

**NOTICE OF PUBLIC MEETING  
PHOENIX CITY COUNCIL  
FINANCE, EFFICIENCY, ECONOMY AND SUSTAINABILITY SUBCOMMITTEE**

Pursuant to A.R.S. Section 38-431.02, notice is hereby given to the members of the **FINANCE, EFFICIENCY, ECONOMY AND SUSTAINABILITY SUBCOMMITTEE** and to the general public, that the **FINANCE, EFFICIENCY, ECONOMY AND SUSTAINABILITY SUBCOMMITTEE** will hold a meeting open to the public **October 21, 2015, at 10:00 a.m. located in Phoenix City Hall, Assembly Rooms, 200 W. Washington Street, Phoenix, AZ.**

One or more members may participate via teleconference.

The agenda for the meeting is as follows:

1.	<b>Call to Order</b>	Chairman Gates
2.	<b>Approval of September 16, 2015 Minutes</b>	Subcommittee Page 3
<b>Item 3 is for information only.</b>		
3.	<b>August 2015 KEY PHOENIX ECONOMIC INDICATORS REPORT</b>  This report transmits the August 2015 report on Key Phoenix Economic Indicators to the Subcommittee.  <b>This item is for information only.</b>	Jeff Barton, Acting Budget and Research Director  Page 15
<b>Items 4 – 8 are for information and discussion or discussion and possible action.</b>		
4.	<b>ALTERNATIVE FUEL VEHICLE ACQUISITION STRATEGY</b>  This report requests the Subcommittee recommend City Council approval to issue an RFP to purchase alternative fuel fleet vehicles.  <b>This item is for discussion and possible action.</b>	John Trujillo, Public Works Director  Page 31
5.	<b>CAPITAL PROJECT DELIVERY</b>  This report provides information on procurement methods, including Low-bid, CM@R, JOC, and Design Build  <b>This item is for information and discussion.</b>	Ray Dovalina, Street Transportation Director  Page 33
6.	<b>CITY CLERK ELECTRONIC RECORDS MANAGEMENT SYSTEM</b>  This report requests Subcommittee recommend City Council approval for a vendor for the Records Management Project.  <b>This item is for discussion and possible action.</b>	Cris Meyer, City Clerk  Page 39

7.	<b>FMLA ADMINISTRATIVE PROCESS IMPROVEMENTS</b>  This report requests Subcommittee recommend City Council approval to issue an RFP to improve the FMLA administrative process.  <b>This item is for discussion and possible action.</b>	Cindy Beazury, Acting Human Resources Director  Page 43
8.	<b>PAYMENT STRATEGY</b>  This report provides information to the Subcommittee relating to a payment strategy the Finance Department plans to implement over the next year allowing the City to make electronic payments.  <b>This item is for information and discussion.</b>	Denise Olson, Acting Chief Financial Officer  Page 45
9.	<b>Call to the Public</b>	Chairman Gates
10.	<b>Future Agenda Items</b>	Chairman Gates
11.	<b>Adjournment</b>	Chairman Gates

For further information, please call Samantha Tavares, City Manager's Office at 602-534-3916. 7-11 Friendly

**Persons paid to lobby on behalf of persons or organizations other than themselves shall register with the City Clerk prior to lobbying or within five business days thereafter, and must register annually to continue lobbying. If you have any questions about registration or whether or not you must register, please contact the City Clerk's Office at 602-262-6811.**

For reasonable accommodations, call Samantha Tavares at 602-534-3916 as early as possible to coordinate needed arrangements. 7-11 Friendly

October 14, 2015

**CITY OF PHOENIX CITY COUNCIL**  
**FINANCE, EFFICIENCY, ECONOMY, and SUSTAINABILITY SUBCOMMITTEE**  
**SUMMARY MINUTES**  
**September 16, 2015**

Assembly Rooms A, B, and C  
Phoenix City Hall  
200 West Washington Street  
Phoenix, AZ 85003

**Council Members Present**

Councilman Bill Gates, Chair  
Vice Mayor Daniel Valenzuela  
Councilman Michael Nowakowski  
Councilman Jim Waring

**City Staff Present**

Ed Zuercher	Christine Mackay	Jim Campion
Paul Blue	Aric Bopp	Denise Olson
Mario Paniagua	Cindy Bezaury	Sandra Schilling
Jeff Barton	Mary Kyle	Sandra Torres
Penny Parrella	Debbie Cotton	Kim Grant
Toni Maccarone	John Trujillo	Jason Stokes
Cynthia Weaver	Joe Giudice	Ruben Alonzo
Julie Kriegh	Melissa Sweinhagen	Kweilin Waller
Mary Vivion-Withrow	Leif Anderson	Jesse Benavidez

**Public Present**

Marshall Pimentel	Richard Rea	Jeff Sundheimer
Mary Riek	Scott Phillips	Faith Miller
Dianne Barker	Melissa Szenda	Jared McDonald
Alan Beaudoin		

**1. CALL TO ORDER**

Chairman Bill Gates called the meeting to order at 10:09 a.m.

**2. APPROVAL OF JUNE 17, 2015 MINUTES**

Councilman Nowakowski moved approval of the meeting minutes. Councilman Waring seconded the motion, which was approved unanimously.

**3. JULY 2015 KEY PHOENIX ECONOMIC INDICATORS REPORT**

This item was for information only.

Councilman Waring commented on the population growth statistics provided in the report and asked for clarification on why they differed from the Maricopa County statistics.

City Manager Ed Zuercher commented that a follow up would be done with the University of Arizona economist consultant. He confirmed the report could be found at [www.phoenix.gov/budget](http://www.phoenix.gov/budget).

Chairman Gates and Councilman Nowakowski thanked staff for the detailed report and encouraged individuals to review the report at the City of Phoenix website.

#### **4. TECHNOLOGY SUMMIT RECOMMENDATIONS – IMPLEMENTATION PLAN**

This item was for information only.

#### **5. AUTHORIZATION TO ENTER INTO DEVELOPMENT AGREEMENTS BETWEEN CITY OF PHOENIX AND W.L. GORE & ASSOCIATES, INC. AND CANYON CROSSROADS, LLC**

Christine Mackay, Community and Economic Development Director, discussed the proposed future expansion plans of local Phoenix employer, W.L. Gore & Associates, Inc. (Gore).

Ms. Mackay provided an overview of Gore's current operations. She stated Gore opened its operations in 2011, and have more than 10,000 employees worldwide, including 2,500 Arizonans of which 750 associates are located in Phoenix.

Ms. Mackay stated that the proposed site plan is located at I-17 and Dove Valley road and is currently owned by Canyon Crossroads, adding a Fry's Food grocery store and potential multi-family site have been discussed for the site. Ms. Mackay mentioned that the Fry's grocery store is planned to open in spring 2016.

Ms. Mackay commented that with the build out, Gore intends to create an estimated 1,200 new jobs and 682,000 square feet of new office space.

Ms. Mackay discussed the proposed terms of the development agreements, which covered zoning, public infrastructure, land donation and easement maintenance.

Ms. Mackay stated the Community and Economic Development Department was seeking Subcommittee approval to seek City Council authorization to negotiate and enter into separate development agreements with W.L. Gore & Associates, Inc. and Canyon Crossroads, LLC for development of the Gore's future campus at Canyon Crossroads.

Chairman Gates, Vice Mayor Valenzuela, Councilman Waring and Councilman Nowakowski all expressed their support for the project.

Councilman Waring motioned to approve the item. Councilman Nowakowski seconded the motion which passed unanimously, 4:0.

## **6. COBRA AND FLEXIBLE SPENDING ACCOUNT ADMINISTRATION SERVICES CONTRACT**

City Manager Ed Zuercher introduced Assistant Human Resources (HR) Director Mary Kyle.

Ms. Kyle provided an update on a couple of RFPs conducted by HR to seek administration services for both the COBRA and Flexible Spending Account (FSA) programs. She confirmed the current administration of COBRA is being done by City employees and the FSA administration has been outsourced through ASIFlex for a year.

Ms. Kyle commented that the COBRA program provides the extension of temporary health care benefits when an employee is faced with losing coverage for a variety of reasons and that the FSA program allows employees to set aside pre-tax money for medical and dependent care expenses.

Ms. Kyle confirmed the City has approximately 350-400 employees enrolled in the COBRA program and 2,100 employees enrolled in the FSA program.

Ms. Kyle discussed the challenges the City faces with administering the COBRA program. She discussed the benefits to both HR and employees for moving the administration services to a specialized company that could provide a better level of service and a more streamlined process.

Ms. Kyle confirmed that the solicitation process was completed and out of the six vendors who responded, the HR department has recommended ASIFlex as a vendor for both outsourced COBRA and FSA administration services.

Ms. Kyle commented the outsourced service would increase reimbursement cycles, on-line access for employees, increased security of confidential information, and a debit card function for submitting claims.

Ms. Kyle confirmed the contract would include a five-year competitive fixed pricing guarantee. She mentioned that ASIFlex provides a high level of customer service and possess public sector and City-specific experience.

Ms. Kyle stated staff were requesting Subcommittee approval to seek City Council authorization to enter into the contract with ASIFlex for both COBRA and FSA administration services. She confirmed the contract would cost \$117,000

annually, would not exceed \$585,000 over the 5-year life of the contract and that funding was available in the Health Care Benefits Trust Fund.

Councilman Nowakowski asked what the savings would be to the City for outsourcing. He also asked if the employee union groups were involved with this process in any way.

Ms. Kyle discussed that no savings would be seen but the outsourcing option would result in efficiencies for both the HR department and employees. She confirmed that the union groups were involved when HR looked at an outsource option a year ago and then as part of this RFP process. She stated that they were part of the selection committee and sat in on the vendor interviews for the finalist selection process.

Vice Mayor Valenzuela asked if the COBRA program was currently outsourced.

Ms. Kyle confirmed the COBRA program has never been outsourced.

Vice Mayor Valenzuela discussed the importance of maintaining a great relationship between labor and management and he asked for confirmation that the employee groups had the opportunity to weigh in and review this item.

Ms. Kyle responded that was correct.

Councilman Waring motioned to approve the item. Vice Mayor Valenzuela seconded the motion which passed 3:1 with Councilman Nowakowski opposed.

## **7. STRATEGIC GOAL SETTING CONSULTANT CONTRACT**

City Manager Ed Zuercher introduced Toni Maccarone, Special Assistant to the City Manager and Jim Campion, Deputy Finance Director who discussed the strategic goal setting item that was continued from the Formal Council meeting last week with the direction to the Subcommittee for further discussion.

Chairman Gates discussed the possibility of the Subcommittee developing a strategic plan to provide management guidance based on the recently approved General Plan, PlanPHX.

Councilman Waring mentioned that this item had been discussed at the last Formal Council meeting but was returned to Subcommittee for further discussion. He voiced his concern for spending the money on this item.

Councilman Nowakowski voiced his concern about spending tax payer dollars on an item that had been previously done 4-5 years ago under City Manager David Cavaos, where each department established a mission and vision. He felt an ongoing annual operational plan with measurable matrix would be more

strategic. Councilman Nowakowski also expressed his concern for transparency.

Mr. Zuercher agreed with the comments and further explained as part of his evaluation last year, City Council asked him to establish a strategic plan and goal setting process. He explained how the strategic goal setting contract would help in identifying priorities and would build off of the General Plan, PlanPHX. Mr. Zuercher also confirmed the meetings would be held in an open session.

Vice Mayor Valenzuela expressed his support for the strategic goal setting process as long as the meetings were held in an open process with input from staff and the public.

Chairman Gates clarified how the PlanPHX document is at a granular level, but the strategic goal setting process would be at a higher level based off of the PlanPHX document, to help provide direction to City Management.

Councilman Waring clarified his interpretation of the discussion at Formal Council was to utilize this process to establish priorities for next year based on a shortage of money.

Councilman Nowakowski further expressed his concern for the crucial budget situation next year and the need for transparent discussions with input from all levels especially operational staff in an effort to get a clear picture of prioritizing services.

Mr. Zuercher explained that the PlanPHX document is a long-term planning tool where the strategic goal setting exercise is a process to help reach the long term goals. Mr. Zuercher provided a few examples of how the strategic plan would help evaluate priorities.

Chairman Gates clarified a strategic plan with measurable metrics would help prioritize the budget.

Mr. Zuercher confirmed this process is not a program ranking process which is more of budget exercise.

Vice Mayor Valenzuela and Councilman Waring expressed their support for the educational opportunity to learn more about the services the City provides.

Councilman Nowakowski again expressed his support for an ongoing operational planning process. He voiced a concern for the prioritization process and how it would affect citizens.

Chairman Gates asked for a motion.

Councilman Nowakowski requested more information on the prioritization process and the transparency.

Mr. Zuercher confirmed it is not a program ranking process. Mr. Zuercher mentioned that from the discussion some of the items brought up might become goals established during this process but would be part of separate processes.

Vice Mayor Valenzuela motioned to approve the item and Chairman Gates seconded the motion which passed 3:1 with Councilman Nowakowski opposed.

## **8. CITYWIDE OFFICE SPACE STUDY RESULTS AND RECOMMENDATIONS**

City Manager Ed Zuercher introduced Ms. Maccarone to provide an update about the ongoing effort to review facilities and properties owned by the City. Mr. Zuercher specified the Human Resource building is included in the office space review.

Ms. Maccarone commented on the citywide office space study that was conducted to look for opportunities to consolidate space. She introduced Ms. Mackay and Mary Vivion-Withrow, Deputy Finance Director who also provided assistance with the study. Ms. Maccarone thanked the Public Works Department staff who were extremely helpful during the process.

Ms. Maccarone mentioned the City currently has 3,000 fewer positions. She discussed the Human Resources building was identified during the study as an underutilized facility and staff are recommending that the building be sold. She mentioned the current HR staff in the building could be relocated to the Calvin Goode building which has adequate space.

Ms. Maccarone provided an overview of the HR building. She mentioned the City currently holds a debt of \$2.2 million on the building and once sold, the debt could be paid off and the City would see an annual operational savings of \$400,000. Ms. Maccarone mentioned the building is on the citywide telephony replacement project schedule which would cost approximately \$200,000.

Ms. Maccarone introduced Ms. Mackay to discuss the buildings marketability.

Ms. Mackay confirmed the building is in a good location in the downtown market but does have challenges and may struggle on the market. She explained the building is older and the current market is demanding newer buildings with open floor plans. Ms. Mackay explained the biggest challenge is the building has zero parking spaces since employees are in the shared employee garage.



Ms. Vivion-Withrow explained the building was purchased in 1991 and renovated using bond funds. She mentioned in 2011 the bonds were restructured and not due until 2028.

Councilman Nowakowski asked who owns the parking garage underneath the building and if in the future could it be knocked down without disturbing the basement parking.

Ms. Mackay confirmed the parking garage is owned by the 111 building owner immediately adjacent to the south of the property and there are ways to accommodate tearing down the building without affecting the subterranean surface.

Councilman Valenzuela expressed support for relocating employees and recommended adding this item to the Downtown, Aviation and Redevelopment Subcommittee for further discussion.

Ms. Maccarone discussed citywide leased office space and recommended a relocation of the Police Professional Standards Bureau to Historic City Hall. She confirmed the Police Bureau leases space in downtown at a cost of \$300,000 per year.

Mr. Zuercher asked when the lease expired.

Ms. Maccarone confirmed the lease expires in a year and they were in the early stages of this relocation effort.

Councilman Nowakowski expressed his gratitude and commented on the shared resource opportunities and the need to create more parking and housing downtown.

Chairman Gates expressed his gratitude and his concern for the need to eliminate all leases as soon as possible.

Councilman Waring expressed his support for eliminating all leases and requested a complete list from staff.

Mr. Zuercher confirmed the space study identified very few leased spaces and that an RFP to look at the possibility of selling the HR building would be brought back to Subcommittee at a later time after the Downtown, Aviation and Redevelopment Subcommittee has reviewed the item.

## **9. CITY MANAGER'S LEAN TEAM**

City Manager Ed Zuercher introduced Mario Paniagua, Deputy City Manager, and Melissa Sweinhagen, Deputy Public Transit Director, who are leading the

lean team efforts. Mr. Zuercher confirmed the goal of the lean team is not to eliminate jobs but to make processes more efficient.

Mr. Paniagua explained the goal of the lean team is to look at the fitness of the organization, review processes and confirm they are maximized for optimal customer service.

Mr. Paniagua discussed the proposed process improvement method, called lean six sigma, explaining it was used by a variety of large organizations to review processes and implement improvements.

Mr. Paniagua discussed the team's action plan was to bring in a consultant to train employees in six sigma methodology and to have employees serve on the team since they are experts in the City's operations.

Ms. Sweinhagen provided examples of public organizations who utilized the six sigma process to make improvements and some of the benefits.

Ms. Sweinhagen requested Subcommittee approval to move forward with a request for proposals for six sigma training.

Chairman Gates asked for a call to the public.

Marshall Pimentel expressed his concern for the six sigma approach, adding he had experience with the process at Motorola. He explained how he felt that six sigma attributed to negative effects at Motorola.

Chairman Nowakowski asked how much the training would cost and if any of the cities mentioned in the examples had been contacted to verify cost.

Ms. Sweinhagen commented that the training would cost approximately \$2,500-\$3,500 per person and that no other cities had been contacted yet.

Chairman Nowakowski requested more specific cost information before voting.

Mr. Paniagua commented that employees do have an existing training benefit which could be utilized to help offset the cost of training.

Mr. Zuercher confirmed the request being made would not authorize any payment at that time and once the RFP is completed, staff would come back to Subcommittee for approval.

Chairman Gates expressed his support for the six sigma process and noted it was beneficial in other organizations.

Vice Mayor Valenzuela expressed his support for improving processes and developing best practices as long as the City employees are involved in the process.

Mr. Zuercher confirmed empowering City employees to improve processes is the goal of the team.

Chairman Waring motioned to approve the item. Vice Mayor Valenzuela seconded the motion which passed unanimously, 4:0.

## **10. REVIEW COLLECTION AGENCY AND LIEN COST RECOVERY INFORMATION**

City Manager Ed Zuercher introduced Denise Olson, Acting Chief Financial Officer and Sandra Schilling, Acting Assistant Finance Director, to provide a review of the collection agency and lien cost recovery services.

Ms. Schilling provided a recap of the City's collection activity process and the contract with the collection agency. Ms. Schilling mentioned in July, staff had recommended an update to City Code Chapter 2 Article 1 to allow for the recovery of lien fees and collection agency costs from debtors.

Ms. Schilling provided additional information requested about the code changes. She confirmed the changes would affect municipal service bills, transaction privilege tax, fire emergency transportation services and general accounts receivable accounts including neighborhood services blight and other miscellaneous debt. Ms. Schilling confirmed the change does not affect Municipal Court or Judicial System fees which already had a collection agency service in place.

Ms. Schilling explained the current collection process and noted the poor management of debt accounts. Ms. Schilling provided a map of debt distribution across the City.

Councilman Waring asked for clarification on the debt distribution map and how customers incur debt on water bills.

Ms. Schilling further discussed the map provided and confirmed the distribution of debt is not regional but spreads throughout the City. She also discussed that high balance water bills are usually attached to a large business or an apartment complex.

Ms. Schilling provided a list of the largest cities and confirmed the City of Phoenix is the only city not recovering collection agency costs. She provided a proposed fee list per service.

Chairman Gates asked for clarification that the request was to recover the cost of tracking down debt and if the cost was not recovered that the tax payers would have to cover the cost of the recovery services.

Mr. Zuercher stated before an item is sent for collection, staff would have a notification processes in place.

Councilman Nowakowski requested documentation of the notification process for delinquent water accounts. He also asked what resources were available for people who may have lost ether job or need help. Mr. Nowakowski asked for more information on what taskforce is in place to review yard sales and farmer's market cash sales.

Ms. Schilling confirmed the Human Services Department has a program called Project Assist to help people needing assistance.

Ms. Schilling requested Subcommittee approval to reaffirm approval to go to Formal Council for approval of this item.

Chairman Waring motioned to approve the item. Councilman Nowakowski seconded the motion which passed unanimously 4:0.

## **11. PAYMENT STRATEGY**

This item was continued to a later meeting.

## **12. CALL TO THE PUBLIC**

Chairman Gates asked for a call to the public.

Jason Stokes expressed his concern on item 6 regarding the Administration of the COBRA plan. He stated employee groups were not represented well. He mentioned that the RFP was reviewed by a four-person panel, one of which was a labor representative. He stated the RFP recommendation never went before the Healthcare Task Force or the Healthcare Trust Board.

Chairman Gates noted the City Manager would address his concerns before moving forward to Formal Council.

## **13. FUTURE AGENDA ITEMS**

Councilman Nowakowski would like to see how funds could be raised to generate money for police officers. He suggested Court or towing fees which could be utilized as a revenue source to pay for additional police officers.

## **14. ADJOURNMENT**

Chairman Gates adjourned the meeting at 12:12 p.m.

Respectfully Submitted,  
Jesse Benavidez  
Budget and Research Department

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**CITY COUNCIL REPORT**

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TO: Ed Zuercher  
City Manager

FROM: Jeff Barton  
Acting Budget and Research  
Director

SUBJECT: AUGUST 2015 KEY PHOENIX ECONOMIC INDICATORS REPORT

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This report transmits the August 2015 report on Key Phoenix Economic Indicators to the Finance, Efficiency, Economy and Sustainability (FEES) Subcommittee.

As requested by members of the FEES Subcommittee, the revised report now includes data from the peak year (when the peak year differs from the current year) as another reference of comparison for each of the measures. Also requested by members of the Subcommittee, the updated monthly report will be included in the agenda packet for the regularly scheduled FEES Subcommittee meetings.

In response to Subcommittee questions regarding last month's report, the "current year" verbiage for indicators 3, 4 and 5 has been updated to address concerns that these indicators differed from information reflected in several newspaper articles highlighting Maricopa County Population growth. Planning and Development staff have confirmed that the projections referenced in these indicators are in fact based on State population projections of 2% growth for Maricopa County. The use of terms such as "low population growth" and "slow recovery" in last month's report was in reference to staff's comparison of the State's projected growth to that of historical averages for Maricopa County.

This report is provided for information only.

THE ISSUE

As part of efforts to continuously improve budget forecasting and reporting, the Budget and Research Department compiles 19 key Phoenix economic indicators into the attached monthly report. The data is collected with assistance from the Aviation, Planning and Development, Public Works, and Water Services Departments. The indicators are attached to this report for review by the FEES Subcommittee.

OTHER INFORMATION

The attached August 2015 report on 19 Key Phoenix Economic Indicators provides insightful data that, when reviewed collectively, can reveal a helpful overall picture of recent economic activity trends specifically within Phoenix. Although outside sources of economic data are also available, most of that information covers the entire Greater Phoenix region or the State of Arizona. However with the exception of two statewide measures, the indicators in the attached report relate to data specifically within City of Phoenix boundaries, which may differ from the region or state. The 19 Phoenix data measures include:

1. **Sky International Harbor Airport Passengers:** This measure indicates regional tourism and business activity.
2. **Phoenix Water Service Accounts:** This measure may indicate changes in Phoenix population and commercial and residential property development.
3. **New Phoenix Single Family Home Construction Permits Issued:** This measure may indicate Phoenix population growth and shifts in housing preferences or demographics, as well as spill over benefits to other economic sectors such as construction, retail, manufacturing, and utilities.
4. **New Phoenix Multifamily Units Permitted:** Like single family permits, this measure may indicate Phoenix population growth and shifts in housing preferences or demographics, as well as spill over benefits to other economic sectors such as construction, retail, manufacturing, and utilities.
5. **Total Value of Permitted Phoenix Activity:** Along with other factors, this measure may provide an indication of Phoenix property market values and development, as well as overall strength for commercial and residential markets.
6. **Phoenix Solid Waste Total Tonnage Collected:** This measure may indicate changes in Phoenix population, development, economic activity or environmental factors.
7. **Phoenix Solid Waste Recycling Tonnage Collected:** Although significantly affected by shifts in consumer behavior, this measure may also indicate changes in Phoenix population, development, economic activity or environmental factors.
8. **City of Phoenix Overall Sales Tax:** This measure indicates overall economic activity related to all categories of taxable sales within Phoenix.
9. **City of Phoenix Retail Sales Tax:** This measure indicates economic activity related to taxable retail sales and consumer spending levels within Phoenix.



10. **City of Phoenix Hotel/Motel Sales Tax:** This measure indicates economic activity related to tourism within Phoenix.
11. **City of Phoenix Restaurants/Bars Sales Tax:** This measure indicates economic strength, population changes, and tourism activity within Phoenix.
12. **City of Phoenix Contracting Sales Tax:** This measure indicates economic activity related to taxable commercial and residential construction in Phoenix. However, the effectiveness of this measure as an economic indicator may be lessened due to the state's recent Transaction Privilege Tax reform measures relating to contracting.
13. **State Overall Sales Tax:** This measure indicates economic activity related to all categories of taxable sales within the state of Arizona.
14. **State Vehicle License Tax:** This measure indicates vehicle sales activity within the state of Arizona.
15. **Phoenix Assessed Property Valuation:** This measure is based on the Primary Net Assessed Valuation, which provides the basis for City of Phoenix property tax revenue.
16. **Phoenix Full Cash Property Value:** This measure indicates the market value of residential and commercial property within Phoenix and is an important economic indicator relating to the overall commercial and residential property markets.
17. **Phoenix Median Household Income:** This annually updated measure provides the mid-level household income within Phoenix, an important indicator of job and wage activity levels.
18. **Phoenix Unemployment Rate:** This annually updated measure shows the percentage of the active labor force currently unemployed within Phoenix, an important indicator of overall economic health.
19. **Phoenix Labor Force Participation:** Another measure of employment levels, this annually updated measure shows the percentage of the population aged 16 and older currently in the Phoenix labor force, which can help account for "discouraged workers" not captured in the unemployment rate.

Each measure provides the year-to-date totals and year-to-date growth rates compared to the:

- prior year;
- prior three-year average;
- and peak year (when the peak year differs from the current year), as requested by FEES Subcommittee members at the April 20, 2015 meeting.

The current monthly report is also prominently posted online on the Budget and Research Web page at [phoenix.gov/budget](http://phoenix.gov/budget).

#### RECOMMENDATION

This report is provided for information only.

Attachment: August 2015 Report Key Phoenix Economic Indicators



**City of Phoenix**

# *Phoenix Economic Indicators Report*

*August 2015*

## **Executive Summary**

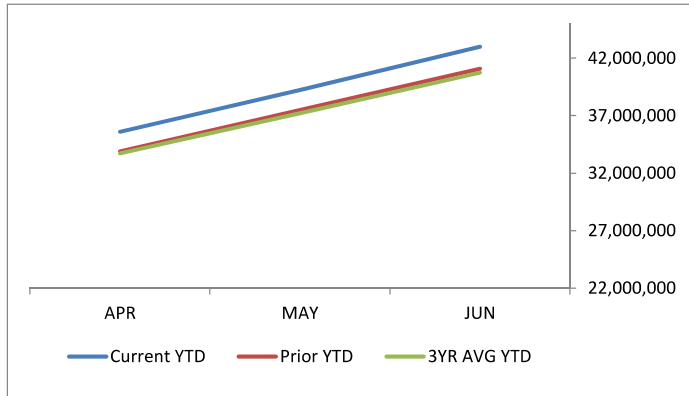
Economic indicators, such as those included in this report, provide measurements for evaluating the health of our economy, the latest business cycles, and how consumers are spending and generally faring. Included in this report are aviation, utility, new development, state and local sales tax, vehicle sales, property values, and employment statistics. Each statistic is shown through a graph presenting current year-to-date data (for measures using fiscal year, July 1 through the month prior to publishing), prior year-to-date, prior three year average of year-to-date data, and peak year data (if current year is not the peak year) over a sliding three month period. Each indicator has its own peak year where performance was at its highest since 2000. Each graph is accompanied by a description of the significance of the measure as an economic indicator, and a statement about the current year data in relation to prior years. Many of the statistics are updated monthly, but a few are only available quarterly or annually.

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### Phoenix Sky Harbor Airport Total Passengers

**Significance:** The number of passengers utilizing the Phoenix Sky Harbor airport can be an indicator for regional tourism and business activity.



**Current YTD Compared to:**

Prior Year	+ 4.7%
3 Year Avg.	+ 5.5%
Peak Year	+ 0.0%
(FY2014-15)	

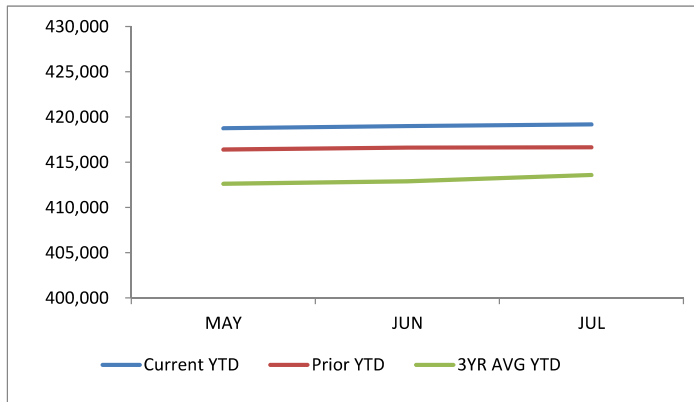
**Totals**

CYTD	43,009,000
PYTD	41,093,000
3YRAVG	40,755,000
Peak Year	N/A
(FY2014-15)	

**Current Year:** Passenger Traffic for FY 2015 was the highest ever recorded, 4.7% over FY2013-14 and 2.7% over previous high (FY2006-07). Industry data lags two months. Peak year is N/A because the current fiscal year is the peak year. (Current fiscal data reflects July 2014 - June 2015.)

### Water Service Accounts

**Significance:** The number of water service accounts can be an indicator of changes in population and development.



**Current YTD Compared to:**

Prior Year	+ 0.6%
3 Year Avg.	+ 1.4%
Peak Year	0.0%
FY2015-16	

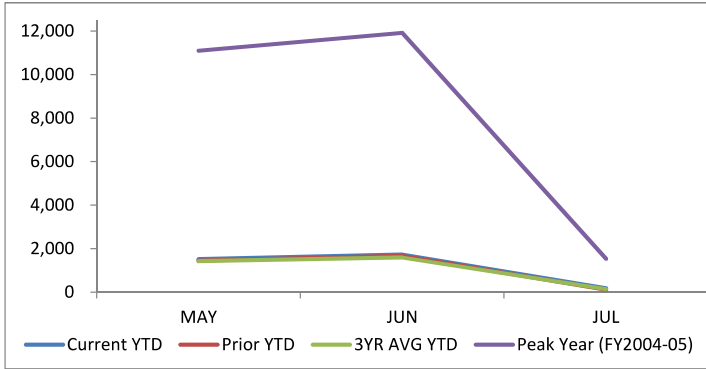
**Totals**

CYTD	419,206
PYTD	416,662
3YRAVG	413,609
Peak Year	N/A
FY2015-16	

**Current Year:** Trend continues upward. Peak year is N/A because the current fiscal year is the peak year for July data. Current cumulative data displayed crosses two fiscal years: FY2014-15 (May - June 2015), and FY2015-16 (July 2015).

**New Home Construction Permits Issued**

**Significance:** New single family homes are a key economic indicator, reflecting local population growth as well as spill over benefits to other sectors of the economy such as demand for construction labor/materials, retail, manufacturing and utilities.



**Current YTD Compared to:**

Prior Year	+ 68.7%
3 Year Avg.	+ 32.9%
Peak Year	-87.4%
(FY2004-05)	

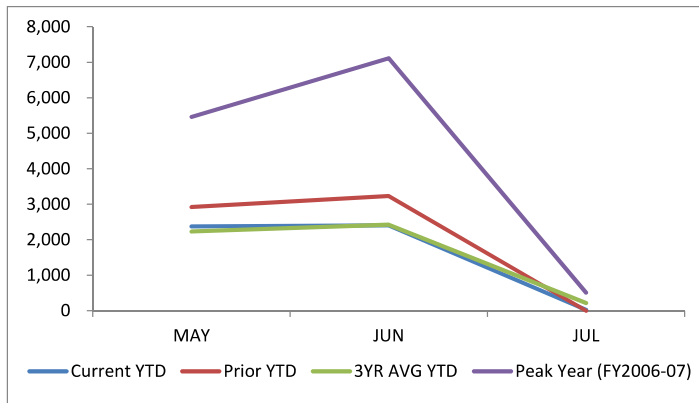
**Totals**

CYTD	194
PYTD	115
3YRAVG	146
Peak Year	1,541
(FY2004-05)	

**Current Year:** Planning and Development is projecting modest growth in residential construction permits in 2015-16, based on State projections of 2% population growth for Maricopa County and 10% growth in new single family permits. Current cumulative data displayed crosses two fiscal years: FY2014-15 (May - June 2015), and FY2015-16 (July 2015). July is the first month of the new FY and thus "resets" the current year-to-date (CYTD) count.

**New Multifamily Units Permitted**

**Significance:** New multi-family construction is a key economic indicator of local population growth or shifts in housing preferences and its spill over benefits to other sectors of the economy such as demand for construction labor/materials, retail, manufacturing and utilities.



**Current YTD Compared to:**

Prior Year	N/A
3 Year Avg.	-89.2%
Peak Year	-95.3%
(FY2006-07)	

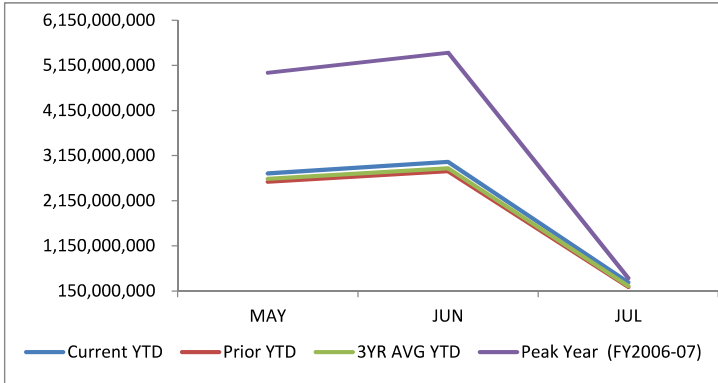
**Totals**

CYTD	24
PYTD	0
3YRAVG	222
Peak Year	510
(FY2006-07)	

**Current Year:** Planning and Development is projecting continued strength in multi-family residential permits in 2015-16, based on State projections of 2% population growth for Maricopa County and interest in urban and infill residential development. Current cumulative data displayed crosses two fiscal years: FY2014-15 (May - June 2015), and FY2015-16 (July 2015). Prior year comparison is N/A because there were no permits issued in July of last year. July is the first month of the new FY and thus "resets" the current year-to-date (CYTD) count.

**Total Value of Permitted Activity**

**Significance:** The valuation of new construction can be an indicator of one facet of Phoenix's economic strength because it reflects the permit value of new construction projects.



**Current YTD Compared to:**

Prior Year	+ 42.5%
3 Year Avg.	+ 29.3%
Peak Year (FY2006-07)	-21.8%

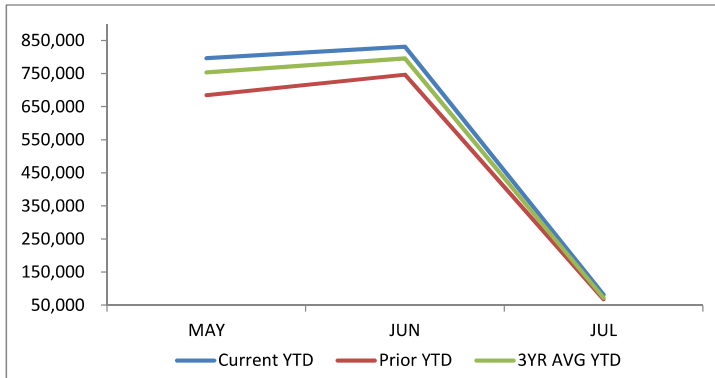
**Totals**

CYTD	\$341,870,324
PYTD	\$239,939,791
3YRAVG	\$264,429,573
Peak Year (FY2006-07)	\$437,093,998

**Current Year:** Planning and Development is projecting modest growth in overall construction permits in 2015-16, based on State projections of 2% population growth in Maricopa County and continued recovery of the residential market. Current cumulative data displayed crosses two fiscal years: FY2014-15 (May - June 2015), and FY2015-16 (July 2015). July is the first month of the new FY and thus "resets" the current year-to-date (CYTD) count.

**Solid Waste - Total Tonnage Collected**

**Significance:** Tonnage is an indicator of growth within the City of Phoenix or environmental factors such as storms. Total tonnage includes landfill materials and green waste material that is not landfilled. Recyclable material is not included in this measure.



**Current YTD Compared to:**

Prior Year	+ 20.7%
3 Year Avg.	+ 12.9%
Peak Year FY2015-16	0.0%

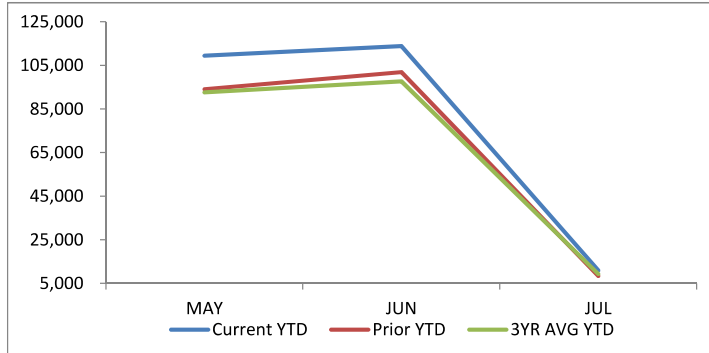
**Totals**

CYTD	82,111
PYTD	68,004
3YRAVG	72,698
FY2015-16	N/A

**Current Year:** With the economy getting stronger and more vacant homes filling, the tonnage for trash and green waste is increasing. Additionally, given the time of the year the green waste is normally on the rise; however, the green waste is higher than normal due to the amount of rain late in the year. Peak year is N/A because the current fiscal year is the peak year for July data. Current cumulative data displayed crosses two fiscal years: FY2014-15 (May - June 2015), and FY2015-16 (July 2015). July is the first month of the new FY and thus "resets" the current year-to-date (CYTD) count.

**Solid Waste - Recycling Tonnage Collected**

**Significance:** Recycling tonnage is one measurement of Solid Waste revenue generated through diversion and increased understanding by residents about how or what to recycle. Recycling tonnage includes materials processed at the materials recycling facility (MRF).



**Current YTD Compared to:**

Prior Year	+ 30.3%
3 Year Avg.	+ 18.0%
Peak Year	0.0%
FY2015-16	

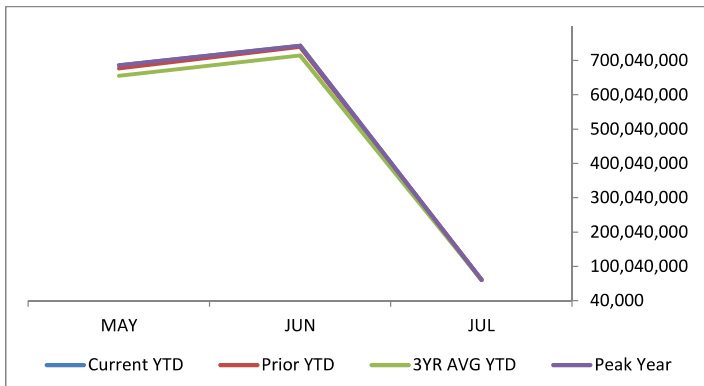
**Totals**

CYTD	10,944
PYTD	8,402
3YRAVG	9,271
Peak year	N/A
FY2015-16	

**Current Year:** Recycling tonnage is up due to adding in new partners who previously were not providing recycling material to the City in prior years. Along with the recovery of the economy by filling vacant homes. Peak year is N/A because the current fiscal year is the peak year for July data. Current cumulative data displayed crosses two fiscal years: FY2014-15 (May - June 2015), and FY2015-16 (July 2015). July is the first month of the new FY and thus "resets" the current year-to-date (CYTD) count.

**City Sales Tax - Total**

**Significance:** City sales tax (all funds including: General Fund, T2000, Public Safety, 3PI, Convention Center, Sports Facilities, and Capital Construction) represents overall local economic activity related to taxable sales. The Peak Year (2007-08) represents the highest year (excluding sales tax on food revenue).



**Current YTD Compared to:**

Prior Year	-1.0%
3 Year Avg.	-0.7%
Peak Year	-0.5%
FY2007-08	

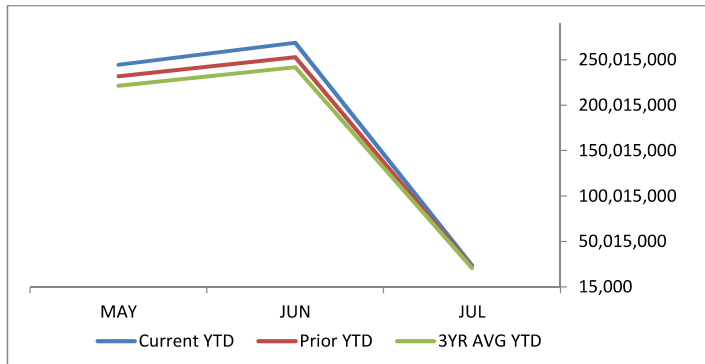
**Totals**

CYTD	\$60,558,000
PYTD	\$61,141,000
3YRAVG	\$60,980,333
Peak Year	\$60,834,000
FY2007-08	

**Current Year:** Prior year data, including the three year average, includes revenue from the sales tax on food. The sales tax on food was reduced from 2% to 1% effective January 2014, which began impacting reported revenue in February 2014. The sales tax on food was eliminated effective April 2015, which began impacting reported revenue in May 2015. Peak Year FY2007-08 does not include sales tax on food. Current cumulative data displayed crosses two fiscal years: FY2014-15 (May - June 2015), and FY2015-16 (July 2015). July is the first month of the new FY and thus "resets" the current year-to-date (CYTD) count.

**City Sales Tax - Retail**

Significance: Retail sales tax represents retail sales, not including the sales tax on food.



**Current YTD Compared to:**

Prior Year	+ 8.2%
3 Year Avg.	+ 12.9%
FY2015-16	0.0%

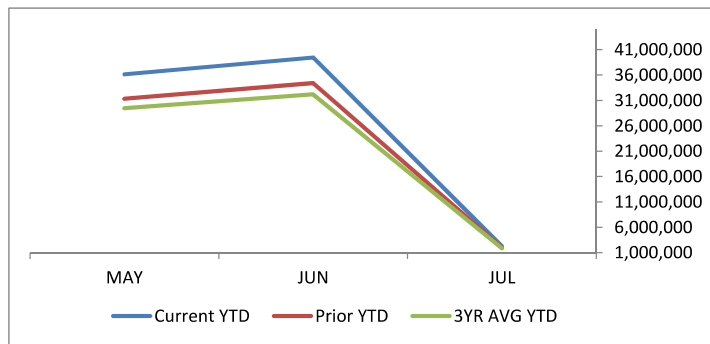
**Totals**

CYTD	\$23,500,000
PYTD	\$21,721,000
3YRAVG	\$20,815,667
FY2015-16	N/A

Current Year: Peak year is N/A because the current fiscal year is the peak year for July data. Current cumulative data displayed crosses two fiscal years: FY2014-15 (May - June 2015), and FY2015-16 (July 2015). July is the first month of the new FY and thus "resets" the current year-to-date (CYTD) count.

**City Sales Tax - Hotel/Motel**

Significance: Hotel/Motel sales tax revenue represents taxable sales for these businesses and is an indicator of tourism activity.



**Current YTD Compared to:**

Prior Year	+ 15.5%
3 Year Avg.	+ 19.1%
FY2015-16	0.0%

**Totals**

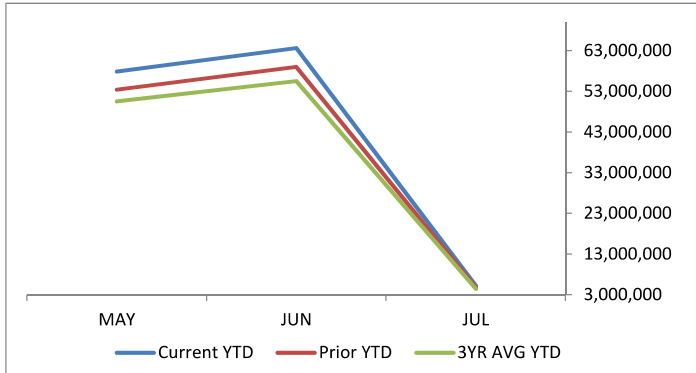
CYTD	\$2,275,000
PYTD	\$1,970,000
3YRAVG	\$1,910,667
FY2015-16	N/A

Current Year: Peak year is N/A because the current fiscal year is the peak year for July data. Current cumulative data displayed crosses two fiscal years: FY2014-15 (May - June 2015), and FY2015-16 (July 2015). July is the first month of the new FY and thus "resets" the current year-to-date (CYTD) count.



**City Sales Tax - Restaurants/Bars**

Significance: Restaurants/Bars sales tax revenue represents taxable sales for these businesses and is an indicator of economic strength, population growth, and tourism.



**Current YTD Compared to:**

Prior Year	+ 9.0%
3 Year Avg.	+ 15.8%
FY2015-16	0.0%

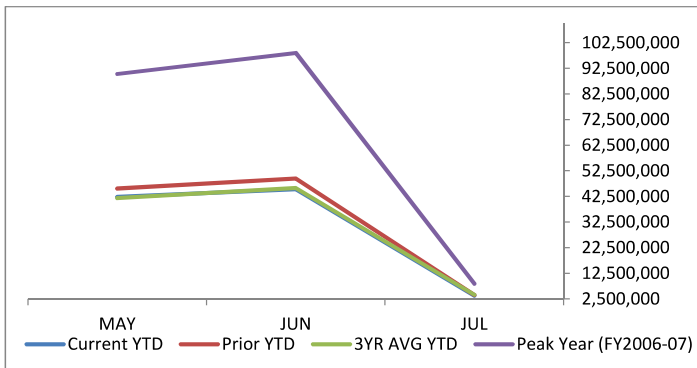
**Totals**

CYTD	\$5,174,000
PYTD	\$4,748,000
3YRAVG	\$4,469,333
FY2015-16	N/A

Current Year: Peak year is N/A because the current fiscal year is the peak year for July data. Current cumulative data displayed crosses two fiscal years: FY2014-15 (May - June 2015), and FY2015-16 (July 2015). July is the first month of the new FY and thus "resets" the current year-to-date (CYTD) count.

**City Sales Tax - Contracting**

Significance: Contracting sales tax revenue presents activity in the commercial, retail and residential construction markets.



**Current YTD Compared to:**

Prior Year	-7.7%
3 Year Avg.	-8.9%
Peak Year	-55.4%
(FY2006-07)	

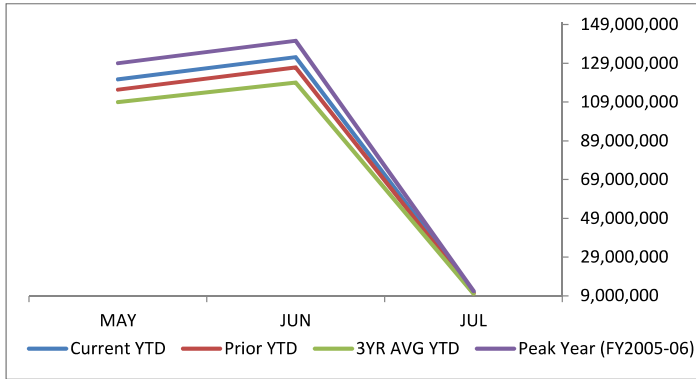
**Totals**

CYTD	\$3,782,000
PYTD	\$4,099,000
3YRAVG	\$4,152,667
Peak Year	\$8,483,000
(FY2006-07)	

Current Year: Current cumulative data displayed crosses two fiscal years: FY2014-15 (May - June 2015), and FY2015-16 (July 2015). July is the first month of the new FY and thus "resets" the current year-to-date (CYTD) count.

**State Sales Tax - Total**

**Significance:** State Sales Tax accounts for approximately 37.4% of Total State Shared Revenues based on the FY15/16 Budget. Total State Shared revenue is approximately 35% of total General Fund Revenue. The Peak Year (2005-06) reflects a time when the City received a higher percentage share (32.5%) of state-shared revenues. State shared sales tax revenues are distributed to cities and towns based on relative population share. The population share in FY 2000-01 was 33.7% and the current population share in FY 2015-16 is 28.8%.



**Current YTD Compared to:**

Prior Year	+ 5.4%
3 Year Avg.	+ 8.7%
Peak Year (FY2005-06)	-4.9%

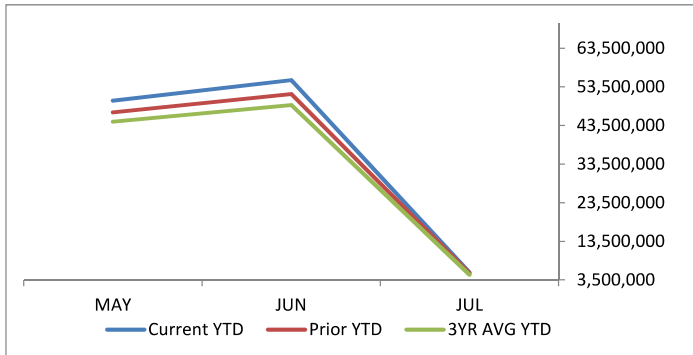
**Totals**

CYTD	\$10,897,000
PYTD	\$10,340,000
3YRAVG	\$10,028,000
Peak Year (FY2005-06)	\$11,462,000

**Current Year:** July FY2015-16 State sales tax was \$10.9 million, representing 5.4% growth over FY2014-15. The retail category grew at 9.3%. Current cumulative data displayed crosses two fiscal years: FY2014-15 (May - June 2015), and FY2015-16 (July 2015). July is the first month of the new FY and thus "resets" the current year-to-date (CYTD) count.

**State Vehicle License Tax**

**Significance:** State Vehicle License tax accounts for approximately 15.2% of Total State Shared Revenues based on the FY15/16 Budget. Total State Shared revenue is approximately 35% of total General Fund Revenue. The Peak Year (2005-06) reflects a time when the City received a higher percentage share (46.1%) of state-shared revenues. State shared vehicle license tax revenues are distributed to cities and towns based on relative population share. The population share in FY 2000-01 was 48.5% and the current population share in FY 2015-16 is 40.95%.



**Current YTD Compared to:**

Prior Year	+ 3.2%
3 Year Avg.	+ 11.8%
FY2015-16	0.0%

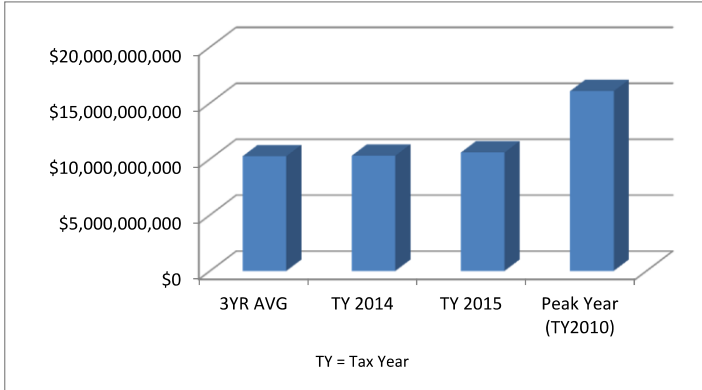
**Totals**

CYTD	\$5,417,612
PYTD	\$5,248,777
3YRAVG	\$4,847,025
FY2015-16	N/A

**Current Year:** Peak year is N/A because the current fiscal year is the peak year for July data. Current cumulative data displayed crosses two fiscal years: FY2014-15 (May - June 2015), and FY2015-16 (July 2015). July is the first month of the new FY and thus "resets" the current year-to-date (CYTD) count.

**Phoenix Assessed Valuation**

**Significance:** Phoenix's assessed valuation is based on the Primary Net Assessed Value (PNAV) which beginning in FY2015-16 is the single value used for calculating both Primary Property Taxes and Secondary Property Taxes. The assessed valuation provides an indicator of the basis for City property tax revenue.



**Calendar Year Compared to:**

Prior Year	+ 2.7%
3 Year Avg.	+ 3.1%
Peak Year (TY2010)	-34.2%

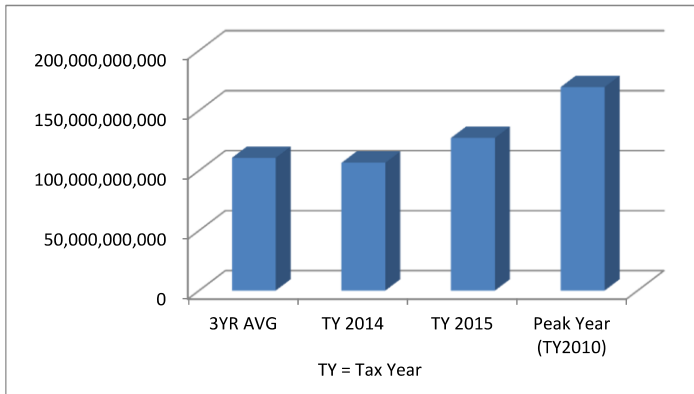
**Totals**

2015	\$10,577,031,724
2014	\$10,298,185,184
3YRAVG	\$10,255,005,231
Peak Year (TY2010)	16,063,200,689

**Current Year:** Tax Year 2015 (FY15-16) PNAV grew by 2.7% over the prior year; 1.8% of this is attributable to new property, and 0.9% is attributable to appreciation in previously-taxed property. Ongoing reductions in assessment ratios for commercial property, which will continue to occur through Tax Year 2016, played a large part in limiting real property appreciation to 2.9% rather than the theoretical maximum of 5.0%. Additionally, commercial personal property depreciated by 23.2%, and centrally valued property depreciated by 3.6%.

**Phoenix Full Cash Value**

**Significance:** Full cash value is an indicator of both commercial and residential property values, an important indicator of one facet of economic health. This statistic is updated once per year in February and lag market conditions by approximately one year. Due to assessed valuation growth limits and statutory changes in assessment ratios, however, trends in full cash value do not correlate to trends in the tax base for property taxes.



**Calendar Year Compared to:**

Prior Year	+ 19.5%
3 Year Avg.	+ 15.0%
Peak Year (TY2010)	-25.0%

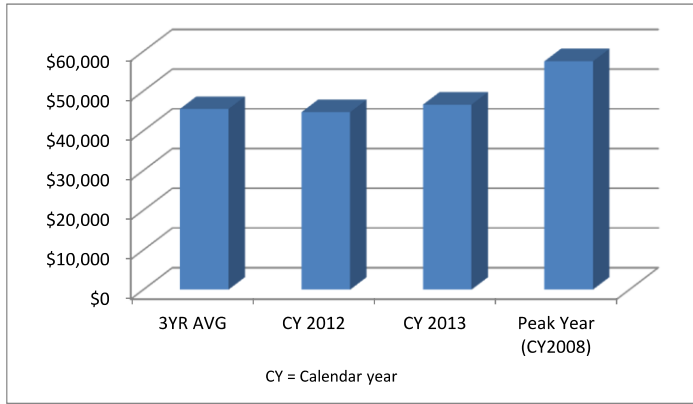
**Totals**

2015	\$127,280,069,634
2014	\$106,487,248,298
3YRAVG	\$110,653,274,620
Peak Year (TY2010)	169,661,389,554

**Current Year:** From tax year 2014 to tax year 2015, single and multi-family residential property values grew by 29%, while commercial property values grew by 8%.

**Phoenix Median Household Income**

**Significance:** This measure includes the income of the householder and all other individuals 15 years old and over in the household. Median income is the amount that divides the income distribution into two equal groups, half at income levels above that amount, and half at income levels below that amount. This statistic is updated once per year in October.



**Calendar Year Compared to:**

Prior Year	+ 4.3%
3 Year Avg.	+ 2.4%
Peak Year (CY2008)	-19.0%

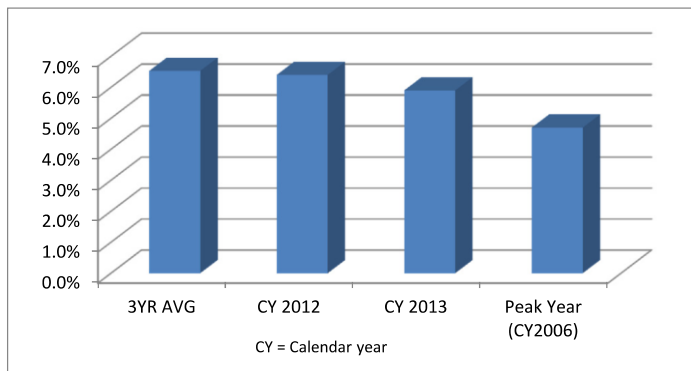
**Totals**

2013	\$46,601
2012	\$44,688
3YRAVG	\$45,496
Peak Year (CY2008)	\$57,507

**Current Year:** The increase in 2013 over prior years is an indication of the slow to moderate recovery from the 2008 recession. Data is from the American Community Survey (U.S. Census Bureau) and reflects the highest since 2005 (the oldest readily available data set).

**Phoenix Unemployment Rate**

**Significance:** This measures the percentage of the labor force that are unemployed. People are classified as unemployed if they do not have a job, have actively looked for work in the prior 4 weeks, and are currently available for work. This statistic is updated once per year in October.



**Calendar Year Compared to:**

Prior Year	-7.8%
3 Year Avg.	-9.6%
Peak Year (CY2006)	25.5%

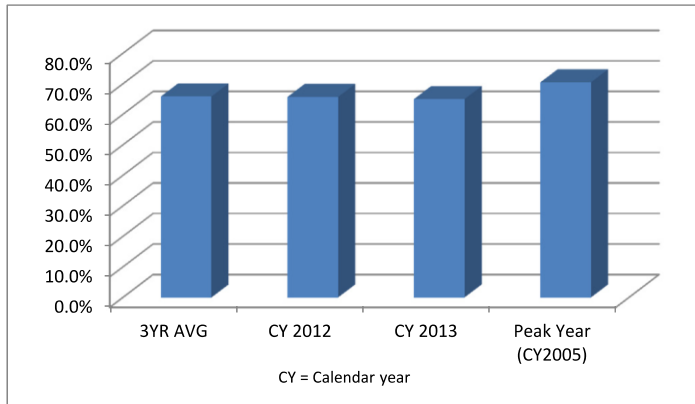
**Totals**

2013	5.9%
2012	6.4%
3YRAVG	6.5%
Peak Year (CY2006)	4.7%

**Current Year:** The decrease in the unemployment rate over prior years may indicate growth in jobs and/or that fewer people who are available to work have been actively looking for work in the prior 4 weeks of the survey. Data is from the American Community Survey (U.S. Census Bureau) and reflects the highest since 2005 (the oldest readily available data set).

**Phoenix Labor Force Participation**

Significance: This measures the percentage of the population (16 and older) that is in the labor force. The labor force is defined as the total population of employed and unemployed people (16 and older). People are classified as unemployed if they do not have a job, have actively looked for work in the prior 4 weeks, and are currently available for work. This statistic is updated once per year in October.



**Calendar Year Compared to:**

Prior Year	-1.1%
3 Year Avg.	-1.3%
Peak Year (CY2005)	-7.8%

**Totals**

2013	65.0%
2012	65.7%
3YRAVG	65.9%
Peak Year (CY2005)	70.5%

Current Year: The decrease in the labor force participation rate indicates a decline in the percentage of the population that is either employed or unemployed and actively looking for work. Data is from the American Community Survey (U.S. Census Bureau) and reflects the highest since 2005 (the oldest readily available data set).

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**CITY COUNCIL REPORT**

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TO: Karen Peters  
Deputy City Manager

FROM: John Trujillo  
Public Works Director

SUBJECT: ALTERNATIVE FUEL VEHICLE ACQUISITION STRATEGY

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This report requests the Finance, Efficiency, Economy and Sustainability (FEES) Subcommittee recommend City Council approval to hire a consultant to review the possible use of electric vehicles (EV) and plug-in hybrid vehicles (PHEV) in the City's fleet.

THE ISSUE

The City of Phoenix has a long-standing commitment to alternative/clean fuel and alternative fuel vehicles (AFV). Beginning in the mid-1990s, the Public Works Department began introducing compressed natural gas (CNG) vehicles to lessen the impact the City's fleet has on the environment. Over the ensuing years, Public Works diversified the alternative/clean fuels used in the fleet to include E85 and B20 biodiesel. Efforts are ongoing to study and introduce new and developing alternative/clean fuel technologies, while balancing operational demands, costs, and customer service.

Due to increasing numbers of manufacturer models, improved battery technology, and extended range per-charge, EVs and PHEVs are increasingly being deployed in various fleet applications. The Public Works Department has been monitoring the maturation of EV/PHEV technology and is interested in evaluating the potential of adding PHEV/EVs to the City's award-winning alternative fuel program.

OTHER INFORMATION

In fiscal year 2014/2015, the City used nearly 8 million gallons of alternative fuel, or 58 percent of all fuel used. Currently, the City's fleet has more than 2,500 AFVs, equivalent to 41 percent of the fleet. Currently, the AFV fleet includes light-duty sedans, pickup trucks, heavy-duty transit buses, and refuse trucks that run on CNG; police administrative and pursuit vehicles that use E85; and transit buses that run on liquefied natural gas. The City currently operates one plug-in hybrid electric vehicle. PHEVs use a combination of battery and traditional internal combustion engine to propel the vehicle, whereas electric vehicles use batteries alone to power electric motors to propel the vehicle. Both

technologies require an electric vehicle supply equipment (EVSE) to charge their batteries.

Initial costs for EV/PHEV vehicles can cost upwards of 34 percent more than other vehicle types and can be acquired by traditional outright purchase or financing arrangements. Additional infrastructure costs such as charging stations can range from a few thousand to several thousand dollars, which can also be acquired through outright purchase or other financing arrangements. Ultimately startup costs need to be weighed against the value of potential reductions in maintenance cost, reduced carbon emissions, less reliance on volatile petroleum markets, as well as anticipated future EV/PHEV advancements.

Recently, several cities have engaged a new EV/PHEV financing option known as an energy performance contract. Energy performance contracts are executed between a government agency and a private vendor as a mechanism to finance EV/PHEV and charging equipment. The private vendor is able to realize the Federal Qualified Plug-In Electric Drive Motor Vehicle Tax Credit currently available, as well as other State-funded tax credits where available.

Creating a sustainable alternative fuel vehicle strategy is a complex undertaking especially due to limited in-house knowledge with PHEV/EVs and potential financing options. As such, the Public Works Department is seeking approval to hire an industry expert to assist staff to perform tasks as noted below:

- Identify best industry business and financing practices for AFVs, EVs and PHEVs and infrastructure, etc.
- Prepare a cost-benefit analysis of various EV/PHEV, AFVs and infrastructure
- Review and compare costs associated with various acquisition options
- Review the City's fleet composition and identify operationally and financially appropriate fleet vehicles and locations that could be transitioned to EV/PHEV or other AFVs, etc.
- Develop implementation strategy/timeline
- Draft a Request for Proposals (RFP)

## RECOMMENDATION

Staff requests the Finance, Efficiency, Economy and Sustainability Subcommittee recommend City Council approval to engage a consultant to review the possible use of EV/PHEV in the City's fleet and to draft an RFP. The Public Works Department will return to the FEES Subcommittee following completion of the study.



**CITY COUNCIL REPORT**

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TO: Mario Paniagua  
Deputy City Manager

THRU: Ray Dovalina, P.E.  
Street Transportation Director

FROM: Kini L.E. Knudson, P.E.  
City Engineer

SUBJECT: CAPITAL PROJECT DELIVERY

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This report provides information on the how the City implements its Capital Improvement Program (CIP), using a variety of procurement methods to manage and deliver successful projects for facilities, roads, and utility lines for the benefit of residents.

THE ISSUE

Since 2001, the City of Phoenix has successfully utilized four project delivery methods to complete public works construction projects identified in the City's CIP: Low-Bid, Construction Manager at Risk (CMAR), Job Order Contracting (JOC), and Design-Build. Each method has specific advantages and benefits for different types of projects. They all have proven beneficial over the past 14 years, allowing the City to execute more than \$8.6 billion in CIP projects. The City has fully integrated these delivery methods into executing its CIP.

All construction and alteration of City public buildings and facilities must be done in accordance with Arizona Revised Statutes (ARS) Title 34 (Public Buildings and Improvements), which details the statutory requirements for procuring design and construction services. In 1999, a multi-faceted group of stakeholders representing both the construction industry and public owners, led by the Arizona State University-affiliated Alliance for Construction Excellence (ACE), proposed procurement legislation that was passed by the Arizona Legislature. The legislation amended ARS Title 34 and authorized three new construction procurement methods: CMAR, JOC, and Design-Build.

With ACE at the center, this unique public-private partnership has remained engaged in public sector construction procurement and has continued to work collaboratively to advance the quality and delivery of public works construction projects in Arizona. Internally, City staff utilizes the same collaborative approach to modify and improve procurement and project management systems with the goal of continuous improvement in the execution of the City's CIP.

## OTHER INFORMATION

### History and Background

Per the City Code and City Administrative Regulations, the City Engineer is delegated authority by the City Manager to oversee the processes for the selection of architects, engineers and contractors, and to enter into design and construction contracts on behalf of the City. City Administrative Regulation 3.25, Procurement of Design and Construction Services, further interprets state law and establishes policy and guidelines for the procurement of design and construction services in support of the City's CIP.

For decades, the City had only one option to procure construction services to complete its CIP projects – low-bid construction. Although effective in many ways and for many types of projects, low-bid construction often involves lengthy project timelines, relies heavily on accurate construction documents, and does not emphasize close collaboration between the project team. This “one-size-fits-all” approach to executing construction projects is neither effective nor efficient.

In 2000, the Arizona Legislature passed HB2340, which authorized cities to use CMAR, JOC, and Design-Build under ARS Title 34 for their public works construction projects. The enabling legislation was drafted by a group of public owners, construction contractors, subcontractors, architects, engineers, and ACE. Housed in the School of Sustainable Engineering and Built Environment at Arizona State University, ACE spearheaded the legislative effort and developed consensus among this diverse group of industry experts.

The City quickly adopted the new project delivery methods, drafting contracts, conducting City staff training, and developing processes and procedures to implement the new methods. The four construction delivery methods now available to the City have become integral to daily business operations, enabling staff to more appropriately focus on selecting the best delivery method for a specific project.

### Delivery Methods

Although the City uses guidelines to assist in selecting the right method for the each project, each project is unique and the selection of a delivery method is highly dependent on the specific requirements for the project. Each of the four project delivery methods are described below, along with information about the typical projects for which each method is employed.

Low-Bid: This method involves the sequential award of two separate contracts. The first contract is executed with a consultant for design services utilizing a

qualifications-based selection process, and then a second contract is executed using an invitation for bid process to select the construction contractor who provides the lowest “responsive and responsible” bid.

This method is often required for federally-funded projects, but works best when the intent of the project can be completely and well-described in construction bid documents. The City generally uses low bid for roadway, airport ramp and apron, and storm water basin projects.

City Manager At Risk: This method involves the concurrent award of two separate contracts. Similar to low bid, the first contract is executed with a consultant for design services utilizing a qualifications-based selection process. However, at the same time, the CMAR construction contractor is selected using a separate qualifications-based selection process. The CMAR will provide preconstruction services during the design phase and will transition to a general contractor for the construction phase. The design and construction phases of the project may be phased sequentially or semi-concurrently to achieve time savings.

This method is used for projects where the City wants to maintain control over the design of the project, but where phasing, public involvement, constructability review, and value engineering are emphasized. The City uses CMAR for all types of buildings and facilities, from fire stations to airport terminal renovations and composting facilities.

Note: As outlined in State law, federally-funded transit and aviation projects procured through 2018, the City is permitted to select a CMAR firm using a combination of qualifications, technical proposal and price.

Design-Build: This method involves a single contract for services to design and construct the project. The design-build contractor may be selected using either a qualifications-based selection only or a combination of qualifications, technical proposal and price. The design and construction of the project may be phased sequentially or concurrently.

This method is typically the quickest for large and complex projects with strict completion deadlines, but also where a high degree of creativity and innovation are desired. The City typically uses design-build for buildings, projects not built often by the City, and integrated systems projects such as elevators.

JOC: This method is specifically for construction projects of less than \$2 million. The JOC contractor is selected using either a qualifications-based selection only or a combination of qualifications, technical proposal and price. The JOC contract is based upon requirements for indefinite quantities of construction. The construction to be performed is specified in individual agreements (job orders) issued within the overarching JOC contract.

This method involves work at existing facilities that could be considered minor construction, renovation, replacement, or major maintenance. The use of JOC is widespread across the City for all City buildings and assets, especially for aviation and water facilities.

City Statistics

The City has utilized all four construction delivery methods, working to select the best method for each project. The chart below provides data on the number and dollar value of projects completed using each delivery method from 2001 through 2015.

<b>Project Delivery Method</b>	<b>Number of Projects</b>	<b>Percentage</b>	<b>Value of Projects (in millions)</b>	<b>Percentage</b>
<b>Low-Bid</b>	3,926	34.5%	\$2,668.9	30.8%
<b>CMAR</b>	366	3.2%	\$3,980.3	45.9%
<b>Design-Build</b>	83	0.7%	\$889.3	10.3%
<b>JOC</b>	6,990	61.5%	\$1,127.0	13.0%
<b>Totals</b>	<b>11,365</b>		<b>\$8,665.5</b>	

Continuous Improvement Efforts

With a \$3.2 billion CIP, it is extremely important that the City continually reviews and improves how it procures and manages its capital construction projects. In collaborative fashion, City staff is working along various fronts to ensure the goal of continuous improvement is attained.

CIP Task Force: This task force, created following a 2014 review of the City's CIP project management structure and procedures, has been meeting monthly since August 2014. Composed of representatives from nine departments, this task force fosters communication and coordination on major issues related to procurement and project management. Additionally, the task force reviews and discusses changes to City policies and procedures, including staff training to ensure consistency across the City.

Legislative changes: City staff participates in an industry legislative task force facilitated by ACE and the Associated General Contractors. With an emphasis on consensus-building, this group meets to discuss proposed legislative changes impacting the procurement of architects, engineers and construction contractors. The group has met during the past several months to discuss potential legislative changes for the 2016 Legislative Session.

Protest Policy: City staff is working to update the City's protest policy for design and construction services procurements. Last updated in 2007, policy changes will seek to both clarify and streamline the administrative process for handling procurement protests, in addition to more housekeeping-related changes. Modifications to the existing policy will require City Code changes, as the current policy is outlined in Article XII – Public Works Contracts, Section 2-187 through 2-190.1.

#### RECOMMENDATION

This item is for information and discussion.

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**CITY COUNCIL REPORT**

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TO: Toni Maccarone  
Special Assistant to the City Manager

THRU: Cris A. Meyer  
City Clerk

FROM: Ben Lane  
Deputy City Clerk

SUBJECT: CITY CLERK ELECTRONIC RECORDS MANAGEMENT SYSTEM

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This report requests that the Finance, Efficiency, Economy, and Sustainability Subcommittee recommend approval to the City Council to award a contract for an Electronic Records Management System to System Soft Technologies. The City Clerk Department proposes to implement a new all-in-one Electronic Records Management System that captures the documentation of records from creation to destruction, meets regulatory requirements, improves customer service, and results in increased automation, flexibility, efficiency and transparency throughout the City. The proposed new system will be a scalable solution that will allow other departments to manage, store and maintain their records in a secure module within the same solution, providing greater efficiencies by eliminating separate records management systems and databases currently deployed in other departments.

THE ISSUE

The new system will replace a 25-year-old database used to store electronic documents and provide public access to these records maintained by the City Clerk Department, including city council reports, ordinances, resolutions, contracts, and City Council meeting minutes. Currently, many separate systems and databases are used by departments to store and manage records, with many at end of life or contract terms.

The project was approved by the Information Technology Governance Board with an implementation budget of almost \$600,000 for system development, implementation and the procurement of any needed hardware or software. The City Clerk Department, in coordination with the Finance and Information Technology Departments, conducted a Request for Information process (RFI) after The RFI was used to discover and understand the market participants and technology, and to develop a Request for Proposals process (RFP). Sixteen vendors submitted proposals, and after a review involving 16 different criteria, four respondents were asked to make in-person demonstrations of their systems. The four finalists and proposed costs were as follows.

Offeror	Initial Investment	Total Cost over 5 Yrs
Wave Technologies	\$620,987	\$828,143
Companion Data Services	\$1,035,042	\$4,771,277
<b>System Soft</b>	<b>\$391,312</b>	<b>\$653,256</b>
Databank	\$1,011,758	\$1,572,123

From the four finalists interviewed, System Soft Technologies was chosen as the system that met the City's needs most effectively and cost efficiently. While the contract terms are still being negotiated with the proposed vendor, it is expected that the implementation costs will be less than the \$600,000 budgeted for the project.

#### OTHER INFORMATION

The City Clerk Department implemented the current records imaging system in 1990, which vastly improved productivity and accessibility by allowing documents to be stored and viewed electronically. The system won several awards including the International Institute of Municipal Clerks Grand Prize for Records Management and an Office Automation Society International Award. While the system has been upgraded several times over the last 25 years, potential further advancement is extremely limited. In addition, the system is not a true records management system, requiring three separate databases to manage documents, retention and storage. These separate databases cannot interact with each other, and other departments also have developed separate databases to manage retention.

#### BENEFITS AND EFFICIENCIES

The identified solution will be a centralized repository for the storage and maintenance of all public records for which the City Clerk is the custodian, including such citywide records as meeting minutes, ordinances, resolutions, contracts and council reports. The new system will consolidate the three separate databases into one database, and improve efficiencies such as automated retention policy enforcement, notifications, destruction queuing, and purging of documents. Documents in the existing system will be migrated to the new solution into a searchable format, greatly improving transparency and capabilities for staff and the public to locate documents. The reporting and auditing functions for the system also will be greatly improved.

Additionally, other departments will have the option to store and manage their records in their own separate and secure modules on the same system. This scalable solution will be more cost effective by requiring licenses for only one database system rather than several systems. Any department can upload data regarding their records (such as creation date and document type) into the records management system and the system will alert departments when those records are ready for destruction. Departments that have expressed an interest in the new system include Parks and Recreation, Retirement, and Water Services.



The new system also provides for efficiencies in creating, uploading, storing and routing documents electronically. The configurable workflow includes eSignature, eNotarization, attestation and approvals, which will minimize or eliminate manual routing of paper-based documents, such as for non-procurement contracts which are now processed manually in paper format by City Clerk staff.

#### RECOMMENDATION

Staff requests the Finance, Efficiency, Economy and Sustainability Subcommittee recommend approval to the City Council to award a contract to System Soft Technologies for an Electronic Records Management System to store citywide records managed by the City Clerk Department and provide expansion opportunities in the future for other City Departments

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**CITY COUNCIL REPORT**

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TO: Ed Zuercher  
City Manager

FROM: Cindy Bezaury  
Acting Human Resources Director

SUBJECT: FMLA ADMINISTRATIVE PROCESS IMPROVEMENTS

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This report provides updated information to the Finance, Efficiency, Economy and Sustainability (FEES) Subcommittee regarding the City's administration of the Family and Medical Leave Act (FMLA). Information regarding this topic was last provided to the FEES Subcommittee on June 17, 2015. This report is for information and possible action.

THE ISSUE

FMLA is currently used at some point during the year by nearly 30% of City employees. It is important to ensure that we administer FMLA in accordance with federal law to ensure employees are able to access this important work benefit in a consistent manner across the City. Currently, FMLA is administered on a department-by-department basis. A study by the Human Resources Department has suggested that one centralized point of administration would provide more consistent, quicker application of approved FMLA rights.

OTHER INFORMATION

FMLA leave is currently administered by centralized and decentralized human resources staff and line supervisors at the departmental level. This method of FMLA administration, at times, results in inconsistent application of the City's FMLA policies. Additional challenges include: limitations with the current Human Resources Information System for tracking time, Human Resources workload, compliance with FMLA rules and regulations, and accessibility for a 24-hour a day workforce. During the Comprehensive Organizational Review Evaluation (CORE) process, it was recommended that FMLA administration be evaluated to determine where process improvements could be made. Human Resources staff held meetings with stakeholder groups to discuss the issue and share recommendations for improvement that are recommended to be implemented by January 1, 2016.

Based on feedback at the FEES Subcommittee and discussions with labor representatives, Human Resources has requested support, in the form of either vacant positions or funding, from other departments to move forward with transitioning to a centralized model of FMLA administration. Under the current

decentralized model, portions of 17 positions in various classifications serve as FMLA coordinators throughout the City. Under the proposed centralized model, this number would be reduced to 9 full-time positions in the Human Resources Department under the oversight of one HR Supervisor. Restructuring to a centralized model will not incur any additional costs.

Other process improvements include changing from a calendar year period to a rolling-backward 12 month period for FMLA calculation and recertification of all employees on an annual basis. New administrative processes are also planned for implementation, such as evaluating whether an employee's secondary employment is inconsistent with an FMLA certification.

The administrative actions outlined above are initial steps to improving FMLA administration. Outsourcing of FMLA administration is an additional step which staff recommends for consideration. Outsourced vendors are able to provide enhanced services such as established IT infrastructures to administer and track FMLA, case management tools, accessibility to 24-hour hotlines, medical review officers on staff, and professional level staff evaluating FMLA request.

#### RECOMMENDATION

In order to effectively evaluate all options, staff requests the FEES Subcommittee recommend City Council approval to issue a Request for Proposal (RFP) for FMLA administration services with information from the RFP, staff can compare costs and service levels between centralized Human Resources staff and a dedicated, outside vendor. These comparisons would then be reviewed with the City Council for any decision.

**CITY COUNCIL REPORT**

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TO: Ed Zuercher  
City Manager

THRU: Denise Olson  
Acting Chief Financial Officer

SUBJECT: PAYMENT STRATEGY

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This report provides information to the Finance, Efficiency, Economy and Sustainability (FEES) Subcommittee relating to a payment strategy the Finance Department plans to implement over the next year to allow the City to make electronic payments.

THE ISSUE

With the passing of Proposition 102 allowing the City to make electronic payments, a comprehensive payment strategy can now be implemented citywide. Over the last several years, City staff with direction from the Subcommittee has identified ways to maximize innovations and efficiencies of accounts payables through the use of the banking contract. A comprehensive payment strategy could be inclusive of:

- A Single Use Agreement (SUA) program recommended by FEES and approved by City Council in 2013. The SUA program utilizes a unique 16-digit virtual account number for each payment (no physical card).
- Purchasing Card (P-Card): A pilot program was recommended by FEES and approved by City Council in 2015. P-Cards will be distributed to specific departments for use and evaluation of controls and processes.
- Ghost Account: A Ghost Account may be used in place of a P-Card program. Ghost accounts are when an account number is given to the vendor to charge with transactions. There is only one account number per vendor.
- Automated Clearing House Payments: City could make payments through the use of Automated Clearing House option (ACH payments). ACH payments are an electronic transfer of funds, through a batching process sent electronically. Costs savings are realized in that the banks receive their ACH transactions at once and process them as a single transaction, in a batch.
- Wire Transfers: One of the fastest ways to send money is via wire transfer. A wire transfer is a bank-to-bank transaction that would allow the City to move money from its account directly into the

vendor account. This is especially beneficial in large monetary transactions.

- Prepaid Cards: Cards are distributed to payee and money is transferred to the card account as necessary for city payments.
- Emerging Technologies: The Finance Department is committed to continuously evaluating and researching banking industry trends and best practices to ensure the City is performing accounts payable functions efficiently while maintaining outstanding customer service and internal controls.

In order to develop a comprehensive payment strategy, staff will evaluate all of the City's transactions. The second step is to match payment transactions with a payment method that maximizes either rebates to the city or discounts from the vendor or both. Lastly, an analysis will be completed comparing a rebate program with the City's ability to maximize interest on cash accounts. Below further describes the various payment methods and when they should be applied:

- P-Cards/Ghost Account – High volume, low dollar purchases, 1.5% rebate
- SUA – Repetitive high dollar payments, vendors with contracts, 1.5% rebate
- ACH/Wire Transfers – Utilities, Intergovernmental and critical large dollar payments
- Paper Checks or Prepaid Cards – Settlements, small vendors.

The Finance Department is responsible for all payables for the city of which there are about 150,000 to 180,000 checks issued worth over \$2.3 billion each year. Since July 2015, Finance has processed 30,190 invoices averaging 750 invoices processed per day. At least 90% of the invoices currently are being paid with paper checks. The below table indicates preliminary goals that could result from an analysis that would maximize rebates and vendor discounts through implementation of a payment strategy.

Table 1 – Preliminary Goals

<b>Method</b>	<b>Current</b>	<b>Future</b>	<b>Impact to Vendors</b>
P-Cards/ Ghost Account	HR recruiters Fire Emergencies IT Domain Names	Replace Petty Cash Funds, frequent purchases under \$5,000, office supplies, home improvements, small equipment	Reduces steps in process, is paid immediately, incurs bank transaction fees
SUA program	300 Vendor Agreements \$30 million in annual	Increase spend by 25%	Paid within 30 days, Payment terms in Contract,

	spend \$450,000 in rebates		Incurs bank transaction fees
ACH/Wire Transfers	Various vendors paid through ACH and wire transfers for large critical transactions	Apply to 100 government entities and 20 utilities	Efficient process, no fees
Paper Checks or prepaid cards	Settlements, small vendors	Paper checks not exceed 30% of Payments	No Impact

The following are steps over the next year that the Finance Department will take to implement a payment strategy:

- 1) Expand the use of the SUA program by modifying procurements and payment terms in contracts.
- 2) Evaluate and implement controls for the P-Card pilot program by February 2016.
- 3) Select a vendor and implement a Ghost Account payment method by July 2016.
- 4) Identify all payments associated with Governments and Utilities and implement ACH payments by February 2016.
- 5) Complete a payment strategy analysis and implement a comprehensive plan by January 2017.

#### OTHER INFORMATION

Overall a payment strategy will result in less administrative burden to administer, less risk of loss of cash, faster payments to vendors, and maximize efficiencies in purchasing activities for employees. Best practices in the payment industry include a strategic use of all payment methods described above. The SUA program revenues are projected to be \$450,000 for fiscal year ending 2016. Further, with the voter-approved charter change, the City anticipates saving \$250,000 by reducing the number of printed checks once a program is fully implemented. There is also potential for additional revenue from rebates as the P-Card program and SUA program are maximized.

#### RECOMMENDATION

This report is for information and discussion.