

Minutes City Council Issue Review Session June 2, 2011

Minutes of the Tempe City Council Issue Review Session held on Thursday, June 2, 2011, 6:00 p.m., in the City Council Chambers, Tempe City Hall, 31 E. Fifth Street, Tempe, Arizona.

COUNCIL PRESENT:

Mayor Hugh Hallman
Vice Mayor Joel Navarro
Councilmember Robin Arredondo-Savage
Councilmember Onnie Shekerjian
Councilmember Corey D. Woods

COUNCIL ABSENT:

Councilmember Shana Ellis
Councilmember Mark W. Mitchell

STAFF PRESENT:

Charlie Meyer, City Manager
Jeff Kulaga, Assistant City Manager
Andrew Ching, City Attorney
Brigitta M. Kuiper, City Clerk
Chris Kabala, Senior Civil Engineer

Andy Goh, Deputy Public Works Director - Engineering
Don Bessler, Public Works Director
Wendy Springborn, Engineering Service Manager
Andy Goh, Deputy Public Works Director – Engineering
Various Department Heads or their representatives

Mayor Hallman called the meeting to order at 6:17 p.m.

Call to the Audience

Joe Pospicil commented on the Service Line Protection Program. Mr. Pospicil voiced concern about program information that is lacking in the agenda packet as follows:

- Is this a mandatory program or is there an "opt out" provision?
- How much will this program cost?
- It is unclear what portion of the sewer line he is responsible for; it changes over time
- This plan makes it look like a property owner is responsible for the sewer line up to the middle of the alley, which is City property; liability could be associated with tearing up a sewer line on City property
- What if his tree roots cross City right of way into the neighbor's yard lines – who pays for that repair?

Service Line Protection Program (SLiPP) - Pilot

Don Bessler, Public Works Director, introduced Wendy Springborn, Engineering Services Manager, who presented an update on the proposed Service Line Protection program. Presentation and discussion highlights include:

- The service line protection program concept was previously presented to Council in February 2011
- A multidisciplinary team of staff was formed to evaluate this program
- Homeowners are responsible for the portion of the water line spanning from the meter to their house
- Homeowners are responsible from the sewer line tap to the boundary of their house
- Damage to sewer lines in the public right of way require a homeowner to hire a licensed contractor to conduct work in the right of way
- *Why do the Program? Homeowners vulnerable because:*
 - Unaware of responsibility

- Believes City of Tempe performs repairs
- Unprepared for expense
- Incorrectly assumes homeowners insurance covers repairs
- Challenging to find contractor in emergency
- Contractors charge premium dollar
- *Tempe-run Service Line Protection Program advantages:*
 - City of Tempe receives calls from residents when problems occur; City personnel determines whether the City or homeowner is responsible for repairs
 - Offers a valuable public service
 - Enhances goodwill with residents
 - Reduces complaints about repairs
 - Puts community at ease about high repair costs
 - Provides below market pricing
 - Helps diversify income stream from General Fund
- Program is subscription based; homeowners are not automatically signed up for the program
- Direct and indirect costs and anticipated expense for repairs were evaluated; based on the analysis, staff is recommending that the City offer a below market cost
- *Program highlights include, but are not limited to:*
 - The pilot program will initially focus on single family, owner-occupied homes, approximately 23,000 accounts.
 - Contractors will be hired, through an RFP process, to conduct the repairs.
 - A \$5,000 annual cap per line has been set which includes repairs, replacement and/or restoration of the site.
 - Initial enrollment period is for a required one-year period, and a homeowner must stay enrolled for one year after a service repair/replacement.
 - Individual repairs under \$1,000 will not go against the \$5,000 ceiling cap.
 - One fee covers both water and sewer lines; \$12/month for water and sewer lines.

Basic Program Comparisons

| | CITY OF TEMPE | MARKET PLACE |
|-------------------------------------|---|--|
| # of Claims Annually for water line | Unlimited to \$5,000 annual cap | 2 claims w/max. of \$3,500 per claim |
| # of Claims Annually for sewer line | Unlimited to \$5,000 annual cap | 2 claims w/max. of \$5,000 per claim |
| Repair of Frozen Pipes | Covered | Excluded |
| Landscape Restoration | Will cover to original condition within the \$5,000 cap | Basic fill, rake and over-seeding only |
| Monthly Fee | \$12 for both water & sewer | \$5.99/water & \$8.99/sewer |
| Return to City | Approx. 61% of subscription fees | 15% of subscription fees |

- *Key Program Recommendations:*
 - Pilot program – single family, owner-occupied
 - Contract for repair services/sales force
 - Single price point
 - Promotional offer
 - Cost recovery
 - Terms and conditions
 - Seamless consumer process
- *Assumptions – Revenue*
 - Approximately 23,000 single family owner-occupied residential accounts in Tempe
 - Use a combination of passive sales/promotional event/structured sales force
 - Should capture 15% of the market in first year, up to 20% by year three
 - 5-year cumulative revenue forecast = \$2,594,400
- *Assumptions – Expenses*
 - Repair costs, direct and indirect expenses/on-going sales force
 - Repair cost (average \$4,000 per repair)
 - 5-year cumulative expense = \$1,004,823
- *Net Revenue: 5 Year Forecast*
 - \$1,589,577 – estimated net benefit to help diversify the General Fund
- *Kick-off Timeline:*
 - To date – program information in *Tempe Today*
 - June/ongoing – Public relations/advertising and promo opportunity
 - June 2, 2011 – Issue Review Session presentation to City Council
 - June 3, 2011 – Request for Proposal (contracted sales force)
 - August, 2011 – Request for Proposal (contractors/plumbers); ordinance changes to Council; sales force contract to Council for approval.
 - August, 2011 – second week – direct mail piece to eligible residents
 - Late August, 2011 – sales force starts
 - September 2011, contractor contracts to Council for approval
 - September 30, 2011 – promotional period ends
 - October 2011 – program begins
 - November 2011 – promote optional billing begins
- Ordinance language may need to be revised; ordinance currently covers sewer line repair fees in alleys
- Estimates for participation were based on water service call statistics; anticipated 6.2% based on enrollment in terms of the number of repairs. Based on those statistics, nine water line repairs and nine sewer line repairs are anticipated during the first year.
- Outsource funding/program contract costs are being determined by the Finance Department
- Perhaps consider providing this service utilizing existing staff resources.
 - Staff is recommending outsourcing this service due to the unknown volume of repairs. It is important to provide good customer service and be responsive.
- There is risk in having a contractor provide poor service; could reflect poorly on the City.
 - A quality control measure is to have a post repair survey for each subscriber. If a subscriber submits negative feedback on a contractor, the contractor may be removed from the list of providers.
 - Contractors will be provided with a list of City expectations concerning response time, etc.
 - Existing staff resources are currently interrupted from their core duties to repair lines which hamper their ability to do preventative maintenance; staff wants a solution to this problem.
- The 30-day waiting period for pre-existing conditions pertains to the timeframe between when a customer signs up for the program and when a problem occurs.
- A program evaluation will occur within six months of the program; ongoing program evaluation will occur to ensure citizens are receiving quality service
- Councilmembers will be updated on program subscribership

- The program model will be adjusted if problems occur
- City staff will track the \$5,000 annual cap for repairs for homeowners
- Deterioration of pipes depends upon many variables such as trees, soil condition and material of pipes
- Subscription to the program is for one year; subscription must remain active one year after a claim has occurred
- There is no financial hardship clause to opt out of the program at this time
- Program provides piece of mind to residents
- Consideration should be given on a program exit strategy in the event the program does not work out as anticipated.
- Program does not change who is responsible for water/sewer lines
- Would be helpful to clarify who is the responsible party when a neighbor's tree roots interfere with another neighbor's water/sewer lines
- Staff should take a closer look at the marketing materials
- Program subscription estimates appear high
- Not counting on the revenue; program provides an important/useful service to provide to residents
- Marketing approach, on a trial basis, will be on a per call basis versus a percentage of subscribers
- The Request for Proposal will address marketing experience for contractors
- Contact information will be included in water bills as well as on materials provided to the subscriber
- Response times for City employees on standby are 20-30 minutes; it usually takes less time to respond. Staff will work out specifics for contractor's response times. Staff is in the process of determining whether staff or a contractor will be called to the site when a report has been received.

Retirement Plan Contributions

Mayor Hallman thanked staff for providing a revised retirement plan contribution chart, adding the elected official retirement system data. The City is in the process of examining health care benefits for retirees. Charlie Meyer, City Manager, stated that this discussion is ongoing with pre-Medicare retirees.

The 25-year retirement chart illustrates the costs associated with the four retirement systems. Those systems include the Arizona State Retirement System (ASRS); Public Safety Personnel Retirement System (PSPRS) including fire and police; and the Elected Officials State Retirement System (EORS). He requested that the revised chart be added to the City's website.

Approximately thirty years ago, Fire Department employees elected to opt out of the social security payroll deductions in exchange for only having the state retirement system. The Police Department did not select that option. As a result, the police pay into the social security system and PSPRS and the City matches both of those contributions, which creates a problem.

Since 2007, there has been substantial cost increases for employer/employee retirement contributions. The employer should not be paying such high and disproportionate retirement system contributions.

| | Employee contribution rate (2010) | Employer contribution rate (2010) |
|--------------------------|-----------------------------------|-----------------------------------|
| ASRS (general employees) | 9% | 9% |
| PSPRS (fire employees) | 7.65% | 24.07% |
| PSPRS (police employees) | 7.65% | 22.23% |
| EORS (elected officials) | 7% | 26.25% |

These funds are out of balance and the public should be aware of this information; these are challenging issues that municipalities are facing.

Tempe Town Lake Dam Replacement Schedule

Jeff Kulaga, Assistant City Manager, Andy Goh, Deputy Public Works Director – Engineering, and Chris Kabala, Senior Civil Engineer provided an overview of the schedule for replacing the Tempe Town Lake dam as follows:

- November 2010 – Installation of rubber bladders completed
- Lease term – Decommission and remove rubber bladders by December 2015

- *Project Schedule:*
 - Select design consultant/procurement process February 2011 – May 2011
 - PHASE I – June 2011 – November 2011
 - Identify viable options
 - Evaluate options
 - Select best option
 - PHASE II – November 2011 – December 2015
 - Design new dam system November 2011 – September 2012
 - Acquire permits September 2012 – July 2013
 - Bid and procure construction contract July 2013 – October 2013
 - Award and execute construction contract October 2013 – December 2013
 - Construct new dam December 2013 – December 2015
- *Project Status:*
 - Qualification based selection process to select design firm; completed in May 2011
 - Negotiating scope of work for Phase I of project; requesting City Council aware of contract June 16, 2011
- *Project Approach:*
 - Identify viable options, evaluate options, select best option
- *PHASE I:*
 - Consider all viable options June 2011 – July 2011
 - Check with City council on evaluation criteria July 2011 – August 2011
 - Evaluate options using all applicable criteria July 2011 – August 2011
 - Collaborate with regulatory agencies July 2011 – October 2011
 - Share information with user groups/stakeholders July 2011 – October 2011
 - Third party review/input August 2011 – October 2011
- *Deliverables*
 - Alternative Analysis Report October 2011
 - Design Basis memorandum October 2011
 - Dam technology alternatives/recommendation November 2011
- *PHASE II*
 - Design
 - Permitting
 - Procure and award construction contract
 - Construction

Discussion highlights include:

- Council questioned if staff had contacted Bridgestone representatives to see if they would be willing to allow the City to use the current dams longer and to be released from liability after five years? Staff has contacted Bridgestone representatives; they will only follow the original spirit of the agreement which states that the dams will no longer be useable beyond December, 2015.
- The Bridgestone Corporation reputation is at risk if a problem occurs.
- Bridgestone has indicated that they are getting out of the rubber bladder manufacturing business; a business decision
- It should be questioned if a business says a product should last for 30 years, yet is only willing to provide a 10-year warranty on that product
- Hard questions should be asked; history should not be repeated
- This is an opportunity to create a more sustainable future for Tempe Town Lake
- The rupture of the rubber bladders was an expensive mistake
- Even though it only took 90 days to replace the rubber bladders, it took three years of work prior to the dam failure to meet that 90-day replacement timeframe
- In looking for the right technology, Phase I will include a diagnostic exam of the eastern dam
- When the original dam was designed and permitted, it was based on flows and reserve capacity that are different from what currently exists with Roosevelt Lake and the Salt River. Part of the evaluation process is to review flows/capacity

- and the impact to dam technology.
- Pouring concrete is not an option because the river is an active channel
 - Shores of Town Lake have different levels; surrounding improvements and buildings are outside of the flood channel
 - Levies have to be prepared to keep the water in the channel
 - Dams must be removable to allow water to flow in emergency situations
 - Roosevelt dam has substantial reserve capacity, which decreases the likelihood of heavy water flows that could top the Town Lake levies; this may present additional design alternatives that were not previously available
 - Using a lifecycle costing approach will illustrate annual operations costs and equipment replacement costs; this is a responsible, long term approach
 - Keeping flood water in the river is one consideration; the surrounding areas impacted by water flow should also be reviewed
 - It has not yet been decided how the City will pay for this project. The secondary property tax model that referenced the dam replacement was only for illustrative purposes and not the source of funding.

Formal Council Agenda Items

None.

Future Agenda Items

Mayor's Announcements/Manager's Announcements

None.

The meeting adjourned at 7:18 p.m.

Brigitta M. Kuiper, City Clerk