a shift in other projects.

In response to Councilmember Pearson's questions regarding options for changing the CIP, Mr. Wenderski stated Staff will do what the Council asks of them with respect to changes in the CIP and Staff will inform the Council of the fiscal implications of their requests.

In closing, Mr. Tyne reviewed the agenda for the April 25, 2008 Budget Work Session. The agenda begins with presentations by the Public Works Department.

Adjournment:

Being no further business to come before the Council, the meeting was duly adjourned at 5: 10 p.m.

Bob Barrett, Mayor

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ATTEST:

Mary Jo Kief, City Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Budget Study Session Meeting of the City Council of Peoria, Arizona held on the 23rd day of April, 2008. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 26th day of August, 2008.

(Seal)

Mary Jo Kief, City Clerk