



**CITY OF PHOENIX
CITY COUNCIL POLICY SESSION
TUESDAY, MAY 6, 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, May 6, 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 APRIL 22, 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 2:55 P.M. with Council members Laura Pastor, Thelda Williams, Vice Mayor Jim Waring, Michael Nowakowski, Daniel Valenzuela, Kate Gallego, Sal DiCiccio and Bill Gates 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:

Councilman DiCiccio asked staff to provide the following information regarding the 104 vacant positions in the trial budget that were not recommended for elimination:
1) a description of the position, 2) the value (in total compensation) of the position, and
3) the length of time the position has been vacant.

Councilmembers made general comments.

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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.

Action Taken:

There was no Consent Agenda.

CALL FOR AN EXECUTIVE SESSION.

A vote to call an Executive Session may be held.

Action Taken:

Councilwoman Williams moved that the City Council, pursuant to Arizona Revised Statutes Section 38-431.02.A, meet in Executive Session on Tuesday, May 20, 2014 at 1:00 p.m. in the East Conference Room, 12th Floor of the Phoenix City Hall, 200 West Washington Street, Phoenix, Arizona, and on Wednesday, May 7, 2014, any time after 4:00 p.m. in the Subcommittee Room, 2nd Floor of Historic City Hall, 17 South 2nd Avenue, Phoenix, Arizona. Councilman Valenzuela seconded the motion, which passed 8-1; Vice Mayor Waring objected.

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.)

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

Action Taken:

Employee Service Recognition and Announcements were not made.

ESTIMATED

3. 3:05 P.M.-

**CITY MANAGER'S PROPOSED
BUDGET**

Staff: Zuercher, Paniagua
(Presentation: 15 min.;
Estimated Total Time:
60 min.)

This report transmits the 2014-15 City Manager's Proposed Budget, which reflects reduced employee costs based on considerable progress with negotiating new labor contracts, and inclusion of a proposed increase of about 1% to General Fund revenue. These changes along with other adjustments allow the 2014-15 General Fund to be balanced with no reductions to services. This proposed budget reflects feedback received from the community and from the Mayor and City Council regarding the importance of maintaining current City services and a strong City organization.

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

Back-up included in Council packet/City Clerk's Office.

Action Taken:

Ed Zuercher, City Manager, introduced the item and Mario Paniagua, Budget and Research Director.

Mr. Zuercher noted the majority of residents who participated in the Community Budget Hearings expressed their objection to any proposed reduction or elimination of services the City provided in order to balance the budget. Mr. Zuercher explained that in order to preserve the current level of services, a plan rooted in shared sacrifice was developed. Mr. Zuercher stated the Council Budget Decision would be held on May 20th and the Legal Budget Adoption Actions would take place in June and July as the final steps of the Community Budget Process.

Mr. Zuercher reiterated the City predicted a deficit of approximately \$37.7 million for FY 2014-15 due to the costs of investing in employee pensions and health care, and projected capital infrastructure, maintenance and equipment needs. Mr. Zuercher also stated that when the Trial Budget was developed in March, the City could not assume any changes to current labor contracts or presume any new sources of revenue would be identified and implemented at that point.

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Mr. Zuercher commented the Trial Budget attempted to resolve the \$37.7 million budget deficit through efficiencies, deferred costs and service reductions. Mr. Zuercher stated that the proposed service reductions were ultimately unacceptable to residents throughout the City. The proposed service reductions were removed from the Proposed Budget entirely and replaced with the addition of new revenue, fees, and the reduction of employee costs.

Mr. Paniagua described some potential sources of new revenue based on items posted on the City's website for the 60-day public comment period. The additional sources of revenue, such as the implementation of a grocery bag fee, demand-based parking fees, and increases in the cost of annual recreation and senior center passes, were expected to generate approximately \$11 million. Mr. Paniagua stated the reduction of employee costs would be achieved principally through a 1.6% decline in compensation for all employees, and was expected to save the City approximately \$16.5 million.

Mr. Paniagua stated the Proposed Budget also identified new methods to reduce the deficit, including the use of Proposition 301 Funds to replace a fire ladder truck, commencing the final phase to civilianize Central Booking in September 2014, and contributions received through a public-private partnership with Grand Canyon University. Mr. Paniagua emphasized the combination of strategies in the Proposed Budget not only preserved critical community services such as Fire Prevention Response, senior and recreational centers, and Graffiti Busters, but it also accelerated the hiring date of additional public safety officers by approximately nine months.

Mr. Paniagua cautioned that if the additional revenue was less than proposed or the compensation reductions were less than \$16.5 million to the general fund, service reductions would be required to balance the budget. Mr. Paniagua noted that it was important to continue to carefully monitor expenses and revenues, and to continue to aggressively pursue efficiencies to reduce the City's deficit risk for FY 2014-15 and FY 2015-16.

Mr. Zuercher added that through shared sacrifice and a focus on efficiency, the City would be able to preserve current levels of service, create savings for the general fund, and accelerate the hiring of public safety officers.

Greta Rogers asked questions about the budget and recommended that staff prepare a video for the public that listed all of the differences between the Trial Budget and the Proposed Budget. Ms. Rogers asked how many employees were eligible for retirement on April 30, 2014, and what the pension fund's return on investment was for the past three calendar years. Ms. Rogers encouraged all of the members of Council to voluntarily assume the same sacrifices employees were asked to make regarding compensation.

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Councilman Gates stated it was critical for the City to define its core mission regarding the services the City will provide to residents and communities moving forward. Councilman Gates suggested this exercise would help determine which services could be eliminated to reduce the City's expenses. Councilman Gates added that it was important to continue to pursue efficiencies and public private partnerships to increase savings.

Councilman DiCiccio questioned the practice of using alternative funds to cover costs, and supported the idea of using one-time revenues to pay for one-time expenses. Councilman DiCiccio proposed the development of a plan to define and achieve the City's revenue goals from the sale of excess property.

Councilman DiCiccio stated the need for details regarding the 104 vacant positions included that were not recommended for elimination. Mr. Zuercher stated that more detailed information was forthcoming, and that it was important to remember that vacant positions represented services the City was responsible for providing.

Councilman DiCiccio suggested expenses might be minimized if Council members performed the City's lobbying and public relations functions, and that the budget deficit for FY 2014-15 was symptomatic of a structural deficiency that might result in another downgrade of the City's credit rating. Mr. Zuercher responded that the Proposed Budget was a strong message to the credit ratings that the City was able to address its revenues and expenses responsibly.

Councilwoman Williams stated that although efficiencies and reductions were identified to balance the budget, she was concerned about the City's ability to consistently evaluate capital, program, maintenance and operations costs when deciding which services would be provided to residents and communities. Councilwoman Williams suggested the traditional timeframes and strategies the City has utilized to facilitate important procedures, such as labor negotiations, have to be reconsidered given the manner in which events unfolded this year.

Vice Mayor Waring stated he did not support the Proposed Budget because it recommended compensation reductions for public safety officers who were tasked with providing the City's most basic core service. Vice Mayor Waring commented that it was unnecessary to raise taxes, and that the City needed to evaluate and prioritize the services and programs it provided.

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Vice Mayor Waring asked if Phoenix might be asked to make a greater contribution to the City of Glendale regarding its preparation for the Super Bowl. Mayor Stanton responded that if the City of Glendale requested additional services for the Super Bowl regarding manpower, not financial contributions, staff would present those options and appropriate recommendations to City Council.

Councilman Nowakowski agreed the City's expenses and revenue sources needed to be reevaluated, as well as its budget process. Councilman Nowakowski recommended the development of a monthly report to manage the budget.

Councilwoman Gallego stated that some of the City's investments, such as lobbying efforts on the state and federal level, have garnered tremendous returns in millions of dollars and grants. Councilwoman Gallego proposed the City should continue to pursue these types of opportunities with regional and national partners to create the infrastructure that would facilitate economic development throughout the City. Councilwoman Gallego commented that the suggestion to eliminate vacant positions did not adequately account for the true value of the services those positions provided, especially when some districts relied on those positions more heavily than others. Councilwoman Gallego suggested that revenue sources should align and integrate budget goals with other policy goals of the Council.

Councilman Valenzuela thanked Mr. Zuercher and Mr. Paniagua for their work to incorporate the recommendations of residents and Council members into the Proposed Budget. Councilman Valenzuela commented that the budget process was ultimately a public process. Councilman Valenzuela stated that short-term solutions, such as eliminating lobbying and public relations functions, would not serve the City's long-term interests. Councilman Valenzuela reiterated the Government Relations Office and the City's lobbyists were responsible for securing hundreds of millions of dollars for programs that supported housing initiatives, community development and block grants, and the hiring of public safety officers.

Mayor Stanton stated that the Proposed Budget was a significant step in the right direction, and that the Council would be ready to continue to work on the issues in preparation for the Council Budget Decision on May 20, 2014.

5:00 P.M. – ADJOURNMENT

Mayor Stanton adjourned the meeting at 4:57 p.m.

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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