



Issue Review Session Agenda

**Tempe City Council
Issue Review Session
Harry E. Mitchell Government Center
Tempe City Hall - City Council Chambers
31 East 5th Street, Tempe, Arizona
Thursday, April 26, 2012
6:00 PM**

Members of the City Council may attend either in person or by telephone conference call.

AGENDA

Legal Advice: If necessary, the City Council may make a vote to adjourn to executive session for the purpose of obtaining legal advice from the Council's attorney on any matter listed on the agenda pursuant to A.R.S. § 38-431.03(A)(3).

1. Call to the Audience

The City Council welcomes public comment at this time only for items listed on this Issue Review Session agenda. There is a three-minute time limit per citizen.

2. Fiscal Year 2012-13 Budget Overview*

3. Launch of City Website*

4. Active Duty Military Supplemental Pay*

5. Formal Council Agenda Items

The City Council reserves this time to informally discuss any item(s) appearing on the 7:30 p.m. Formal Council Meeting agenda.

6. Future Agenda Items:

- Dam Update - 5/10/2012
- Tempe 311 Program Rollout - 5/10/2012
- Transit Update - Fund balance, Fleet procurement, Orbit fare - 5/31/2012
- Golf Business Model Update - 5/31/2012
- Shared Living Properties, Renovation and Repurpose - 5/31/2012
- Solid Waste Cost of Services Study - 6/14/2012
- Solid Waste Sustainability Programs Update - 6/14/2012

7. Mayor's Announcements/City Manager's Announcements

The Mayor and/or City Manager may make announcements regarding current events that are not on the agenda. No discussion or legal action will be taken regarding these announcements.

*Background material included

According to the Arizona Open Meeting Law, the City Council may only discuss matters listed on the City Council agenda. Members of the City Council may attend either in person or by telephone conference call. The City of Tempe endeavors to make all public meetings accessible to persons with disabilities. With 72 hours advance notice, special assistance is available at public meetings for sight and/or hearing-impaired persons. Please call 350-2905 (voice) or 350-2750 (TDD) to request an accommodation to participate in the City Council meeting.

**Watch this meeting live on Cox cable channel 11 or www.tempe.gov/tempe11.
Video replay of this meeting is available the next day at www.tempe.gov/tempe11.**

*Background material included

Table of Contents

Topic	Page
Budget Message	1
Department Budgetary Trends	8
General Fund Adjustments	9
Operating Budget Supplemental Requests	10



This page intentionally left blank.

Memorandum

Finance and Technology Department

TO: Mayor and Council
 FROM: Ken Jones, Finance and Technology Director (480-350-8504)
 THROUGH: Charles W. Meyer, City Manager
 DATE: April 26, 2012
 SUBJECT: **Fiscal Year 2012-13 Annual Financial Program**

The City's Annual Financial Program is a presentation of the recommended operating and capital budgets for all funds. It provides an opportunity for Councilmembers to review the proposed changes from the prior year's budget and anticipated impacts that the capital budget will have on the operating budget. This overall review of the City's recommended budget will be followed in the next two months by formal adoption of the fiscal year 2012-13 operating and capital budgets, as well as the establishment of the City's property tax levy for next year.

Financial Program		
	FY 2011-12 Budget	FY 2012-13 Recommended
Operating Budget <i>Percent Change</i>	\$363,257,449	\$470,909,034 30%
Capital Improvements Budget <i>Percent Change</i>	\$49,337,804	\$124,205,216 152%
Total Financial Program <i>Percent Change</i>	\$412,595,253	\$595,114,250 44%

The recommended financial program for FY 2012-13 totals \$595.1 million, reflecting an overall \$182.5 million (or 44%) increase from the FY 2011-12 financial program. In large part, increases are due to early repayment of debt and budgetary policy changes affecting the operating and capital budgets.

The most notable factor increasing the operating budget is early retirement of debt, which includes a \$54 million reduction of debt in the Transit Fund and a \$20 million reduction in the Debt Service Fund. Additionally, a budgetary policy change required the creation of revenue and expenditure operating budgets for grants, restricted funds, and restricted donations totaling \$17.1 million. Examples include numerous Community Services governmental grants and donations, Police related grants and RICO (Racketeer Influenced and Corrupt Organizations) funds, and Court Enhancement funds. The anticipated debt reductions, combined with changes to grant budgeting policies, increased the operating budget by \$91 million. Except for the early repayment of debt and the budgetary decision to appropriate grants, the increase to the operating budget is 4.5%.

The major change introduced for the Capital Improvements Program (CIP) required all unspent prior year CIP appropriations to be formally re-appropriated or re-budgeted. To be eligible for expenditure in the new fiscal year, all remaining unspent project appropriations from prior years required formal re-



appropriation. Prior year appropriations that are not spent by the end of the current year and were not re-appropriated in the first year of the FY 2012-13 CIP lapse. The impact of this change, alone, grew the size of the CIP by \$90.1 million.

Going forward, key budget dates include:

May 31 st	Tentative Adoption of Budget
June 14 th	Final Adoption of Budget Final Adoption of Capital Improvements Program Property Tax Ordinance Introduction and 1 st Public Hearing
June 28 th	Property Tax Ordinance 2 nd Public Hearing and Final Adoption

Operating Budget

The recommended Operating Budget represents an increase of \$107,651,585 (or 30%) over the previous year. As mentioned previously, this increase includes a \$74 million appropriation to accommodate debt reductions and a \$17.1 million increase to appropriate grants, restricted funds and donations.

The five year financial forecast, presented in February of 2012, provided a long-term perspective on the projected financial condition of the major appropriated funds, as well as a long-range context for the City Council to use in making budgetary decisions for the upcoming fiscal year.

The proposed budget does not include balancing measures for the Transit Fund, which will be presented to the City Council by Transit staff on May 24th once the decision making process for Transit service changes is complete. Upon approval by the City Council, changes to the Transit Fund will be included in the formal budget adoption. We anticipate issuing the semi-annual Long-Range Forecast in July 2012 with an updated status for each of the operating funds, incorporating current year-end data. Formal measures to balance the General and Transit funds during the forecast period will be included in that Long-Range Forecast.

A limited number of supplemental requests were included in the FY 2012-13 proposed budget. Supplementals are required when departments request an increase in their base operating budgets, and any new positions or programs. Supplemental requests for the General Fund were only considered if they had zero net fiscal impact. For the other funds, supplementals were considered based on operational needs and the financial capacity of the fund to absorb the increased operating budget impact. The operating budget supplementals are summarized on pages 10-11.

FY 2012-13 Operating Budget Highlights

General Fund

The Long Range Forecast projected General Fund deficits ranging from \$7.0 million in FY 2012-13 to \$21 million in FY 2015-16. Based on those current projections, we should be able to eliminate the current structural deficit and overcome the June 2014 expiration of the .2% temporary sales tax by making recurring 3% adjustments to the projected annual General Fund budgets for each of the next four years.

As discussed previously, to maintain a stable budget in the future, the required budget adjustments should include limits to the growth of personnel costs. These costs are projected to outpace revenue growth in the future, based on current City personnel policies. As a result, the City Manager has been working with representatives from the Six-sided Partnership to examine our current policies and recommend changes for the FY 2013-14 budget, when current employee group MOUs expire. The

recommended operating budget for FY 2012-13 includes the second full year of the phased-in budget adjustments for the General Fund. In total, department reductions, citywide efficiencies, and targeted revenue increases represent \$3 million for FY 2012-13. The proposed budget adjustments for FY 2012-13 are consistent with the long-range plan to stabilize the General Fund and are projected to maintain the fund balance within our current policy of 20% to 30%. We anticipate the need for more adjustments in the next few years, leading up to the expiration of the temporary sales tax in June 2014.

Consistent with City Council direction, all revenues and expenditures of the Tempe Double Buttes Cemetery have been moved to the General Fund. The General Fund will transfer revenue to the Debt Service Fund for a debt service payment of approximately \$190,000, which will expire at the end of fiscal year 2025.

Following are the major changes contained in the recommended General Fund budget:

- Employee furloughs lifted added \$5.0 million
- Advanced funding of retiree defined-benefit health plans (full OPEB funding) totaled \$3.8 million
- A \$1 million contingency fund created (requiring City Council expenditure approval)
- Additional General Fund budget reductions, revenue enhancements, and efficiencies including:
 - Base budget reductions of \$1.8 million submitted by departments
 - Citywide vacancy savings projected at approximately \$1 million
 - Additional revenues from special events and telecommunications contracts; forecasted at a total of approximately \$250 thousand

Other Funds

- *Water/Wastewater Fund*

The Water/Wastewater Enterprise Fund model included in the Long-Range Financial Forecast assumed the continuation of planned rate increases that were approved as part of a long-term strategy to comply with water quality regulations being imposed by State and Federal agencies on all water utilities. Rate increases have been kept to a minimum by spending-down the fund balance in a measured fashion to reduce the balance to approximately 6 months of operating revenues from what was once equivalent to a full year's revenue. Applying this strategy, the Water Division of Public Works has maintained user fees at or near the lowest in the Valley, while complying with all State and Federal standards.
- *Solid Waste Fund*

The Public Works Department is in the process of conducting a rate study for solid waste user fees in conjunction with efforts to reduce costs. The model displayed in our Long-Range Forecast excluded any rate changes or expenditure reductions because there is no City Council-approved plan at this point. The forecast showed the Solid Waste Enterprise Fund suffering a slight deficit in 2012-13 if no changes were made. We anticipated the Public Works Department presenting the cost of service and rate design study to the City Council in the spring of 2012.
- *Golf Fund*

After undergoing a complete change in its operating model in 2011-12, the Golf Enterprise Fund is expected to overcome the anticipated short-term expenditure increases necessary to implement the new model, and move toward stability in 2012-13. Staff will be closely monitoring golf operations to ensure continued stabilization of this fund.
- *Transit Fund*

In fiscal year 2010-11, the City Council approved a 3-year budget-balancing plan for the Transit Special Revenue Fund that called for approximately \$14 million in recurring adjustments. A planned

reduction of approximately \$54 million in outstanding bonds in 2012-13 will reduce annual debt service payments by approximately \$1.9 million. We have identified, in our long-range model, a need to make a final adjustment of approximately \$3 million to stabilize the fund. Public Works Transit management will be presenting their plans for adjusting the Transit Fund to the City Council in May.

- *Highway User Revenue Fund (HURF)*

The main source of revenue for the HURF Special Revenue Fund is the diminishing Highway User Tax, distributed by the State of Arizona, which can only be used by the City for street/highway costs. In fiscal years 2008-09 and 2009-10, the HURF Fund was experiencing deficits of almost \$3 million per year. Public Works management began making expenditure cuts in 2010-11. In 2011-12, we began phasing-out the annual \$2.77 million transfer that was being made from the HURF Fund to the Debt Service Fund. The transfer was reduced to \$1.55 million this year and will be reduced to \$.5 million in 2012-13 before being completely eliminated in 2013-14.

By eliminating these transfers to the Debt Service Fund, we are moving to a more appropriate model of having true streets-related capital projects funded with bonds, repaid by secondary property taxes from the Debt Service Fund, and paying for street-related costs that can more reasonably be categorized as operations and maintenance from the HURF Fund, which is projected to be healthy again.

- *Performing Arts Fund*

Over 90% of the revenue deposited in the Performing Arts Special Revenue Fund is from the City's .1% Arts Sales Tax. The remainder of the revenue is generated by users of the Tempe Center for the Arts. Revenues are not sufficient to cover current expenditures and the fund balance is expected to be depleted by 2013-14. A cumulative deficit of approximately \$2.5 million is expected to build through 2016-17, when partial debt expiration will result in a \$2.5 million reduction to annual debt service costs. This will generate an annual surplus of approximately \$1.5 million through December of 2020, when the Arts Tax expires and the remaining debt is paid-off. Community Services management is working to explore alternatives for generating increased revenue from the operations of the Tempe Center for the Arts.

- *Debt Service Fund*

The Debt Service Fund is used to account for payments of tax-supported debt from secondary property taxes, in support of the City's Capital Improvement Program. Because the City's property tax levy stabilization policy provides a predictable revenue stream for paying annual property tax supported debt service payments, existing fund balance in the Debt Service Fund can be utilized in the near term to accelerate the repayment of outstanding property tax supported debt. Accelerated repayment of outstanding debt will result in spending down the fund balance in the Debt Service Fund to between 4% and 8% of outstanding property tax-supported debt, and enhance the City's capacity to continue to issue property tax supported debt within the City's legal debt limits.

- *Grants, Donations and Restricted Funds*

City departments and offices receive and expend funds from numerous grants, donations, and other revenues that are restricted in their use by statute or other legal mandates. Starting in FY 2012-13, we have appropriated both the revenue and expenditures for these various funds. In addition, we have created a reserve appropriation amount in order to allow the City to have sufficient appropriation authority to accept any unanticipated grants, donations, or restricted revenues during the course of the fiscal year.

- *Risk Management Fund*

To comply with a recently-enacted State law, Tempe will create an industrial injury (Workers' Compensation) trust fund and transfer approximately \$2 million from our General Fund Risk Management Reserve to the new trust fund. In 2012-13, we will also budget a \$2 million contingency for unanticipated claims against the City.



The following table provides a fund level breakdown of the City’s operating budget by revenues, expenditures, and corresponding surpluses or deficits. Funds displaying a deficit in FY 2012-13 will be balanced with an appropriation of fund balance.

Operating Budget				
Fund	FY 2011-12 Budget	FY 2011-12 Revised	FY 2012-13 Recommended	Percent Change Recommended to Budget
General				
Revenues	160,194,222	162,978,000	168,113,886	4.9%
Expenditures	159,538,508	159,049,000	170,442,424	6.8%
Surplus/(Deficit)	\$655,714	\$3,929,000	(\$2,328,538)	
Water/Wastewater				
Revenues	71,017,104	70,728,000	76,104,967	7.2%
Expenditures	75,985,498	75,904,000	76,140,081	0.2%
Surplus/(Deficit)	(\$4,968,394)	(\$5,176,000)	(\$35,114)	
Solid Waste				
Revenues	15,231,809	15,232,000	14,976,722	(1.7%)
Expenditures	15,166,357	15,160,000	16,771,215	10.6%
Surplus/(Deficit)	\$65,452	\$72,000	(\$1,794,493)	
Golf				
Revenues	2,294,828	2,295,000	2,468,000	7.5%
Expenditures	2,290,553	2,372,000	2,518,651	10.0%
Surplus/(Deficit)	\$4,275	(\$77,000)	(\$50,651)	
Transit				
Revenues	47,324,887	48,205,000	50,253,096	6.2%
Expenditures	53,863,809	53,351,000	53,127,657	(1.4%)
Debt Reduction	-	-	54,000,000	N/A
Surplus/(Deficit)	(\$6,538,922)	(\$5,146,000)	(\$56,874,561)	
Transportation (HURF)				
Revenues	9,369,469	9,680,000	9,671,551	3.2%
Expenditures	9,297,186	9,285,000	8,731,090	(6.1%)
Surplus/(Deficit)	\$72,283	\$395,000	\$940,461	
Performing Arts				
Revenues	6,776,100	6,737,000	6,981,080	3.0%
Expenditures	8,565,287	8,565,000	8,525,812	(0.5%)
Surplus/(Deficit)	(\$1,789,187)	(\$1,828,000)	(\$1,544,732)	
CDBG/Section 8				
Revenues	17,001,929	17,001,929	16,473,652	(3.1%)
Expenditures	17,001,929	13,275,348	16,473,652	(3.1%)
Surplus/(Deficit)	\$0	\$3,726,581	\$0	
Debt Service				
Revenues	22,282,656	24,391,000	24,894,388	11.7%
Expenditures	21,548,322	23,848,000	25,041,300	16.2%
Debt Reduction	-	-	20,000,000	N/A
Surplus/(Deficit)	\$734,334	\$543,000	(\$20,146,912)	
Grants, Donations and Restricted Funds				
Revenues	N/A	N/A	17,137,152	N/A
Expenditures	N/A	N/A	17,137,152	N/A
Surplus/(Deficit)			\$0	
Risk Management Fund				
Contingency				
Revenues	N/A	N/A	2,000,000	N/A
Expenditures	N/A	N/A	2,000,000	N/A
Surplus/(Deficit)			\$0	



Capital Budget

The City’s five-year proposed Capital Improvement Program (CIP), covering FY 2012-13 through FY 2016-17, totals \$307,583,052.

The proposed five-year plan provides adequate resources to address the City’s most critical infrastructure needs. The first year of the CIP is incorporated in the City’s FY 2012-13 annual budget and totals \$124,205,216.

The CIP includes projects primarily focused on preserving the City’s assets, and sustaining public health and safety. The CIP is funded by enterprise supported bonds, dedicated special revenues, general obligation (G.O.) bonds, and grants. G.O. bonds are issued to fund projects under the General Purpose and Transportation programs and are repaid with secondary property taxes. The total amount of G.O. bond funding in the CIP is determined within the parameters of the City’s property tax levy stabilization policy, debt service reserve policy, and statutory debt limits.

The Carry Forward Appropriation column below includes portions of existing project budgets which are anticipated to go unspent by the end of FY 2011-12, and that will be re-appropriated in the FY 2012-13 capital budget.

The New 2012-13 Appropriation Request column consists of both additional expenditures for existing projects, and new project expenditures. The 2012-13 Total Requested Appropriation column adds the two preceding columns together, and represents the total amount proposed for appropriation as the FY 2012-13 capital budget.

Capital Improvements Program								
Program	Carry Forward Appropriation	New 2012-13 Appropriation Request	2012-13 Total Requested Appropriation	Additional Projected Needs				Total 5-Year Program
				2013-14	2014-15	2015-16	2016-17	
Enterprise Program								
Water	36,290,718	7,156,000	43,446,718	9,298,500	7,306,000	10,423,758	6,632,205	77,107,181
Wastewater	18,242,037	1,331,000	19,573,037	4,650,000	10,077,000	16,149,000	17,250,000	67,699,037
Total Enterprise	54,532,755	8,487,000	63,019,755	13,948,500	17,383,000	26,572,758	23,882,205	144,806,218
Special Purpose Program								
Transit	12,927,954	7,237,633	20,165,587	1,038,224	2,415,206	2,196,367	1,039,953	26,855,337
Rio Salado	4,796,002	768,736	5,564,738	1,655,669	31,837,800	-	-	39,058,207
Total Special Purpose	17,723,956	8,006,369	25,730,325	2,693,893	34,253,006	2,196,367	1,039,953	65,913,544
General Purpose Program								
Police Protection	1,478,267	5,958,016	7,436,283	3,467,231	4,026,636	3,308,162	7,912,491	26,150,803
Fire Protection	970,305	717,216	1,687,521	1,332,600	600,000	582,800	550,000	4,752,921
Storm Drains	1,091,059	-	1,091,059	300,000	300,000	300,000	300,000	2,291,059
Park Improvements	2,298,923	2,142,500	4,441,423	2,362,500	1,942,500	2,137,500	2,107,500	12,991,423
General Governmental	6,830,689	4,815,295	11,645,984	2,439,465	2,161,279	2,236,429	2,230,749	20,713,906
Total General Purpose	12,669,243	13,633,027	26,302,270	9,901,796	9,030,415	8,564,891	13,100,740	66,900,112
Transportation								
Transportation and R.O.W.	4,125,365	3,307,975	7,433,340	5,057,361	3,771,527	3,771,527	3,771,527	23,805,282
Traffic Signals/Street Lighting	1,032,726	686,800	1,719,526	2,124,536	806,917	806,917	700,000	6,157,896
Total Transportation	5,158,091	3,994,775	9,152,866	7,181,897	4,578,444	4,578,444	4,471,527	29,963,178
TOTAL REQUESTED	90,084,045	34,121,171	124,205,216	33,726,086	65,244,865	41,912,460	42,494,425	307,583,052

FY 2012-13 Capital Budget Highlights

- New funding for Waterline Replacements at High Frequency Break Areas (\$3.6 million)
- New federal grant funding for the Broadway Road Streetscape project which totals (\$3.8 million)
- New federal grant funding for the University Drive Bike and Pedestrian Improvements project (\$1.65 million)
- New funding for the replacement of Ruggedized Laptops utilized in Police Department vehicles (\$3.9 million)
- New funding for Residential and Arterial Street Preservation projects totaling (\$5.4 million)



Department Budgetary Trends

The following compares the FY 2012-13 recommended operating budget to the previous year's departmental budget. The schedules below do not include FY 2012-13 budgeted debt service payments, contingencies, and non-departmental expenditure budgets.

Department	FY 2011-12 Budget	FY 2012-13 Recommended	Percent Change
Mayor and Council	\$322,621	\$375,772	16%
City Manager	500,798	549,967	10%
City Attorney - General	2,524,064	2,761,387	9%
City Attorney - Water	380,051	389,267	2%
City Attorney - Grants		379,909	N/A
City Clerk	917,783	556,928	(39%)
City Court - General	3,787,780	3,800,031	0%
City Court - Restricted Funds (Court Enhancement Fund)		1,214,465	0%
Community Development - General	9,504,602	9,606,231	1%
Community Development - CDBG/Section 8	17,001,929	16,473,652	(3%)
Community Development - Transit	932,870	959,769	3%
Community Development - Grants		558,184	N/A
Community Relations Office - General	2,079,180	2,273,905	9%
Community Relations - Transit	454,452	470,874	4%
Community Relations - Grants		2,462,134	N/A
Community Services - General	18,285,198	19,570,155	7%
Community Services - Performing Arts	2,005,006	2,040,870	2%
Community Services - Grants		1,386,565	N/A
Diversity Office	449,752	465,574	4%
Finance and Technology - General	3,162,837	3,431,065	8%
Finance and Technology - Water	2,719,086	2,829,903	4%
Fire - General	26,354,274	27,340,212	4%
Fire - Grants		868,791	N/A
Human Resources	2,041,178	2,341,698	15%
Internal Audit Office	405,502	445,856	10%
Police - General	65,018,285	67,794,658	4%
Police - Grants		4,265,104	N/A
Public Works - General	17,180,211	18,067,444	5%
Public Works - Golf	2,290,553	2,518,651	10%
Public Works - Performing Arts	532,493	552,592	4%
Public Works - Solid Waste	15,166,357	16,771,215	11%
Public Works - Transit	47,406,487	47,467,470	0%
Public Works - Transportation (HURF)	9,297,186	8,731,090	(6%)
Public Works - Water Utilities	38,042,185	39,045,911	3%
Public Works - Grants		2,000	N/A
Tempe Learning Center Office	538,177	537,876	0%
Total Departmental	\$289,300,897	\$309,307,175	7%



General Fund Adjustments

The General Fund Adjustments, estimated at \$3.0 million, represent new revenue increases, department reductions and citywide efficiencies. These adjustments are part of the second full year of recurring, phased-in 3% adjustments to the projected annual budgets for each of the next four years.

Revenue		
Finance and Technology	Telecommunication Revenue	150,000
Police, Fire, Public Works	Recover Special Events Costs	<u>100,000</u>
		\$250,000
Reductions		
City Manager	Contracted Services	5,378
City Manager	Consultants	1,725
City Manager	Maricopa Association of Governments	742
City Clerk	Advertising	8,000
City Clerk	Film + Recording Supplies	1,250
City Clerk	Duplicating	3,500
City Court	Public Defender Fees	40,000
City Court	Bond Card Printing	13,000
City Court	Contracted Services	43,080
Community Development	Office Rental	45,684
Community Development	Maricopa Animal Control	30,000
Community Development	Miscellaneous Supplies	7,000
Community Development	Contracted Services	4,900
Diversity	Cell Phone Charges	500
Finance and Technology	Office Rental	350,000
Finance and Technology	Armored Car Services	7,000
Finance and Technology	Awards and Recognition	1,000
Finance and Technology	Communications Equipment Repair	20,000
Finance and Technology	Postage	150,000
Finance and Technology	Printer/Copier Supplies	800
Finance and Technology	Miscellaneous Supplies	1,000
Finance and Technology	Duplicating	1,300
Finance and Technology	Travel Expense	300
Fire	Equipment	9,000
Fire	Uniform Allowance	20,000
Fire	Fire Hose + Nozzle	8,000
Fire	Medical - Physical Exams	36,618
Human Resources	Unemployment Claims	17,512
Public Works	Heating Fuel	171,994
Public Works	Water Sewer Refuse	387,687
Public Works	SRP Water	5,000
Public Works	Contracted Water	78,000
Non-Departmental – FIT	Office Rental - 525 Building	170,000
Non-Departmental – FIT	Non-Departmental Contribution	<u>138,000</u>
		\$1,777,970
Vacancy Savings		
	Reduce Citywide budgets for personnel costs by 1%	\$933,000
	Total	\$2,960,970

Operating Budget Supplemental Requests

Fund	Department	Description	FTE	Total Cost	Offset		Net Fiscal Effect	Recurring	Non-Recurring
					Expend.	Rev			
General	Comm Relations	Media Services Production position funding through 12/31/2012	1	44,934	44,934	-	-	-	-
General	Fire	CPR Classes		17,000	-	17,000	-	-	-
General	Police	Communications Bureau Staffing (authorizes 2 new positions, eliminates 1 existing Detention position)	1	129,512	129,512	-	-	-	-
General	Public Works	Energy Management Coordinator*	1	110,428	110,428	-	-	-	-
General	Public Works	Fleet Mgmt Software Upgrade*		170,000	170,000	-	-	-	-
General	Public Works	Field Operations Administration Restructure		151,997	151,997	-	-	-	-
Total				623,871	606,871	17,000	-	-	-
10 Restricted Revenue	Police	Communications Bureau Staffing	1	56,045	56,045	-	-	-	-
Total				56,045	56,045	-	-	-	-
Solid Waste	Public Works	Field Operations Administration Restructure		240,177	206,978	-	33,199	33,199	-
Total				240,177	206,978	-	33,199	33,199	-
HURF	Public Works	Traffic Management System Maintenance Renewal		13,000	-	-	13,000	13,000	-
Total				13,000	-	-	13,000	13,000	-
Solid Waste	Public Works	Vehicle Replacement (10 units)		725,586	725,586	-	725,586	-	725,856
Solid Waste	Public Works	Upgrade of recycling containers/sites		25,000	25,000	-	25,000	-	25,000
Total				750,586	750,586	-	750,586	-	750,856
Transit	Public Works	Vehicle Replacement/New Vehicle Addition		151,500	-	15,000	136,500	-	136,500
Total				151,500	-	15,000	136,500	-	136,500



Operating Budget Supplemental Requests

Fund	Department	Description	FTE	Total Cost	Offset		Net Fiscal Effect	Recurring	Non-Recurring
					Expend.	Rev			
W/WW	Public Works	ADWR Municipality Fees		202,000	-	-	202,000	202,000	-
W/WW	Public Works	Multi Gas Detectors for Confined Space Entry		19,800	-	-	19,800	-	19,800
W/WW	Public Works	CCTV Replacement Camera		40,000	-	-	40,000	-	40,000
W/WW	Public Works	Water Valve Operator		50,000	-	-	50,000	-	50,000
W/WW	Public Works	Existing Vehicle/Equipment Replacement (20 units)		643,249	-	-	643,249	-	643,249
W/WW	Public Works	New Vehicle Request (2 units)		51,361	-	-	51,361	6,361	45,000
W/WW	Public Works	Tempe Grease Cooperative		100,000	-	100,000	-	-	-
Total				1,106,410	-	100,000	1,006,410	208,361	798,049

* The following General Fund Supplementals will result in additional expenditures to the following funds, as shown below.

11

	Arts	Golf	HURF	Solid Waste	Transit	Water	Total
Energy Management Coordinator	-	-	8,945	19,215	7,260	36,773	72,193
Fleet Mgmt Software Upgrade	1,700	3,400	13,600	73,100	1,700	10,200	103,700

Capital Improvements Program Operating Budget Impacts

Fund	Department	Description	FTE	Total Cost	Offset		Net Fiscal Effect	Recurring	Non-Recurring
					Expend.	Rev			
W/WW	JGMWTP	Water Quality Upgrades		310,000	-	-	310,000	310,000	-
W/WW	STWTP	Improvements		180,000	-	-	180,000	180,000	-
Total				490,000	-	-	490,000	490,000	-

2012-13 Budget Review Session

Tempe City Council
Issue Review Session
April 26, 2012

Total Operating Budget (all funds)

- 2011-12 Operating Budget \$363.3 million
- 2012-13 Operating Budget \$470.9 million

- 2012-13 Major Changes:
 - Early Debt Retirement \$74 million
 - Budgeting Policy Change for Grants \$17.1 million
 - Operating Budget Reductions (\$2.8 million)
 - Vacancy Savings (\$1 million)
 - Furloughs Lifted \$5 million
 - Full Funding of OPEB Liability \$3.8 million
 - Creation of a GF Contingency \$1 million

2012-13 General Fund Highlights

- ◉ Budget adjustments consistent with long-range budget-balancing plan
- ◉ Lifting of furloughs to return salaries to 2008-09 levels
- ◉ Planned \$2.3 million drawdown of fund balance to end the year at 25%

Highlights of Enterprise Funds

- ◉ Water/Wastewater – continued phasing-in of rate increases to comply with water quality regulations
- ◉ Solid Waste – planned spend-down of fund balance while rate studies and efficiency studies are performed
- ◉ Golf – Revenues increasing with new contract model

Highlights of Special Revenue Funds

- Transit – Final year of 3-year balancing plan; approximately \$3 million adjustments required; \$54 million early debt pay-off
- Highway User Revenue (HURF) – Stabilized; Final annual transfer to Debt Service Fund
- Performing Arts – \$1.5 million fund balance draw-down; long-term plan being developed

Highlights of Other Funds

- ◉ Housing (CDBG/Section 8) – Balanced federal grants programs
- ◉ Debt Service Fund – Planned early retirement of debt to reach fund balance policy and maintain debt capacity
- ◉ Grants/Donations/Restricted Funds – \$17.1 million previously unbudgeted

Total Capital Budget

- 2011-12 Capital Budget \$49.3 million
- 2012-13 Capital Budget \$124.2 million

- 2012-13 Major Changes:
 - Re-appropriation of prior projects \$90.1 million
 - New appropriations \$34.1 million

Summary of CIP Projects

- ◉ Water/Wastewater \$63 million
- ◉ Transit \$20.2 million
- ◉ Rio Salado \$5.6 million
- ◉ General Purpose \$26.3 million
- ◉ Transportation \$9.2 million

Overall Budget Direction/Questions

Memorandum



Community Relations Office

DATE: April 17, 2012

TO: Mayor and City Council

FROM: Shelley Hearn, Community Relations Office Administrator, x8906
Nikki Ripley, Communication and Media Relations Manager, x8846

THROUGH: Jeff Kulaga, Assistant City Manager, x8844

SUBJECT: Launch of City website

At your April 26 Issue Review Session (IRS), staff will present the new-and-improved www.tempe.gov, which offers a clean design and user-friendly features to help community members find what they need. We will highlight specific ways in which the website balances form and function, makes information more accessible and increases opportunities for community engagement. The website will officially launch April 30.

The website and the city's Customer Relations Center (CRC) have been underway for more than a year. They represent two of the many ways that Tempe is improving technology to serve residents better. The CRC will be highlighted at your May 10 IRS.

Tempe.gov will now include new features and a new design that fulfill three objectives of the revamped site:

Increasing ease of use

A whole new look is featured throughout the site. This clean design makes the site easier to navigate and better represents Tempe's funky, modern vibe. We have new features like a Facilities Directory, customized pages for individual Boards and Commissions, streamlined homepage organization and dynamic department pages. Tempe's new website is more attractive but it is also easier to find what you need and to stumble upon interesting things you weren't intending to find.

Increasing transparency

A new section of the site, called My Tempe, includes information on many aspects of city operations. Residents and other community members can now go to one place to view things like financial transactions, crime statistics and employee group contracts. In addition, a new emergency notification feature can be programmed to appear on the homepage, quickly alerting residents to major public safety news.

Increasing opportunities for engagement

Tempe aims to continually help community members find ways to get involved. The revised city website includes new features like polling, a Get Involved page and eNotifications, among others.

We will show you several examples of how these three objectives are realized through the new website, as well as take any of your comments, questions or suggestions.

Memorandum

Human Resources

Date: April 18, 2012
To: Mayor and City Council
From: Renie Broderick, Human Resources Director
Through: Charlie Meyer, City Manager
Subject: Supplemental Pay for Military Duty

Since 2001, the Human Resources Department in conjunction with the Payroll Division of the Finance and Technology Department has administered the Supplemental Pay for Military Duty benefit. While this benefit was utilized significantly from its inception in 2001 through 2008, the number of employees eligible and the cost of the benefit provided decreased markedly from 2009 through 2011. In fact, only one employee used the supplemental pay during 2011 and then only through the end of July. Please see Attachment A for utilization statistics.

Human Resources did not receive another request for this benefit until early 2012, and at that time staff realized that the language in the memo on file referred to military operations during the course of "Homeland Defense" that may have ended. Specifically, the memo referred to Operation Enduring Freedom (September 11, 2001 – April 13, 2003) and Operation Iraqi Freedom (March 19, 2003 – December 15, 2012). Please see Attachment B which is a copy of the memo.

In researching that concern, Human Resources also realized that the only document that specified and authorized this benefit was a memorandum signed by the previous City Manager and HR Director. A review of this memorandum by the City Attorney's office resulted in a determination that there was not sufficient authority to provide this benefit. There was no record that the City Council had ever approved Supplemental Pay for Military Duty at its inception in 2001 or at any time after that. It was at that time that Human Resources advised two employees who had requested the benefit that it was not currently authorized and was under review.

In the meantime, Human Resources in working with these two employees continues to follow Section 506: Military Leave of the Rules and Regulations that provides:

Regular and temporary employees with military obligations may take military leave with pay not to exceed thirty (30) workdays in any two (2) consecutive calendar years. Military leave shall result in no loss of seniority, pay, vacation or other employment rights. Military leave in excess of thirty (30) work days is charged to accrued vacation, by employee choice, or general leave without pay.

For your additional information a survey of other valley City's policy was conducted and is Attachment C. At this time, Human Resources respectfully requests direction from Council on the status of Supplemental Pay for Military Duty benefit. The key questions to be answered are:

1. Does Council want to offer this benefit?
2. What are the circumstances in which the City will provide the supplemental pay?
 - Call Up to Active Duty while serving in the Reserves.
 - Voluntarily enlisting in the Reserves
 - Voluntarily Enlisting in the regular Military
3. What length of time will the City provide the benefit?
4. Will the City provide this benefit to the two employees currently requesting it; if so, will it be retroactive?

Attachment A

Statistics on Utilization and Cost of Supplemental Pay for Military Duty

Payroll records are only available for 5 years so these statistics are for 2007-2011.

<u>Year</u>	<u># of Employees</u>	<u>Cost</u>
2007:	6	\$87,500
2008:	8	\$153,750
2009:	3	\$37,500
2010:	4	\$63,750
2011:	1	\$12,500
Total	12*	\$284,834**

* 12 employees have utilized this benefit over the past 5 years but several have utilized it more than once and in different calendar years.

**This is the base pay cost and does not include FICA or retirement system contributions both of which vary based on the employee utilizing the benefit but the additional costs are approximately 25% or \$71,000 for a total of \$355,000

The average weekly benefit for this 5 year period is \$482 (base pay) but ranges from \$104/week to \$1069/week. The benefit is calculated based on the difference between the employee's base pay with the City and their total compensation (including housing and other allowances) with the military.

Employees during the past 5 years have used the benefit for periods from 1 week up to 89 weeks.

Attachment B

Memorandum

City Manager



Subject: Active Military Reservists' Benefits
(Employees in Active Military Service during Homeland Defense Operations)

Initial Effective Date: October 15, 2001

Revision Effective Date: March 1, 2003

PURPOSE

This memorandum establishes the policies for benefits and pay for employees who are called to military service during the course of Homeland Defense, including Operation Enduring Freedom and Operation Iraqi Freedom.

SALARY

In accordance with A.R.S. 26-168, military leave with pay is available for up to 30 days in any 2 consecutive calendar years. The employee's vacation time is not charged.

Beyond this time, employees may elect to use accrued vacation, compensatory, and medical leave. Thirty (30) days after being called to active duty service, the City will *supplement* the compensation that the employee receives from the military up to 100% of the employee's base salary for up to 24 months*. Employees receiving supplemental compensation from the City do not receive holiday pay, premium pay, or leave accruals.

SENIORITY

Employees retain and continue to accrue all of the rights and benefits as if (s)he had remained continuously at work. This means that upon return to active employment (s)he will receive:

- Any market adjustments and other salary increases
- Length of service for purposes of vacation accrual, Mediflex allotment, service towards retirement eligibility

RETIREMENT CONTRIBUTIONS

While on military leave, the City will continue to remit contributions to the Arizona State Retirement System and the Public Safety Personnel Retirement System for up to 48 months. This time will count as credited service.

MEDICAL, DENTAL AND VISION INSURANCE

For up to 24 months*, the employee and dependents may continue medical, dental and vision insurance at the same rates as if (s)he were actively at work. Beyond 24 months, the employee and dependents may elect COBRA coverage.

BASIC LIFE INSURANCE

For the duration of the employee's active military service, the City will continue to pay the premium for basic life insurance. The death benefit is one times annual salary.

BASIC AND VOLUNTARY ACCIDENTAL DEATH INSURANCE

No death/dismemberment benefit is payable while the employee is in active duty service. (S)he can re-enroll immediately upon return to active employment.

VOLUNTARY LIFE INSURANCE

Employees can continue his/her voluntary life insurance policy for 6 months by paying the monthly premiums to the City. Beyond 6 months, (s)he can continue coverage under an individual policy and pay premiums directly to ING/ReliaStar. The rates will be the same as what (s)he was paying previously.

LONG TERM DISABILITY INSURANCE

Disability due to war (whether declared or not) are not covered under the long-term disability plan. Disability for other reasons are covered.

VACATION AND MEDICAL LEAVE ACCRUALS

Vacation and medical leave accruals stop when an employee begins receiving supplemental compensation from the City.

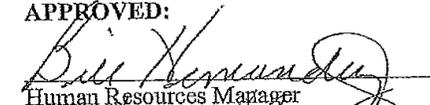
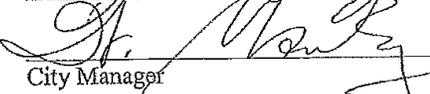
COMPASSIONATE LEAVE

Employees may request donations of vacation leave from other city employees until the City's supplemental compensation begins. The value of the donated leave is based on the donor's hourly rate of pay as it relates to the recipient's hourly rate of pay.

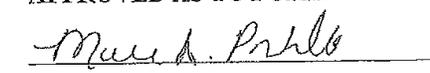
REEMPLOYMENT

Following active military service, an employee will be entitled to return to his/her position or to a position of like seniority, status and pay.

**The City is committed to providing supplemental compensation and medical, dental, and vision insurance as described above for up to 24 months. This policy may be re-evaluated should military action extend beyond that time.*

APPROVED:

Human Resources Manager

City Manager

3-26-03
Date
3/26/03
Date

APPROVED AS TO FORM:


3/27/03

Attachment C

Summary of Other Valley City's Supplemental Pay for Military Duty

<u>City</u>	<u>Supplemental Pay for Military Duty</u>	<u>Length</u>	<u>Circumstances</u>
Avondale	no	n/a	n/a
Chandler	yes	24 months	Presidential of Governor Call Up
Gilbert	yes	60 months	Basic Training and Called to Duty
Glendale	yes	not indicated	Presidential Call Up
Goodyear	yes	24 months	Called to Active Duty
Mesa	Yes	24 months	Called to Active Duty
Phoenix	yes	not indicated	Presidential Call Up
Scottsdale	yes	90 days	Presidential Call Up
Surprise	yes	18 months	Volunteer or Called to Duty