



**CITY OF PHOENIX
CITY COUNCIL POLICY SESSION
TUESDAY, MARCH 25, 2014 - 2:30 P.M.
CITY COUNCIL CHAMBERS
200 WEST JEFFERSON**

Pursuant to A.R.S. § 38.431.02, notice is hereby given to the members of the City Council and to the general public that the City Council will hold a meeting open to the public on Tuesday, March 25, 2014, at 2:30 P.M. located in the City Council Chambers, 200 West Jefferson, Phoenix, Arizona.

1:00 P.M. - AN EXECUTIVE SESSION WAS CALLED FOR THIS TIME AT THE POLICY SESSION OF FEBRUARY 25, 2014.

THE TIMES LISTED FOR AGENDA ITEMS ARE ESTIMATED. ITEMS MAY BE DISCUSSED EARLIER OR IN A DIFFERENT SEQUENCE.

Mayor Stanton called the meeting to order at 2:45 P.M. with Councilmembers Laura Pastor, Thelda Williams, Vice Mayor Jim Waring, Michael Nowakowski, Daniel Valenzuela, and Kate Gallego present. Councilmembers Sal DiCiccio and Bill Gates were not present.

ESTIMATED COUNCIL INFORMATION AND
1. 2:30 P.M.- FOLLOW-UP REQUESTS.

This item is scheduled to give City Council members an opportunity to publicly request information or follow-up on issues of interest to the community. If the information is available, staff will immediately provide it to the City Council member. No decisions will be made or action taken.

Action Taken:

Councilmembers made general comments.

CONSENT AGENDA.

This item is scheduled to allow the City Council to act on the Mayor's recommendations on the Consent Agenda. The Consent Agenda has been publicly posted.

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Action Taken:

Vice Mayor Waring moved to approve the Consent Agenda. Councilwoman Williams seconded the motion, which passed 7-0.

CALL FOR AN EXECUTIVE SESSION.

A vote to call an Executive Session may be held.

Action Taken:

Vice Mayor Waring moved that the City Council, pursuant to Arizona Revised Statutes Section 38-431.02.A, meet in Executive Session on Tuesday, April 8, 2014 at 1:00 p.m. in the East Conference Room, on the 12th Floor of Phoenix City Hall, 200 West Washington Street, Phoenix, Arizona. Councilwoman Williams seconded the motion, which passed 7-0.

REPORTS AND BUDGET UPDATES BY THE CITY MANAGER.

This item is scheduled to allow the City Manager to report on changes in the City Council Agenda and provide brief informational reports on urgent issues. The City Council may discuss these reports but no action will be taken.

ESTIMATED

2. 3:00 P.M. -

EMPLOYEE SERVICE
RECOGNITION
ANNOUNCEMENTS
(NO REPORT)

Staff: Zuercher
(Presentation 5 min.)

This item is for information only. No City Council action is required.

Action Taken:

Vice Mayor Waring recognized Judge Cynthia Anne Certa for 30 years of service to the City of Phoenix. Vice Mayor Waring stated Judge Certa began her career in 1984 in the City Prosecutor's Office, where she served as a trial attorney and the Assistant Chief of the Motions & Appeals, Training, Special Prosecutions, and Community Prosecutions Bureaus. Vice Mayor Waring noted Judge Certa was appointed to the Phoenix Municipal Court in 1999, and has served on the Judicial Policies & Procedures Committee. Vice Mayor Waring added Judge Certa was a member of several professional associations such as the Lorna Lockwood Inn of Court, and has volunteered as a lunchtime reader for elementary school children.

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Councilwoman Williams recognized Alberto Bravo for 25 years of service to the City of Phoenix. Councilwoman Williams stated Mr. Bravo began his career in 1989 in the Municipal Court, where he served as a senior interpreter as well as a mentor and trainer for new employees and Spanish Court interpreters. Councilwoman Williams noted Mr. Bravo attended Arizona State University and the Agnese Haury Institute of Interpretation at the University of Arizona. Councilwoman Williams added Mr. Bravo was a member of various Latino organizations, and regularly volunteered at Brophy College Preparatory and Loyola Academy.

Ed Zuercher, City Manager, announced the League of Arizona Cities and Towns has recognized Cris Meyer as part of its "Arizona Cities at Work" program. Mr. Zuercher stated Cris has helped conduct more than 30 elections in his 30-year career with the City, and that he also launched the early voting program and led the implementation of Phoenix's voting center model. Mr. Zuercher noted that Cris will be featured on the League's website, and that he has won numerous awards over his career including 2013 Clerk of the Year from the Arizona Municipal Clerks Association.

Mr. Zuercher recognized the Fire Department's High-Rise Task Force, which recently won three awards for improving the safety of high rise buildings throughout Phoenix. Mr. Zuercher reported the awards were presented by the Building Owners and Managers Association of Greater Phoenix, the American Society for Industrial Security, and Trident Security.

Mr. Zuercher stated the "Phoenix Against Domestic Violence – A Roadmap to Excellence" program received a second place Cultural Diversity Award from the National League of Cities. Mr. Zuercher noted the Human Services Department coordinated the Roadmap to Excellence, which was a 5-year strategic plan to end domestic violence in the City.

Mr. Zuercher congratulated the City's employees for their dedication and hard work.

ESTIMATED

4. 3:25 P.M. -

**CITY MANAGER'S TRIAL
BUDGET**

**Staff: Zuercher, Paniagua
(Presentation 30 min.)**

This report presents the Fiscal Year 2014-15 City Manager's Trial Budget, which includes efficiencies, some deferred fleet capital equipment replacement, and reductions in services to the community to provide a balanced budget.

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This item is for information and discussion. No Council action is required.

Backup included in Council packet/City Clerk's Office.

Action Taken: Item heard out of order

Ed Zuercher, City Manager, introduced the item and Mario Paniagua, Budget and Research Director. Mr. Zuercher stated he would work diligently to ensure budget processes were transparent as possible in the future, and that the Council, City employees, and the public were fully aware of the state of the budget.

Mr. Zuercher remarked it was also his duty to present a balanced budget to Council that was based on realistic projections of revenues and expenses, and did not assume any changes to labor compensation contracts or new revenue sources. Mr. Zuercher noted the proposed budget solutions to resolve the \$37.7 million deficit consisted of efficiencies, maintenance deferrals, and service reductions.

Mr. Zuercher explained the City's revenue had to equal its expenses in order to balance the budget. Mr. Zuercher stated that City's revenue, which include taxes, fees, and transfers, was \$37.7 million less than its expenses, which include personnel, commodities, buildings, and heavy equipment. Mr. Zuercher commented that most of the money in the general fund was spent on public safety, parks and libraries respectively.

Mr. Paniagua reported general fund revenue, which include local taxes, state shared income and vehicles taxes, and user fees, was expected to rise in FY 2014-2015 by roughly \$10 million. Mr. Paniagua explained the City's expenses, however, were also expected to escalate in FY 2014-2015 by approximately \$47 million. Mr. Paniagua noted the \$47 million increase included the replacement of vehicles and heavy equipment, pension contributions, and technology upgrades.

Mr. Zuercher remarked the options that were available to balance the budget were to reduce expenses, minimum investment, and services.

Mr. Paniagua stated that approximately \$9 million in efficiency and investment reductions, from decreasing overtime and curtailing the replacement of heavy equipment and vehicles for example, could be implemented. Mr. Paniagua explained the remaining \$29 million dollars of the deficit consisted of service reductions, which included a combination of eliminating positions, facility closures, and decreased levels of program funding. Mr. Paniagua commented that some measures to save money could be enacted in April of the current fiscal year, such as the elimination of vacant positions and the ½% compensation to middle managers.

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Mr. Zuercher reiterated the trial budget is the first step in the process to approve a balanced budget, and encouraged the public to participate in the process by accessing information on the City's website and attend any of the 20 community budget hearings that were already scheduled throughout the City during the month of April. Mr. Zuercher added the Council budget decision would occur May 20th, and the legal budget would be adopted in June and July.

Vice Mayor Waring asked what was the projected cost of automatic salary increases for longevity and merit pay for employees for FY 2014-2015. Mr. Paniagua replied \$8 million.

Mayor Stanton exited the meeting at 3:31 p.m.

Vice Mayor Waring asked if every 1% decrease in staff pay across the board represented approximately \$10 million in the general fund. Mr. Zuercher replied yes.

Mayor Stanton returned to the meeting at 3:33 p.m.

Vice Mayor Waring asked if pay for sworn officers in the Police and Fire Departments remained the same, how much would the salaries of employees in all other departments have to be cut to offset the expected deficit. Mr. Zuercher replied 6%.

Councilwoman Gallego requested that staff present the Council information regarding revenue options such as the implementation of taxes or fees for plastic grocery bags, printed telephone directories, or 9-1-1 dispatch services. Councilwoman Gallego commented the Council needed to think about long-term sustainable solutions that allowed the City to remain a competitive and attractive employer.

Councilwoman Williams stated it was important to think outside of the box and to explore new creative sources of revenue. She commented the City should direct its lobbyists to mitigate the harmful effects of electronic commerce on the City's economy. Councilwoman Williams suggested the City investigate the beneficial impact alternative and unpopular revenue generators such as gambling could have on the general fund.

Councilwoman Pastor stated it was important to examine if the City was providing its services at a competitive rate. Councilwoman Pastor proposed offering a higher or more specialized level of service for customers of departments such as Planning and Development or the Office of Arts and Culture for a fee. Councilwoman Pastor commented that concession stands or kiosks at public parks should also be examined as revenue generators. Councilwoman Pastor emphasized the point that any discussion about reducing services was a discussion about reducing the number of City employees.

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Vice Mayor Waring stated that it was unfortunate that the trial budget focused on decreasing services and positions despite a 3% increase in revenue. Vice Mayor Waring noted the majority of cities throughout the Valley made more conservative revenue projections than Phoenix. Vice Mayor Waring remarked Councilmembers could do more to actively challenge staff recommendations.

Mr. Zuercher stated staff would work more diligently to communicate the differences between projected and actual revenue throughout the year in a more transparent manner to provide more balanced expectations of the budget to all members of the community.

Vice Mayor Waring stated the utilization of more conservative revenue projections, early warning systems, and processes to identify and fund priority services, like public safety, would help address and resolve fundamental budgetary issues.

Mayor Stanton explained the City's system of government relied on the public's faith in the integrity of the information that was provided by staff. Mayor Stanton noted Councilman Gates and he challenged staff to develop a comprehensive strategy to increase the transparency of the entire budget process in order to ensure that all stakeholders were aware of and understood the state of the City's budget.

Councilman Nowakowski remarked the Council should be briefed on a monthly, quarterly, or biannual basis to adjust projections, and discuss methods to ensure that departments would not exceed their budgets. Mr. Zuercher replied one of the challenges for Phoenix was the fact that the majority of the City's revenue was collected in the second half of the fiscal year between the Holiday Season and the Spring Training. Mr. Zuercher noted the Budget and Research Department conducts a number of periodic checks for departments via the 3+9 and 7+5 processes.

Councilman Nowakowski exited the meeting at 4:01 p.m.

Councilman Gates entered the meeting at 4:01 p.m.

Michael Espinoza explained if the civilian positions in Booking Central were eliminated, police officers would be responsible for processing suspects themselves. Mr. Espinoza emphasized the point that officers could not process suspects and respond to calls for service simultaneously. Mr. Espinoza commented the civilian employees in Booking Central contributed to public safety because they gave officers the freedom to focus on the job of policing.

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Barb Heller stated it was great that the trial budget did not recommend any reductions to police officers. Ms. Heller suggested, however, that the number of law enforcement employees was dangerously low and the City could not afford to continue to wait until 2016 to hire new officers.

Rudy Leyva stated park and library facilities and services should not be reduced or eliminated because they were important for children. Mr. Leyva proposed reducing the number of employees in management positions throughout the City.

Frank Piccioli stated the food tax should not have been reduced because it helped pay for services the City provided. Mr. Piccioli also noted the elimination of civilian positions that supported sworn officers in the Fire and Police Departments would negatively impact public safety. Mr. Piccioli remarked that employees had a history of making sacrifices to address budget problems, and that it was unfair for employees to bear the entire burden of the deficit alone. Mr. Piccioli proposed all stakeholders should work together to resolve the problem.

Louisa Pedraza stated the proposed cuts in the trial budget would make the City unattractive to potential employees, businesses, and residents. Ms. Pedraza commented suggestions such as a plastic bag tax, which were successfully implemented in numerous cities throughout the country, needed to be pursued to help generate revenue. Ms. Pedraza emphasized the need for the City to develop and implement new ideas.

Angie Hernandez asked who was going to stand up for employees. Ms. Hernandez encouraged Councilmembers to carefully consider what policies they approved and the affects they would have on the larger community.

Dianne Barker voiced her support for everyone that believed the City could solve its budget problems. Ms. Barker suggested that if the City was unwilling to invest in the maintenance of specific property, that property should be sold or leased to people or organizations that could use it for a fee.

Barbara Gonzales argued the proposed recreational center closings would result in an increase in the number of children hanging out in the streets. Ms. Gonzales asked why the Graffiti Busters program was eligible for cuts when it was a priority of the Council. Ms. Gonzales commented the reason most cities throughout the State instituted a food tax was its effectiveness at generating revenue. Ms. Gonzales remarked she preferred the food tax to the reductions that were included in the trial budget.

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Luis Schmidt stated the decision to reduce the food tax did not help the current budget situation. Mr. Schmidt remarked that if employee wages and benefits were continually reduced, how did the City plan to attract talented workers in a competitive market. Mr. Schmidt commented that the role of Council was to give direction to the staff regarding which ideas should be pursued to generate new sources of revenue. Mr. Schmidt voiced his opposition to the closing of the Roadrunner Pool in District 1 because it was the only pool in the City that was accessible to the disabled. Mr. Schmidt encouraged the Council to put its political differences aside and work together to serve the best interests of the City.

Frankie Diaz stated he was afraid he would lose his job. Mr. Diaz commented that it was not a good idea to pay contractors more money than City employees to the same job.

Doris Levy expressed her surprise that there was not a budget problem when the food tax was reduced, but there was a budget problem when labor negotiations began. Ms. Levy asked why anyone would support a budget that did not promote public safety.

Sandra Long stated she was a City employee that did her job well and did not have control over anything. Ms. Long commented that all of the City's employees should be subjected to the same expectations and demands of accountability and integrity.

Marshall Pimentel asked how reducing positions, wages, or benefits improved morale. Mr. Pimentel commented any City employee that supported the Fire or Police Department promoted public safety.

Steve Petrie stated any reduction in fire inspectors would expose businesses, schools, government and healthcare institutions, and the Fire Department at dangerous levels of risk.

Richard Rea stated employees were underpaid and were performing more work with fewer resources. Mr. Rea remarked that the City could not afford to cut any positions, wages, or services without risking significant and irreversible harm. Mr. Rea proposed changing the focus of the conversation of the trial budget from cuts and reductions to increasing sources of revenue and the implementation of new or higher taxes.

Robert Topolosek stated fire inspectors have the responsibility of protecting the public and public safety officers. Mr. Topolosek commented that the City would assume an unprecedented and unacceptable level of risk if the fire inspectors were eliminated.

Rae Kell stated that employees who might lose their jobs would still have to figure out a way to pay for groceries and their mortgages. Ms. Kell asked what would be necessary for the City to use the contingency fund to resolve the budget problem.

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Councilman Nowakowski inquired if the City employee was issued a notice that he would be fired on the basis of the trial budget. Mr. Zuercher responded that he would investigate the claim.

Councilman Gates thanked the Budget and Research staff for preparing the trial budget, and for everyone that spoke in favor of working in the spirit of cooperation to address and resolve the budget issue. Councilman Gates stated the City should seek to develop partnerships with private and non-profit organizations to share some of the expenses of providing a wide catalogue of services to residents. Councilman Gates remarked that he was looking forward to the budget hearings and the opportunity to dialogue with stakeholders throughout the City.

Councilman Nowakowski asked how much time would police officers spend processing suspects, and how much money would be saved, if the civilian positions in Central Booking were eliminated.

Councilman Valenzuela reiterated the fact that City employees were still under concessions from the last budget shortfall the City experienced. Councilman Valenzuela noted that this is the first step in approving a budget, and the only way to successfully resolve the City's budget issues was to work together.

Councilwoman Williams noted that whenever there was a budget crisis, some of the most severe cuts were proposed for the Parks and Recreation Department. Councilwoman Williams stated that employees should be asked if the proposed reductions in the City Manager's budget were reasonable.

ESTIMATED

3. 3:05 P.M. - STATE LEGISLATIVE UPDATE Staff: Takata, Remes
(Presentation 10 min.)

This report seeks approval, guidance, and direction from the Mayor and Council on state legislation of interest to the City.

This item is for information, discussion, and possible action.

Backup included in Council packet/City Clerk's Office.

Action Taken:

Mayor Stanton acknowledged a number of Councilmembers had to attend to City business in their respective districts, and stated the Legislative Update would be heard during the next Council Policy Session.

4:30 P.M. – ADJOURNMENT

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Mayor Stanton adjourned the meeting at 5:11 p.m.

For further information, please call the Management Intern, City Manager's Office, at 602-262-4449.

For reasonable accommodations, call the Management Intern at Voice/602-262-4449 or TTY/602-534-5500 as early as possible to coordinate needed arrangements.

Si necesita traducción en español, por favor llame a la oficina del gerente de la Ciudad de Phoenix, 602-262-4449 tres días antes de la fecha de la junta.

PHOENIX CITY COUNCIL MEMBERS

Councilman DiCiccio
Councilwoman Gallego
Councilman Gates
Councilman Nowakowski
Councilwoman Pastor
Councilman Valenzuela
Vice Mayor Waring
Councilwoman Williams
Mayor Stanton