NOTICE OF PUBLIC MEETING
PHOENIX CITY COUNCIL
FINANCE, EFFICIENCY AND INNOVATION SUBCOMMITTEE

Pursuant to A.R.S. Section 38-431.02, notice is hereby given to the members of the PHOENIX CITY COUNCIL FINANCE, EFFICIENCY AND INNOVATION SUBCOMMITTEE and to the general public, that the FINANCE, EFFICIENCY AND INNOVATION SUBCOMMITTEE will hold a meeting open to the public on Wednesday, April 27, 2011, at 10:00 a.m. located in the Subcommittee Room, 12th Floor, Phoenix City Hall, 200 West Washington Street, Phoenix, Arizona.

The agenda for the meeting is as follows:

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7. **Property Tax Policy Update**
   Staff will provide an update on property tax data and is impact on the Council's approved policy from 2010.
   *This item is for Information and Discussion.*
   Mario Paniagua and Jeff DeWitt

8. **Innovation and Efficiency Task Force Update**
   Staff will provide an update on the activities of the Innovation and Efficiency Task Force.
   *This item is Information Only.*
   Debbie Cotton and Mario Paniagua

9. **Update on Rightsourcing Initiative**
   Task Force members will provide an update on Rightsourcing efforts.
   *This item is for Information and Discussion.*
   John Chan

10. **City Printing Services**
    Staff will present an overview of options available to City departments for printing services.
    *This item is for Information and Discussion.*
    Cris Meyer

11. **Call to the Public**
    Chairman Gates

12. **Future Agenda Items**
    Chairman Gates

13. **Adjournment**
    Chairman Gates

For further information, please call Dennis Murphy, Management Assistant, City Manager’s Office at 602-495-5467.

**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 Dennis Murphy at Voice/602-495-5467 or TTY/602-534-5500 as early as possible to coordinate needed arrangements.
1. Call to Order

Chairman Bill Gates called the meeting to order at 10:08 a.m. with Vice Mayor Thelda Williams and Councilman Claude Mattox present.

2. Approval of Minutes of the January 19, 2011 Meeting

Councilman Mattox made a motion to approve the January 19, 2011 meeting minutes. Vice Mayor Williams seconded the motion. The motion passed 3:0.

3. Organizational Review

Ms. Janet Smith, Human Resources Director, said the City continues to assess operational needs and find further efficiencies. Ms. Smith introduced Mr. Neil Mann, Public Works Director, to speak about efficiencies found in the Public Works and Street Transportation Department.
Mr. Mann discussed an overview of the requirements that led to the recommendation to eliminate the City Engineer position. Chairman Gates asked for confirmation that the City Engineer position is also the Assistant Public Works Director position. Mr. Mann responded affirmatively and explained Mr. Wylie Bearup, Street Transportation Director, is a licensed professional engineer and will serve as the City Engineer. Mr. Rick Naimark, Deputy City Manager, commented Mr. Bearup previously served as the City Engineer prior to becoming the Street Transportation Director.

Ms. Smith introduced Ms. Deanna Yonovich, Acting Human Services Director, to give an overview of efficiencies in Human Services Department’s Senior Program. Ms. Yonovich presented background information on the senior nutrition program which was used in formulating the recommendation to eliminate the Human Services Program Coordinator position and downgrade two additional positions to produce savings which would allow for creation of the Food Service Supervisor and an Assistant Food Services Supervisor position.

Councilman Mattox asked if the City had looked at private food service delivery model locally. He stated the City should be looking at having the meals catered. He commented the City is focusing on keeping the services in-house versus looking outside the City for the services. Councilman Mattox asked if it would be a criticism that the City is not looking outside. Ms. Smith responded affirmatively and stated staff will look at outside services.

Vice Mayor Williams asked why staff was not looking at hospitals. She stated she thought there was better nutrition at hospitals. Mr. David Cavazos, City Manager, stated hospitals have private companies run their food service operations and perhaps the City can take advantage of these service delivery options.

Vice Mayor Williams made a motion to accept staff’s recommendation to eliminate the Human Services Program Coordinator position but asked for a food services study to be completed before the Subcommittee would reconsider addition of the food service professional positions. Councilman Mattox seconded the motion. The motion passed 3:0.

4. **Planning and Development Process Improvements**

Mr. David Krietor, Deputy City Manager, introduced Ms. Debra Stark, Planning and Development Director and Ms. Cindy Stotler, Assistant Development Services Director, to give an overview of the transformative changes that the Planning and Development Services Department was making in conjunction with the City’s economic development partners.

Ms. Stotler presented background information on the industry climate that predicated the Department’s process change recommendations. Chairman Gates asked about the plans to publicize the changes to the public. Ms. Stark responded there is Media Plan in place for publicizing the changes.
Ms. Stotler discussed the Self Certification Program successes and stated that these were the foundation for increasing the square footage of the program beyond the current 25,000 square foot limitation. Mr. Kreitor stated the City is aiming to empower the private sector with the changes. He explained staff is looking at permits that can be eliminated, specifically, ones that do not add value and are not required for building safety purposes. Mr. Cavazos discussed fence permitting and how the City wants to avoid the “walled canyon effect.”

Ms. Stark presented additional recommendations on process changes. Councilman Mattox asked about plan review and corrections and wondered if there could be only one person involved for consistency purposes. Mr. Cavazos responded affirmatively. Ms. Stotler explained there will be training to remind staff that they are the professionals who can make it easier for the customers.

Chairman Gates commented the cultural change will be more significant than anything else. Mr. Krietor stated staff is focused on the change.

Ms. Stark described changes to be made on the Planning side of the Department’s operations. Chairman Gates asked if there would be a press release and media campaign, if changes are approved, communicating that Phoenix is more business friendly. Ms. Stark responded affirmatively.

Chairman Gates asked for public comment.

Mr. Reed Butler, Butler Housing Company, stated it was a great day for Phoenix and expressed his gratitude from the development community. He explained self certification and elimination of some of the permits were excellent.

Mr. Cavazos said thank you to Mr. Butler, the Planning and Development Services Department staff, David Krietor, Debra Stark, and Cindy Stotler.

Chairman Gates said thank you and stated these changes were needed in Phoenix.

Councilman Mattox made a motion to approve staff recommendations. Vice Mayor William seconded the motion. The motion passed 3:0.

5. Bond Financing Overview
6. General Fund Excise Tax Bond Refinancing

Mr. Cavazos introduced Mr. Jeff DeWitt, Finance Director, to give a presentation on the basics of bond financing.

Mr. DeWitt presented information regarding the affordability of the current bond market. Councilman Mattox asked about whether the bonds were guaranteed. Mr. DeWitt explained there are interest payments every year. Councilman Mattox asked if there was a balloon payment. Mr. DeWitt explained the payments are structured over time.
Mr. DeWitt stated it is a great time to go into the bond market for municipalities, such as the City, with AAA credit.

Councilman Mattox asked if the Subcommittee could see the financing curves for the downgraded credit ratings. Mr. DeWitt explained that downgraded credit ratings, BBB for example, are averaging 2.5% higher than AAA. Mr. DeWitt stated good credit ratings are valuable.

Chairman Gates asked what comprises excise taxes. Mr. DeWitt explained that sales tax, state shared taxes, and license fees are included in this category.

Mr. Cavazos thanked Mr. DeWitt and explained staff is asking for Subcommittee approval so that staff can get to the market quickly and take advantage of the good market to save approximately $35-45M.

Councilman Mattox made a motion to approve staff’s recommendation. Vice Mayor Williams seconded the motion. The motion passed 3:0.

Chairman Gates asked this financial transaction be presented to the citizens as a part of the upcoming budget hearings. Mr. Cavazos explained it is a part of the budget package that is shared with the public at the hearings.

7. **Update on Enhanced Financial Compliance Initiative**

Chairman Gates moved this item to the next agenda.

9. **Innovation and Efficiency Task Force update**

Item taken out of order.

Mr. Cavazos introduced Ms. Debbie Cotton, Public Transit Director, and Mr. Mario Paniagua, Budget and Research Director, to provide an update on the Innovation and Efficiency Task Force. Mr. Cavazos explained Mr. Richard Rey was the new public member and the task force had saved $4.7M this year.

Mr. Paniagua presented information on the seven work study areas: Communications; Compensation and Benefits; Customer Service; Fines and Fees; Right Sourcing; Regulatory Review; and Technology and Continuous Improvement.

Chairman Gates thanked Mr. Paniagua and Ms. Cotton for the Task Force’s accomplishments.

10. **Victim’s Rights Program**

Mr. Cavazos introduced Mr. John Tutelman, Deputy City Prosecutor, Ms, Kelly Gremmel, Administrative Assistant II, and Aarón J. Carreón-Aínsa, City Prosecutor, to present information on the City Prosecutor’s Office Victim’s Rights
Program. Ms. Gremmel, Victim’s Rights Program administrator, presented information on the legally mandated Victims’ Rights functions and additional services provided by the Victim Service Unit.

Ms. Gremmel explained the legally mandated services include notifying victims orally and in writing of their statutory rights. Additionally, the Victim Services Unit: provides court escorts to victims; arranges cab and transportation services; develops individual safety plans; and complete other community referrals such as relocation funding and emergency shelter.

Chairman Gates introduced Mr. Steve Twist, a noted leader on Victim’s Rights, for public comment. Mr. Twist complimented the Office and explained that other Offices should follow Phoenix’s lead. Mr. Twist asked for more leadership for victims of violent crime: he suggested that Phoenix use its leadership to help all of Maricopa County.

Chairman Gates asked for staff to follow-up with the Police Department and other cities.

Mr. Mike Durham spoke to the subcommittee about the death of his friend, Robert Krohn, in 1996. He suggested private resources and investigation counselors be assigned to cold cases.

8. Public Safety Efficiency Studies Update

Item taken out of order.

Mr. DeWitt provided an update on the status of the innovation and efficiency studies of public safety functions. Mr. DeWitt explained the Police Department study is in its final stages; the Municipal Court/Public Defender study will start in May, and the Fire Department study will start soon.

11. Cost Calculations for City Capital Projects

Chairman Gates moved this item to the next agenda.

12. City Printing Services

Chairman Gates moved this item to the next agenda.

13. Future Agenda Items

None.

15. Adjournment

Chairman Bill Gates adjourned the meeting at 11:53 a.m.
Respectfully submitted,
Laura A. Madson Brown
Management Assistant II
Budget and Research Department
This report provides information to the Finance Efficiency and Innovation Subcommittee on proposed revisions to Chapter 42-Risk Management, Phoenix City Code. Staff requests that the Subcommittee recommend City Council approval of the ordinance revisions.

THE ISSUE

The Risk Management Ordinance was adopted in 1992 and was last amended in 2007. It establishes the Self-Insurance Retention Fund and the Special Risk Fund, and sets forth the responsibility and authority levels for managing these funds and for handling tort liability claims and litigation. The City must comply with section 11-981, Arizona Revised Statutes, which requires the establishment of a trust to handle these funds. In addition to establishing a trust, it was determined that certain other revisions to the Chapter were needed. The proposed revisions are intended to meet current finance and legal requirements, improve clarity, and implement best risk finance practices. These revisions are the culmination of input from the Finance Department, Risk Management Division and the Law Department.

OUTLINE OF PROPOSED CHANGES

A. Establish a trust for self-insured claims in order to comply with A.R.S. §11-981.

B. Conform with recent Administrative Regulation 2.95. The revision will assist the City Attorney in determining whether self-insurance coverage and defense are available to persons authorized to use City vehicles but not necessarily within the scope of their employment.

C. Permit the Finance Director to authorize emergency remediation and response in the event of water main breaks or sewer backups. This would codify past practice in mitigating potential health risks and damage to citizens’ property due to water main breaks or sewer backups.

D. Establish a property insurance deductible fund. This would establish a self-insured reserve to pay a portion of any large property insurance deductible that would otherwise be an unbudgeted loss to departments. Risk Management foresees that our deductible is likely to be increased as soon as July 2011. Each department is responsible for the
deductible for its property, but it would be difficult to budget for such events if the deductible increases beyond the current level of $25,000.

E. Require cooperation of individuals, entities or corporations being defended by the City in litigation and allow reimbursement of the cooperating party for reasonable travel expenses but not time. Also, allow recovery of reasonable defense expense incurred by a covered individual, covered entity or covered City corporation to whom defense or indemnification were incorrectly denied. This situation is not addressed by existing ordinance.

F. Improve the flow and clarity of the ordinance by:
   • Grouping related sections together to show a logical sequence from definitions and trust fund through various stages of the risk management process. Existing subsections are relocated and renumbered.
   • Simplifying or eliminating confusing or duplicative language.
   • Incorporating language accommodating the trust and new or changed definitions throughout the Chapter.
   • Updating obsolete terms and simplifying language.

OTHER INFORMATION

Terms relating to dollar authority levels, contractual indemnification and insurance requirements will not be changed.

ACTION REQUESTED

The Finance Department and the City Attorney request that the Subcommittee recommend City Council approval of the changes to Chapter 42, Phoenix City Code.
The purpose of this report is to recommend that the Finance, Efficiency and Innovation Subcommittee direct staff to study possible options for an economic development program supporting job creation by existing and new businesses through the reimbursement of plan review and permit issuance fees as well as other potential economic development support tools.

THE ISSUE

The competition to grow and attract employers nationally has become much fiercer over the last 5 years. Communities are collaborating with wealth generating employers in new and creative ways to support the creation of new jobs. Additionally, a number of communities in the metropolitan area have successfully attracted wealth generating projects through a variety of tools, including a waiver of plan review and permitting fees, public infrastructure and local funding of job training. Generally, wealth-generating companies produce a product or service that is sold outside of the Phoenix region. They generate two to three additional jobs for every direct employee they hire.

The City of Phoenix uses some tools to support job creation by existing and new wealth-generating employers. These tools include federal job training grant funds, limited financing assistance, and technical support. The City currently does not have a practice of offsetting the cost of fees for plan review and permit issuance for these types of employers.

Recently, the cities of Mesa, Chandler, and Surprise have all been successful at entering into formal Development Agreements and attracting such notable companies as First Solar, Pay Pal, Riqglass and Gestamp. In each instance the respective community reimbursed or waived the plan review and permitting fees for those projects, in addition to other forms of local support. This is also the competitive approach implemented by many communities nationally.

OTHER INFORMATION

At the April 27, 2011 Finance, Efficiency and Innovation Subcommittee meeting, staff will provide a summary of recent projects within other valley communities that received plan review and permit issuance fee waivers, as well as other types of economic development assistance.
RECOMMENDATION

Staff recommends that the Finance, Efficiency and Innovation Subcommittee direct staff to study possible options for an economic development program that includes the reimbursement of plan review and permit issuance fees as well as other potential economic development support tools.
This report provides an update to the Finance, Efficiency and Innovation Subcommittee on City of Phoenix Retail Development Program

THE ISSUE

The City started the Retail Development Program in 1989. Since the inception of the program, City Council has authorized 29 agreements to finance public infrastructure to serve the community and support the generation of new retail sales tax.

These projects to date have generated $558 million in net new sales tax to the City. A portion of the sales taxes generated by developments have been used to fund the costs to construct needed off-site public infrastructure (streets, water, sewer, etc.) serving the surrounding community. Since the program’s inception, the total public infrastructure investment has been $56 million. Typically, developers pay up front costs of infrastructure and the city reimburses costs over a five to ten year period.

In addition to sales taxes, program benefits include public infrastructure built sooner than could be financed by the City’s Capital Improvement Plan, employment opportunities for residents, and delivering needed services to neighborhoods and communities throughout the City.

The City has not entered into a new development agreement since 2007. To date, 28 agreements have been satisfied and completed projects continue generating $54 million in annual sales tax revenue supporting City programs and services. The final active agreement has two reimbursement payments remaining and will be completed in 2012.

The current economy has had a major impact on retail development trends. As the market rebounds, staff believes there may be strategic opportunities to preserve and enhance our sales tax collections from additional income generating retail properties. However, it is important to note that any development agreement must comply with the Arizona Gift Clause and applicable State Statutes.

RECOMMENDATION

This report is for information only.
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CITY COUNCIL REPORT

TO: Rick Naimark  
Deputy City Manager

FROM: Neil Mann  
Public Works Director

SUBJECT: ENERGY PROGRAMS

This report provides an update to the Finance, Efficiency and Innovation Subcommittee on the City’s energy conservation and efficiency programs and initiatives.

THE ISSUE

City of Phoenix operations consume 700 million kilowatt hours (kWh) of electricity a year, equivalent to powering over 40,000 valley homes, with an annual utility bill of over $70M. Phoenix has a long-standing commitment to energy conservation. Over 30 years ago, the City established an Energy Management Program that has realized over $120M in cost avoidance/savings. The goals of the program are to: 1) Promote efficient energy use; 2) Develop cost effective alternatives; 3) Promote renewable energy sources; 4) Increase employee awareness; and 5) Provide examples of good energy practices for the community.


OTHER INFORMATION

Since 2006, new City buildings have been constructed to meet Leadership in Energy and Environmental Design (LEED) standards. Fifteen have been either LEED registered or certified to date. The City Building Code was modified in 2008 to require that all new City buildings attain a 50 percent reduction in landscaping water use, a 20 percent reduction in interior water use and a 30 percent reduction in overall energy use. Existing City buildings are also being retrofitted to LEED equivalent standards.

As a result of the $15.2M in American Recovery and Reinvestment Act (ARRA) economic stimulus funding Phoenix received in 2009, the City has been able to accelerate energy efficiency efforts to generate energy savings and improve energy efficiency through long-term sustainable programs. A summary of these initiatives and projects are provided below:

**Building Benchmarking:** Completed energy assessments for 160 facilities in March 2010.
Energy Efficiency Retrofits: Contracted with two Energy Services Companies (ESCOs), Honeywell and Johnson Controls, to provide $5.6M in upgrades at 43 sites citywide. The upgrades are underway for retrofits to controls, lighting, HVAC, insulation repair, and the installation of one hybrid chiller.

Green Incentive Program/Green Building Code: The Green Building Incentive Program was implemented in October 2010 with $500,000 allocated for incentives to encourage green building retrofits for home and business remodels. To date, the Program has expended approximately $400,000 in incentives and issued approximately 1,200 permits. The Phoenix Green Construction Code development process is underway, with an anticipated implementation date of July 1, 2011.

LED Traffic Signal Retrofit: Phase I to retrofit 335 intersections was completed in March 2011. Over 500 additional intersections will follow as Phase II, with an anticipated completion of summer 2012.

In 2010, the City was awarded a $25M Energize Phoenix Grant that provides funding for energy efficiency retrofits on residential, commercial and industrial buildings along a half-mile wide, 10-mile stretch of the Light Rail Corridor. The primary public/private partners are the City of Phoenix, Arizona Public Service and Arizona State University. The Program’s goals are to: create 2,000 green jobs; retrofit 30M square feet of commercial/industrial space; retrofit 2,000 residential units and generate energy with savings ranging from 18 to 30 percent. Program staff has worked diligently the last six months to establish agreements with partners, engage a financial institution for the finance component of the program and train and qualify over 60 contractors for commercial and residential energy upgrade projects. Currently 50 project applications are in various stages of the pre-approval process. The first commercial/small business projects were completed the week of April 18, 2011.

The City continues to take advantage of incentive programs offered by local utility companies. These programs target energy efficiency as retrofit projects and in new construction projects (energy efficient design and equipment). Since 2006, the City has received over $915,000 in incentives for solar projects; new construction efficient design and equipment; motors and drives; lighting systems; central plant equipment upgrades; LED traffic signal retrofits; and process equipment at wastewater plants. Solar projects energized in April 2011 are projected to add another $171,739 in one-time solar PV rebates this Fiscal Year, and generate $32,000 per year for the next 20 years in production-based incentives. The City will also realize incentives and rebates for LED traffic signal conversions that are projected to total over $700,000 for Phase I and Phase II. APS’ voluntary Load Reduction Program offers incentives to select facilities and operations that reduce energy load use when requested by the utility. Full participation in the program could yield up to $300,000 in incentives annually.

RECOMMENDATION

This report is for information and discussion only.
This report provides a brief overview and history of property taxes, reviews the property tax policies adopted by the City Council on May 25, 2010 and provides a status update on the adopted policies. The report also addresses property tax questions raised by Council members at the April 5, 2011 Council Policy meeting during discussion on the Preliminary Capital Improvement Program.

THE ISSUE

The property tax system adopted in Arizona State Constitution and Revised Statutes is complex. In the 30 years since the major reforms created this system, the Phoenix City Council has adopted property tax policies and changes to address General Obligation bond funded project needs and fiscal challenges in operating budgets. Property tax policy changes and reprogramming of GO bond funded projects were adopted by City Council in May, 2010 to address the potential of continued decreases in property tax assessments while maintaining our high credit quality and preserving important General Fund revenue source critical to City services. The City Manager’s recommended budget for 2011-12 and the Preliminary 2011-16 Capital Improvement Program conform to the property tax policies adopted by the City Council in May 2010.

BACKGROUND

Two Property Tax Levies

The Arizona Constitution addresses levy amounts, assessed valuation, and exemptions from taxation. The Arizona Revised Statutes further refine property classifications and exemptions, establish assessment practices, include the truth in taxation provisions and establish the overall steps and timelines for publishing and adopting the property tax levies (tax assessments).

In Arizona, municipalities may assess two separate property tax levies, the primary property tax levy to fund operation and maintenance expenses and the secondary
property tax levy to pay the debt service for voter-approved General Obligation (GO) Bond funded projects. The two levies combined reflect the property taxes paid by commercial and residential property owners.

The **Primary Property Tax** pays the current costs of operations and maintenance such as utilities, fuel, services, and staff. This tax is levied on property values that are limited in growth under state law. Further, the amount a municipality may levy each year is limited by state law to two percent (2%) over the prior year’s maximum allowable levy plus the tax amount associated with newly constructed or improved properties not taxed in the previous year. The maximum allowable primary levy may be adjusted upward in the amount of involuntary tort judgments paid by the municipality and approved by the Property Tax Oversight Commission. The City of Phoenix did not use this provision for the 2011-12 budget.

The **Secondary Property Tax** is restricted by state law to be used to pay the costs of servicing debt on voter-approved bonds. This tax is levied on full cash property values. There is no limit on growth in the property values or on the levy other than the levy be adequate to meet debt service requirements. Voter-approval is required to use property tax supported bonds.

**History of Property Tax Policy**

**Property Tax Rates:** In the last 30 years, the combined rate has been as low as $1.59 and as high as $1.85 per $100 of assessed value. The current combined rate is $1.82. The most significant factor contributing to increased property taxation was voter approval of a robust bond program in 1988. The 1988 citizen bond committee recommendations proposed a bond program that would require significant increases in the secondary levy to support the bond program’s debt service requirements. Voter-approval is required to use property tax supported bonds.

In December 1992, the City Council adopted property tax policy changes to address financial challenges faced in the 1988 bond program. Among many other changes to that program, two property tax policy changes were included. First, an annually increasing minimum secondary levy needed to support the bond program’s debt service requirements was established for each year through 2004-05. Second, a policy to float the combined property tax rate between $1.92 and $1.82 was adopted. Under this policy, the focus was on property tax levies, and the property tax rates were set to achieve the needed levy amounts.

By 1995-96, the combined rate was at the $1.82 minimum. In advance of establishing a full citizen bond committee in 2000, a citizen Fiscal Capacity Committee was appointed in February 1999 to evaluate the City’s ability to undertake a new bond program. That committee was charged with determining the amount of a bond program that could be undertaken within the existing $1.82 rate. The focus was on the property tax rate. The 2001 Citizen Bond Committee then developed a recommended program within that tax rate constraint. The 2006 Bond Committee maintained the same recommendation on combined rate thereby funding the program through growth in assessed valuation.

**Maximize Primary Levy:** At the April 5, 2011 Council Policy meeting, Councilman Gates requested information about when the City began to maximize the primary property tax
levy. Beginning in 1982-83 when the full force of the new property tax reforms of 1980 were in effect, the City Council maximized the primary property tax levy to support services, operations and maintenance, and did the same for the next 14 years through 1995-96.

In 1996-97, the City Council kept the primary rate at $0.94 equal to the prior year rate. This was done for two reasons. First, the state legislature had taken action to freeze property values for that same year. But, more importantly, this step was taken by the City Council to begin building secondary property tax capacity to support a new bond program for the year 2000.

In the next year, 1997-98, a new policy was adopted to grow the primary levy for only the impact of new properties. This policy was in effect for six years through 2002-03 and continued the emphasis on building capacity for a bond program by increasing secondary property tax revenues.

As recommended by the 2001 Citizen Bond Committee to provide adequate funding to operate newly constructed projects, property tax policy was changed and in 2003-04 the City Council increased the primary levy for new properties plus $7 million. In 2004-05, also consistent with the bond committee recommendations, the primary levy was again increased for new properties plus another $3 million. 2005-06 then marked full return to a policy to maximize the primary levy as permitted under state law. The 2006 Citizen Bond Committee, which faced significant operating cost constraints in developing a bond program, recommended continuing existing property tax policies including maximization of the primary levy. The City Council has maximized the primary property tax levy annually since 2005-06.

When a constant combined tax rate is used and the primary levy maximized, the portion of the rate used for the primary and secondary levies will shift with changes in the assessed valuations. During periods of growth, the primary rate will drop and the secondary tax levy will grow with any excess secondary levy above debt service payments being held in an early redemption fund to retire bonds early or to cover any shortfalls in future debt service payments. This is what happened in the years following the 2006 bond passage. During periods, such as currently, where assessed valuations are declining, the primary rate will increase and the secondary levy will decline. The secondary levy collected in excess of annual payments is used to pay for any shortfalls.

Current Property Tax Policy

At the May 25, 2010 Work Study session, the City Council voted 9-0 to adopt changes to GO Bond funded project schedules and approve several debt management actions. In addition, the City Council approved the following property tax policy:

- Maintain the combined property tax rate for the next two fiscal years (FY 2010-11 and FY 2011-12) at $1.82;
- The City Council agrees that it is important to provide confidence to investors and maintain our excellent credit ratings; therefore, in FY 2012-13, if further decreases in property valuations require, the City Council will take one of the following three actions:
1. Allow the secondary property tax rate to float up;  
2. Allow the primary property tax rate to float down; or  
3. Use other general fund resources to pay debt service

This City Council adopted property tax policy was implemented for 2010-11. The 2011-12 Trial Budget and 2011-16 Preliminary Capital Improvement Program presented in March and April 2011 respectively also comply with the current Council policy. For 2011-12, the primary property tax levy is maximized to provide revenue to support the critical General Fund services and, as anticipated, the Early Redemption Fund will supplement the secondary levy to satisfy debt service requirements.

Assessed valuations for 2011-12 are slightly below the forecasts used to develop the above adopted policy. As a result, the 2011-12 proposed secondary levy is $7.9 million less than forecasted in May 2010. The early redemption fund balance is estimated to be approximately $338 million by June 30, 2011 which is about $8.5 million more than anticipated. This balance far exceeds the policy to maintain a balance equal to at least nine months for debt service requirements, so the impact of the lower 2011-12 secondary levy can be absorbed with minimal near term impact and the policy adopted by the City Council in May 2010 can be implemented. That policy calls for change to property tax policy, if needed, as early as 2012-13.

At the April 5, 2011 Council Policy meeting, Councilman DiCiccio requested the result of a different scenario. If last May, the City Council had decided to not levy the allowed two percent growth in the primary levy, additional General Fund budget reductions of $2.4 and $5.0 million and increased contributions to the early redemption fund for future debt service payments of $2.6 and $5.0 million in 2010-11 and 2011-12 respectively would have resulted. In addition, the City Council included torts in the 2010-11 levies, which resulted in a one-time $9.5 million increase in the primary and $10.1 million less in the secondary.

Under City Council property tax policy, the average residential property will owe $234 in City of Phoenix property taxes in 2011-12. This is 26% less than the $316 estimate for the current year and 43% less than the peak of $407 in 2008-09. The 2011-12 combined property tax levy will be $61 million less than the 2010-11 levies.

There is still uncertainty about when property values will reverse their downward trend and begin to grow. The timing and magnitude in recovery of property values will determine if the policy actions adopted in May 2010 will be required. Accordingly, it is important to again step back and reevaluate the assessed valuation forecast and options for refinancing and restructuring existing GO Bond debt service.

As discussed at the April 5, 2011 Policy Session on the 2011-16 Preliminary CIP, staff will review and evaluate the ongoing need for projects in that five-year plan including the GO Bond funded projects. That information along with the assessed valuation and any debt service management updates will be used to provide the City Council with information needed to implement, if needed, any of the three property tax actions in the current property tax policy.
RECOMMENDATION

This report is for information purposes, no action is required. Staff will work over the summer to update and review the GO Bond schedule for Council Policy action in the fall. Any discussion of levies needed for 2012-13 will occur at next year during the 2012-13 budget process.
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This report updates the Finance, Efficiency and Innovation Subcommittee on the activities to date during Phase II of the Innovation and Efficiency Task Force.

The Issue
The second phase of the Innovation and Efficiency Task Force began in January 2011 with a goal of building upon the momentum of the Task Force’s first phase. For Phase II, the Task Force was charged by the City Manager to focus on seven key areas listed below to seek innovative ways to enhance services, to improve processes, and to help achieve substantial savings throughout the City. The leadership and support of the City Council Finance, Efficiency, and Innovation Subcommittee continues to be instrumental to the Task Force’s efforts moving forward.

- Communications – Toni Maccarone, Public Information Director
- Compensation & Benefits – Janet Smith, Human Resources Director
- Customer Service – Toni Garvey, City Librarian
- Fines & Fees – Jeff Dewitt, Finance Director
- Right Sourcing – John Chan, Phoenix Convention Center Director
- Regulatory Review – Debra Stark, Planning and Development Director
- Technology & Continuous Improvement – Barbara Glaus, Water Services Director

These work groups have been collaborating with city departments and outside agencies to identify specific improvements, efficiencies and additional cost saving initiatives. The following information outlines the membership of each of the work groups along with a brief update of their activities:

1. **Communications** – (Toni Maccarone, Bill Barquin, Gene Blue, Steve Kreis and David Tierney)
   - In Progress:
     - Providing more transparency on the City’s website phoenix.gov
     - Developing a plan for expanding the City’s presence in new/social media
     - Expanding marketing partnership program opportunities
     - Developing strategies to transform PHX11 from a traditional television station to a news and information video source
     - Evaluating survey results from city departments
2. **Compensation & Benefits** - (Janet Smith, Rick DeGraw, Don Hamill, Roger Peck and Ron Ramirez)
   - In Progress:
     - Evaluating eight (8) responses from national firms to the Request for Qualifications (RFQ) for review of the City’s compensation and benefits. The work group will submit recommendations by mid May.

3. **Customer Service** – (Toni Garvey, Jane Morris and Kevin Robinson)
   - In Progress:
     - Developing recommendations regarding 3-1-1 services
     - Evaluating survey results from city departments

4. **Fines & Fees** - (Jeff Dewitt, Jim Burke and Diane Scherer)
   - In Progress:
     - Developing a survey on fines for city departments’ response

5. **Right Sourcing** - (John Chan, Neil Mann and David Tierney)
   - In Progress:
     - Based on updated information gathered from departments, evaluating and prioritizing additional areas for managed competition and competitive bidding

6. **Regulatory Review** - (Debra Stark, Richard Rea and Diane Scherer)
   - In Progress:
     - Establishing times for the Permitting Process
     - Evaluating survey results from city departments

7. **Technology & Continuous Improvement** - (Barbara Glaus, Wylie Bearup, Mark Dobbins and Charles Thompson)
   - In Progress:
     - Cloud Computing RFP has been published
     - Providing more transparency on the City’s website [phoenix.gov](http://phoenix.gov)
     - Evaluating survey results from city departments

**Recommendation**
This report is for information only.
This report provides information to the Finance, Efficiency and Innovation Subcommittee on citywide right-sourcing efforts of the Right-Sourcing Work Group of the Innovation and Efficiency Task Force.

THE ISSUE
The Right-Sourcing work group was established to explore and evaluate opportunities for alternative service delivery methods which include out-sourcing of services to private contractors through competitive bidding or managed competition processes. Additionally, the work group evaluated opportunities to in-source services currently performed by private contractors where such services could be performed in-house with greater efficiency and/or cost savings.

The City currently out-sources a wide range of services to private contractors which total more than $432 million annually in approximately 350 service areas.

To date, City departments have evaluated and implemented a number of right-sourcing initiatives in a variety of service areas:

<table>
<thead>
<tr>
<th>Description</th>
<th>Departments</th>
<th>Current Status – Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Out-source landscaping of branch libraries, police precincts and fire stations (73 facilities)</td>
<td>Parks/Library/Police/Fire</td>
<td>Phase I completed (7 libraries, 3 police precincts, 9 fire stations)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Competitive bidding process for remaining facilities currently in process – Savings TBD</td>
</tr>
<tr>
<td>In-source voluntary land acquisition program</td>
<td>Aviation</td>
<td>Implemented - $2m</td>
</tr>
<tr>
<td>Out-source operations and maintenance of Sky Train</td>
<td>Aviation</td>
<td>Agreement with contractor executed - Cost efficiencies will be realized from the start of operations in 2013</td>
</tr>
<tr>
<td>Parking meter operations (technology upgrades, maintenance, collections)</td>
<td>Street Transportation</td>
<td>Under evaluation - RFP for consultant services completed study to be completed in May – Savings TBD</td>
</tr>
<tr>
<td>Consolidate printing functions</td>
<td>City Clerk/ITD</td>
<td>Underway - $280,000</td>
</tr>
<tr>
<td>Out-source billing services for Water billing functions</td>
<td>Water Services</td>
<td>Under evaluation – Department moving forward on RFP – Savings TBD</td>
</tr>
<tr>
<td>--------------------------------------------------------</td>
<td>----------------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>In-source risk management litigation cases</td>
<td>Law</td>
<td>Phase I Underway – $395,000</td>
</tr>
</tbody>
</table>

In Phase II of the task force work-plan, the Right-Sourcing Work Group continues to work with departments to evaluate and prioritize additional areas for managed competition and competitive bidding. A preliminary list of Items currently under evaluation is outlined in Attachment A.

Potential items for in-sourcing will also continue to be evaluated.

In addition, a number of departments have identified opportunities to realize additional cost savings and staffing efficiencies by eliminating, through attrition, vacant full-time positions and supplementing all or part of the work with part-time employees, temporary labor or qualified vendors.

Over the next several weeks, staff will meet with employee groups and will return to the Subcommittee with a detailed process and implementation plan.

RECOMMENDATION
This report is for information only.
## Innovation and Efficiency Task Force

Potential items under evaluation for competitive bidding or managed competition

<table>
<thead>
<tr>
<th>Department</th>
<th>Description</th>
</tr>
</thead>
</table>
| Aviation                           | Landscaping  
Vehicle maintenance  
Technology operations & maintenance |
| Equal Opportunity                  | Small Business Enterprise certification  
ADA compliance |
| Housing                            | Landscaping at public housing sites |
| Human Services                     | Senior Services Nutrition Program |
| Library                            | Facility maintenance |
| Parks & Recreation                 | Street landscaping  
Janitorial maintenance of Centers |
| Phoenix Convention Center          | Event communications |
| Public Works                       | Solid waste contained collection  
Tire service repair  
Heavy duty fleet and equipment maintenance  
Light duty fleet and equipment maintenance |
| Street Transportation              | Traffic Signal Loop Crew |
| Water Services                     | Security equipment maintenance  
Heavy duty vehicle maintenance  
Facility maintenance |
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TO: Lisa Takata  
Executive Assistant To The City Manager
FROM: Cris Meyer  
Acting City Clerk
SUBJECT: PRINTING OPTIONS FOR CITY DEPARTMENTS

This report responds to a request by Councilmember Gates, Chair of the Finance, Efficiency, and Innovation Subcommittee, regarding printing options available to City Departments.

THE ISSUE

The City Clerk Department has operated a Printing Services Section providing services to meet the printing needs of city departments for 40 years. These services and capabilities have been adapted over time in response to changes in technology, the printing industry, and service demands, to meet the needs of city departments and improve efficiency. A list of services currently available through Printing Services is attached as Appendix A.

A managed competition model exists within the city for printing services. City departments have the option to use the internal Printing Services Section, or any other printing services or graphic design vendor, subject to applicable purchasing process and eligibility requirements. Accordingly, departments may request bids for design or printing from Printing Services, as well as any business offering printing services, and select the most advantageous bid. A.R. 1.31 provides the only exception to the managed competition model, which requires city-wide forms to be printed internally by Printing Services. This A.R. was established to control form content and printing costs through the application of design standards and inventory control. Currently, there are about 1,000 different city forms in this program, including critical documents related to purchasing and personnel matters.

The printing budgets of city departments reflect the managed competition model.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total</th>
<th>Internal</th>
<th>External</th>
<th>% External</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>$4,576,067</td>
<td>$3,012,429</td>
<td>$1,563,638</td>
<td>34%</td>
</tr>
<tr>
<td>2008-09</td>
<td>$4,134,517</td>
<td>$3,379,826</td>
<td>$754,691</td>
<td>18%</td>
</tr>
<tr>
<td>2009-10</td>
<td>$3,199,839</td>
<td>$2,533,768</td>
<td>$666,071</td>
<td>21%</td>
</tr>
<tr>
<td>2010-11</td>
<td>$2,466,056</td>
<td>$1,820,993</td>
<td>$645,063</td>
<td>26%</td>
</tr>
<tr>
<td>2011-12*</td>
<td>$2,516,472</td>
<td>$1,751,784</td>
<td>$764,688</td>
<td>30%</td>
</tr>
</tbody>
</table>

* Proposed

The Printing Services section receives many requests for bids on various design and printing projects. Many of these jobs are awarded to Printing Services, while others go to outside vendors. The Printing Services Section operates on a 100% cost recovery basis for design and printing work completed for departments. Accordingly, if the demand for
printing is reduced by budgetary or other considerations, or if the type or quality of services does not meet department needs, departments will reduce their internal printing expenditures and the Printing Services Section budget and positions will be correspondingly reduced through the budget process. In recent years, budget constraints have predictably reduced printing budgets. As a result, the number of FTEs in Printing Services declined from 24.2 FTEs in FY 08-09 to 12 full time FTEs in the current fiscal year.

Printing Management and Right-sourcing

The internal printing operation provides additional options for city departments. The Printing Services Section provides a creative and technical resource for graphic design and printing expertise and management. The Section can provide design or technical assistance to city staff in planning or design of materials, and preparation of specifications for requests for bids or proposals. These services can improve efficiency and promote lower cost bids whether the job is produced internally or externally.

The Printing Services Section assists departments and the city by facilitating efficient managed competition through right-sourcing. Printing Services may decline to bid on specific jobs because of equipment, production schedules or other limitations, and will often work with the department to identify options for printing vendors that can produce the desired job. In addition, for jobs awarded to Printing Services, portions of the project, particularly some types of printing or bindery services, will be outsourced to private vendors by Printing Services to achieve the greatest efficiency and lowest cost. For other routine printing needs for multiple departments which would not be efficient to produce internally because of volume or equipment needs, Printing Services will work with various departments and Purchasing to develop options and issue RFPs for contracts that will provide low cost external purchasing options. Current examples include business envelopes, letterhead and pre-numbered “shoe vouchers.”

Departments also have the option to reduce printing needs by converting appropriate materials to be printed on demand. Printing Services will continue to identify and assist departments to convert preprinted forms to static or fillable pdf documents that can be printed as needed from workstations or over the Internet.

OTHER INFORMATION

The internal printing operation provides a printing and design option that provides greater confidentiality and security for sensitive information in materials being printed than may be achieved from an outside vendor.

City departments also receive support from Printing Services in complying with restrictions in A.R. 1.87 on use of the city bird logo on printed materials produced internally or externally. Outside vendors may print materials using the bird logo, but departments must ensure that vendors comply with these restrictions. The Printing Services Section assists the Public Information Office in monitoring use of the city bird logo on projects designed or printed by Printing Services, and by serving as a technical contact for outside vendors regarding these restrictions.

RECOMMENDATION

This report is for information only.
APPENDIX A

MENU OF SERVICES
CITY CLERK PRINTING SERVICES SECTION

PRINTING
Variable Data Printing
Spot Color Printing
Digital Color & B/W Printing
Large Format Display Printing up to 17” x 22”

PREPRESS
Graphic Design
High Resolution Scanning
File Troubleshooting and Repair

WEB DESIGN

BINDERY SERVICES
Laminating
Tabs
Scoring
Perforating
Folding
Numbering
Drilling
Collating
Stapling
Die-Cutting
Embossing
Binding
Shrink wrapping