



Minutes City Council Work Study Session October 15, 2015

Minutes of the Tempe City Council Work Study Session held on Thursday, October 15, 2015, 4:00 p.m., in the City Council Chambers, Tempe City Hall, 31 E. Fifth Street, Tempe, Arizona.

COUNCILMEMBERS PRESENT:

Mayor Mark W. Mitchell
Councilmember Robin Arredondo-Savage
Councilmember Lauren Kuby
Councilmember David Schapira

Vice Mayor Corey D. Woods (*attended telephonically*)
Councilmember Kolby Granville
Councilmember Joel Navarro (*attended telephonically*)

STAFF PRESENT:

Andrew B. Ching, City Manager
Judi Baumann, City Attorney
Brigitta M. Kuiper, City Clerk
Cecilia Velasco-Robles, Financial Services Mgr. – Budget
Various Department Heads or their representatives

Ken Jones, Deputy City Manager – Chief Financial Officer
Steven Methvin, Deputy City Manager – Chief Operating Officer
Kim Bauman, Social Services Supervisor
Cyndy Lawshe, Information Technology Manager

Mayor Mitchell called the meeting to order at 4:08 p.m.

Call to the Audience

None.

Issue Review Session Items

Mayor's Youth Advisory Commission Annual Report

Kim Bauman, Social Services Supervisor and staff liaison for the Mayor's Youth Advisory Commission (MYAC), introduced Tiffanie Cappello-Lee, MYAC Chair; Zaria Guignard, Youth Town Hall Chair; and Chris Moffitt, MYAC member. Ms. Cappello-Lee thanked Councilmembers for their support of MYAC and provided an update on various conferences and programs MYAC members have participated in over the past year. MYAC has developed a Facebook page, a text reminder system, and webpage activities to encourage youth civic engagement and volunteerism in Tempe.

Ms. Guignard provided an overview of this year's Youth Town Hall. MYAC members provided background information and recommendations made by the Youth Town Hall participants relating to: 1) underage drinking, 2) teen prescription drug abuse, and 3) teen gender roles. MYAC members plan to present the Youth Town Hall Report to the Tempe Union High School District (TUHSD) Governing Board.

Councilmembers congratulated MYAC members for their work on producing the Youth Town Hall Report, for sponsoring the Youth Town Hall event, and for submitting recommendations on issues concerning youth. Councilmembers noted that they look forward to working with MYAC to implement the recommendations as presented; the City has successfully implemented previous Youth Town Hall recommendations. Councilmembers voiced support for implementing solutions to encourage youth to pursue their passions, explore education and career opportunities, and to emphasize these solutions in MYAC's presentation to the TUHSD Governing Board.

Councilmembers and MYAC members discussed ways that bullying is being addressed by Tempe high school administrators and students. Social media impacts were discussed; School Resource Officers and various programs and events are available that address bullying issues. The Tempe Diablos was acknowledged for funding the implementation of Rachel's Challenge in Tempe middle and high schools.

Councilmembers suggested that MYAC members collaborate with Marie Raymond, the City's Education Coordinator, to help implement Youth Town Hall recommendations. Also discussed was scheduling a six-month check in with MYAC to provide updates on the implementation of the recommendations; MYAC providing periodic program updates to the City Council via memorandum; and, including in next year's presentation an update on the effectiveness of projects initiated in the prior year.

Andrew Ching, City Manager, thanked Ms. Bauman for her service to the City and congratulated her on her upcoming retirement.

Long-Range Financial Forecast Update

Ken Jones, Deputy City Manager – Chief Financial Officer, introduced co-presenter, Cecilia Velasco-Robles, Financial Services Manager – Budget. Mr. Jones noted that staff will provide the City Council with an updated financial forecast in February 2016. He then reviewed the purpose of the forecast and outlined the timeline and next steps involved in the budget development and adoption process.

Ms. Velasco-Robles reviewed issues impacting the financial forecast. She noted that Tempe's economy is outperforming state, regional, and national growth and is projected to continue to outperform surrounding cities through the upcoming fiscal year. Transient Lodging (Bed) Tax revenues are doing exceptionally well. Beginning January 1, 2016, the Arizona Department of Revenue (ADOR) will begin administering Tempe's Transaction Privilege (sales) Tax (TPT) licensing and collections. This forecast also reflects the anticipated impact of the 2015 Census. Tempe's population is expected to decline slightly, which will impact the City's state shared revenues.

Councilmembers and Mr. Jones discussed the City's intergovernmental agreement with ADOR relating to the administration and collection of sales taxes and licensing activities. The January 2016 ADOR transition date may be postponed; no anticipated decrease in ADOR's TPT collections has been built into the forecast. As of January 1, 2015, ADOR began auditing businesses that operate in multiple jurisdictions. City staff audits businesses that operate only in Tempe; however, ADOR may authorize the City to conduct a multijurisdictional audit, if requested by the City. In response to concerns raised regarding ADOR maintaining the City's current audit and revenue collection rates, Mr. Jones stated that State Statute requires that ADOR provide revenue collection data to cities. Staff is collaborating with various cities to utilize a business intelligence system that analyzes the ADOR data to determine ADOR's collection rate in comparison with the cities' previous collection rates.

Councilmembers continued discussions regarding the League of Arizona Cities and Towns' monitoring of ADOR's transition to administering the TPT collection. Mr. Jones was recognized for his participation in the TPT Simplification Task Force. ADOR's information technology system needs to be updated to accommodate the requirements of the taxing jurisdictions. Mr. Jones stated that the City supports the goal of simplifying the manner in which taxpayers report and pay their TPT, and will ensure that the City's current levels of audit assessments and revenue collections are maintained, after the transition.

Mr. Jones reviewed additional issues impacting the forecast, as follows: continued moderate economic growth; ability to maintain programs and services as well as fair wage increases; and, decreased annual contributions to other post-employment benefits (OPEB). He then discussed the impacts of a 2009 City Council policy changing from a defined-benefit plan to a defined-contribution plan for new employees and employees with less than 10 years of service, combined with the decision to make annual contributions to an irrevocable trust fund to address the unfunded liability. The current status of the OPEB Trust Fund was reviewed. The annual costs of funding the defined-contribution plans and the diminishing costs of the phased-out defined-benefit plan will be paid with stable appropriations of City funds and supplements from the OPEB Trust Fund.

Mr. Jones explained that the \$1.5 million needed to accelerate the removal of the Town Lake western dam is anticipated to be paid for from a previously unbudgeted project contingency, pending City Council approval. The forecast also assumes an inflationary adjustment for temporary employee wages.

Mr. Jones discussed assumptions built into the projections as follows: steady growth in taxable sales to compensate for anticipated reduction in construction sales tax; relatively constant number of personnel positions; moderate increases to the Arizona Public Safety Personnel Retirement System (PSPRS) contribution rates related to unfunded liability; and, various economic assumptions. Issues excluded from the forecast include: potential recessionary trends; negative impacts from the transition of sales tax administration to ADOR; and, new retirement liability reporting requirements.

Mr. Jones discussed the General Fund and explained staff's conservative forecasting approach. He discussed an annual compensation rate of approximately 3%; salary step increases included in Memorandums of Understanding (MOUs); 2% annual market adjustments to salary ranges; and, projected increases to health, dental, and life insurance plans. The model also includes \$1 million in annual recurring non-personnel costs to address critical supplemental budget requests.

Mr. Jones stated that the General Fund is relatively stable and sustainable with a healthy fund balance. He explained the projected unassigned fund balances through FY 2016-17 and budget impacts resulting from the June 2014 expiration of the City's temporary 0.2% sales tax. The planned deficits throughout the forecast will result in a measured spend-down of the fund balance, thus enabling the City to maintain current service levels while maintaining an unassigned fund balance within policy levels.

Councilmembers and Mr. Jones discussed that a reinvestment target of \$30 million every 5 years to re-establish or revitalize the City's parks would not require an increase to the number of Public Works employees. The majority of repairs and upgrades to park equipment and facilities will be funded through the CIP, and paid to contractors. Projects such as the installation of a new splash pad would entail maintenance costs and the addition of a personnel position. During the last economic downturn, Public Works staff eliminated various permanent personnel positions and replaced them with temporary staff or contractors. During the budget process, departments may submit supplemental budget requests for additional positions, to continue service at its current level.

Discussion continued regarding financial transparency and performance management tools. The City has contracted with OpenGov to use their data visualization program software to provide budget and financial transaction data to the public via the City website. Viewers may generate reports and gather information.

Mr. Jones presented highlights of the Water/Wastewater, Solid Waste, and Golf Enterprise Funds, and the Transit, Transportation (Highway User Revenue Fund), and Performing Arts Special Revenue Funds. He discussed dedicated revenue accounted for in Special Revenue Funds; revenue restricted by formal contract provisions; and, revenue maintained in Enterprise Funds to fund operations. Recent restrictions implemented by the City Council include:

- Revenue from the second display panel at Diablo Stadium - supplements direct funding for social service organizations via Agency Review (between \$75,000 and \$100,000 annually).
- Affordable Housing Trust Fund – non-recurring contributions negotiated in development agreements (\$50,000 current balance).
- Downtown traffic calming restricted funds – non-recurring contributions negotiated in development agreements (\$100,000 current balance).
- Zaremba Government Property Lease Excise Tax (GPLET) lease and parking revenue, Grigio/Picerne GPLET lease revenue, and Liberty GPLET lease and land sale proceeds – expected annual revenues from \$800,000 up to \$1.3 million in the future. A projected total of approximately \$5.5 million through FY 2015-16 is earmarked for neighborhood park improvements.
- Small Cell Site License fees reserved for improvements in the most directly impacted neighborhoods – no small cell sites have been installed.

Mr. Jones asked Councilmembers for feedback on desired outcomes or recommended changes to financial strategies.

Councilmembers requested that staff provide information regarding the following:

- Include in the budget data outlining the annual revenue streams for GPLET funds over the past five years.
- A summary of City staff positions that were eliminated during the last recession.
- A plan demonstrating the investment of a specified annual General Fund expenditure for the maintenance of City parks at an acceptable standard, once deficiencies have been eliminated and health and safety issues have been addressed.
- Options for spending the \$50,000 unbudgeted restricted Housing Trust Fund monies for affordable housing.
- Exploring potential revenue sources for affordable housing opportunities, including securing funds in private development agreements.
- Include in future budgets the allocation of funds to support down payment assistance for first-time homebuyers and options to encourage the development of affordable housing. A recurring revenue stream is needed for affordable housing programs.
- Identify programs with funding allocations that have not been used due to a lack of staff or other resources.

Mr. Jones noted that staff will also provide information to Councilmembers regarding City programs, services, and positions that were eliminated during the last recession, status updates, and challenges in the impacted departments.

Councilmembers stated that the upcoming supplemental budget evaluation process will include reallocation of funds or adding personnel positions. Councilmembers conveyed support for continuing to allocate GPLET funds to the Park Improvements Contingency Fund. Staff is preparing a parks assessment matrix to identify and address park deficiencies based on priority; the matrix should incorporate feedback from the October 2, 2015, Council Retreat will be presented to the City Council. Councilmembers voiced support for how Enterprise Funds are being utilized. Staff was commended on the improvements made to municipal golf courses and was asked to continue making improvements, including enhancements needed for the Ken McDonald Clubhouse. Councilmembers voiced concern about employee morale due to limited resources.

Mr. Jones explained that staff is exploring ways to address the deferred maintenance of City streets, parks, and facilities to prevent increased costs to maintain these assets at a safe and acceptable level, and to generate operational cost savings. Such deficiencies could be addressed through GPLET funds and other non-recurring funds. Mr. Jones discussed the importance of being aggressive in addressing unfunded pension liabilities to avoid paying interest. Staff is also exploring funding the replacement of street lights with LED lights with short-term bonds. He then discussed private and corporate investment funding options that could be tailored for financing an environmental or sustainability project.

Councilmembers expressed appreciation to staff for their work in addressing the City's OPEB liabilities; encouraging economic development aligned with the City Council's vision; maintaining a stable, sustainable budget; and, implementing a model that improves the performance of the Golf Enterprise Fund.

Future Agenda Items

Adding a second Work Study Session in November will be considered during the City Council Special Calendar Meeting scheduled for October 22, 2015.

Committee of the Whole Items

Items ready for City Council Direction or Status Update

Campaign Finance Reform for Tempe City Elections – City Council Direction

Vice Mayor Woods stated that a status update was provided at the October 1, 2015, Work Study Session detailing the recommendations of the working group, which includes Vice Mayor Woods, Mayor Mitchell, and Councilmember Kuby. Vice Mayor Woods recapped the working group recommendations, as follows:

- Reduce the current limit per person per election cycle for individual contributions from \$6,250 to \$500.
- Establish a \$1,000 limit per election cycle for political parties.
- Reduce the current limit per election cycle for political committees or partnerships from \$6,250 to \$1,000.

- Reduce the current limit per election cycle for multi-candidate political action committees (PACs) from \$12,500 to \$5,000.
- Establish a \$10,000 aggregate limit for contributions from political parties and political committees (currently no limit to the amounts that candidates can receive from political committees and a \$10,000 limit to the amount that the party nominee candidate can accept from political parties).
- Establish a \$10,000 aggregate limit for contributions from PACs and multi-candidate PACs (currently no aggregate limit in the amounts that candidates can receive).
- Impose civil penalties on the candidate if they have been found by the City Clerk to have violated the ordinance. The initial civil penalty was set at \$1,000.

The working group recently met with various stakeholders. After much discussion, the following modifications to the working group recommendations were made:

- Amend the Tempe City Charter amendment and ordinance language to reflect that the proposed changes are about maintaining the public trust.
- Increase the civil penalty to three times the amount of the money received in violation of the ordinance.
- Require the civil penalty to be paid out of the candidate's personal monies.
- Add language stating that if a candidate knowingly accepts campaign contributions in excess of 150% of the limit that he or she is subject to Section 2.06 of the Tempe City Charter, Forfeiture of Office.

Vice Mayor Woods stated that including candidate contribution limits in the City Charter would strengthen the conduct of candidate elections; be legally defensible; clarify campaign finance regulations; and, give the City Council the authority to address campaign finance issues. The working group is seeking City Council direction on whether or not to move forward with the proposed City Charter amendment for the March 2016, Special Election.

An additional public meeting was held on October 7, 2015. Attendees provided feedback about City Charter authority, campaign finance reporting, current and proposed campaign limitations, and proposed penalties. The majority of the input referred to increasing the frequency of campaign finance reporting to improve the transparency of sources of contributions to candidates prior to an election. The Electronic Filing of Campaign Finance Reports working group will explore the possibility of adding additional reporting periods, which could be addressed in a future ordinance. Also discussed was the City's ability to eliminate, or limit, independent political expenditures received by candidates. There is a U.S. Supreme Court decision that prohibits municipalities from such action as it would violate the First Amendment's protection of free speech. Tucson has imposed additional campaign finance regulations. If adopted, the proposed contribution limits for Tempe would be the most stringent in Arizona.

Councilmembers discussed the benefits of, and expressed support for, the proposal. The proposal addresses concerns expressed by residents relating to campaign finance reform. Councilmembers discussed penalties including forfeiture of office and that candidates could receive up to \$10,000 in aggregate contributions from various political committees. A concern was expressed that the dollar amounts proposed for political committee contributions may be too high and favors incumbents.

Councilmembers requested that consideration be given to imposing contribution limits on individuals who do not live in Tempe, and on contributions from individuals who are registered as lobbyists in Arizona. Councilmembers also asked to review the feedback from the October 7, 2015 public meeting, and to solicit additional input using the online *Tempe Forum*.

Councilmembers continued discussions regarding how related campaign finance items, including real-time campaign finance reporting and timely deposits of contribution checks, will be addressed at a later date. Another item for future consideration is revising the public speaker cards at City Council meetings to include space for speakers to disclose the names of current Councilmember(s) that speakers have donated to, so this information is part of the public record.

Councilmembers commended the working group members for their recommendations and soliciting public feedback. Based on the discussion, the City Council agreed to move this item forward. The proposed City Charter amendment and the ordinance will be placed on the October 22, 2015, Regular Council Meeting (RCM) agenda for City Council's consideration.

Councilmember Navarro left the meeting at 5:28 p.m.

Electronic Filing of Campaign Finance Reports – City Council Direction

Brigitta Kuiper, City Clerk, introduced co-presenter, Cyndy Lawshe, Information Technology (IT) Manager. The working group, including Mayor Mitchell, Vice Mayor Woods, Councilmember Schapira, and City staff, has been working on a potential pilot program for electronic filing of campaign finance reports. The working group initially identified the Secretary of State's (SOS) campaign finance reporting system as a potential pilot program for the Tempe's 2016 Primary and General elections. However, the SOS Office has indicated that their system will not be available for use by cities and towns until the fall of 2016, after Tempe's 2016 spring elections. The working group subsequently identified the City of Phoenix's campaign finance database as an interim solution for Tempe's 2016 elections. The City of Phoenix system is similar to the SOS system. City IT and City Clerk staffs have met with representatives from the City of Phoenix and determined that the Phoenix system is a viable option for Council to consider for the City of Tempe 2016 election cycle. Ms. Kuiper the outlined the benefits of implementing an electronic campaign finance filing system.

Councilmembers, Ms. Kuiper, Ms. Lawshe, and Mr. Jones, discussed the cost to implement the two-year electronic filing pilot program; the \$3,000 license fee can be absorbed by the City Clerk's election budget. The remaining cost of \$19,556.38 for IT hardware and software needs would require a budget transfer from another area of the City budget if the City Council decides to move forward with this proposal.

The project is divided into phases due to the fact that the first campaign finance report for the 2016 election cycle is due February 1, 2016. Staff will need sufficient time to test the system to ensure it functions properly. The later phase will include the implementation of system enhancements as requested by Councilmembers, or if available, switch to the SOS system, in preparation for the 2018 election cycle.

In response to questions from Councilmembers, Ms. Lawshe explained how IT will utilize the tools, servers, and software licenses to implement an electronic filing system and to update the City's infrastructure; anticipated IT staff time to set up the system is 120 hours. The proposed system will provide operational efficiencies for the City Clerk's Office.

Councilmembers discussed the proposal, noting that an electronic campaign finance filing system would provide the public and political committees with search capabilities, improve efficiencies, reflect the City's commitment to transparency, and modernize current practices.

Councilmembers expressed concern that unbudgeted monies are needed to fully fund this system and approving such a request may set a precedent. Councilmembers requested additional information regarding the reallocation of funds.

Councilmember Schapira requested an opportunity to test the Phoenix system. He voiced support for using the SOS system when it becomes available, and discussed the benefits of using the SOS system.

Based on the discussion, the City Council agreed to move this item forward. Next steps include Tempe entering into an intergovernmental agreement (IGA) with Phoenix for a two-year pilot program for the use of Phoenix's campaign finance database. The IGA will be placed on the November 12, 2015, RCM agenda. The proposed ordinance for allow for electronic filing for campaign finance reporting will be placed on the October 22, 2015 RCM agenda. Fiscal impact information will be included with both items.

Solid Waste Diversion Rate – City Council Direction

Councilmember Granville stated that the working group met with staff to explore increasing the City's solid waste diversion rate from local landfills into recycling and other alternative programs. Based on current diversion programs and projected resources, staff identified realistic, attainable five-year goals to increase solid waste diversion by 5-30%. He outlined the various waste categories. Staff will reevaluate the goals annually and explore programs and service modifications to encourage voluntary participation, without the need for legislative or budgetary action.

Councilmembers expressed support for the proposed diversion goals as they align with the City's vision for sustainability. Tony Miano, Solid Waste Services Manager, was also acknowledged for his participation in the Resource Innovation and Solutions Network. The City will be able to use innovative methods to convert solid waste into revenue and resources. An opportunity to tour the Resource Innovation Campus in Phoenix was also discussed.

Based on the discussion, the City Council agreed to move this item forward. A resolution identifying solid waste diversion goals for the year 2020 will be placed on the October 22, 2015, Regular Council Meeting agenda, for Council's consideration.

City Vending Machines/Healthy Choices – City Council Direction

Councilmember Granville and Mayor Mitchell provided the following update: the working group met with staff to explore the possibility of requiring a percentage of healthy food options in vending machines on City property; and, limiting unhealthy food options in City vending machines where children have unsupervised access. The majority of the City's vending machines are for City employees, with only four vending machines accessible to children. Staff is working on an agreement with the Department of Economic Security Blind Enterprise Program (BEP) to maintain a 25% healthy vending option at all City vending machines, and establish a 50% healthy vending option at the four public vending locations. The contract would be evaluated annually and the healthy ratio of snack items could be increased if there is evidence that demonstrates healthy food items are selling better than the other food options. BEP will utilize either the National Automatic Merchandising Association's Fit Pick or the Maricopa County healthy options lists to source healthy vending options.

Based on the discussion, the City Council agreed to move this item forward, securing an agreement with BEP to maintain a 25% healthy vending option at all City vending machines and establish a 50% healthy vending option at the four public vending sites.

Objective Noise Policy for Tempe – City Council Direction

Councilmembers Granville and Arredondo-Savage provided the following update: the working group met with staff to explore possible changes to City policies to address noise complaints in the downtown area. The working group would like to expand the special event notification area from 100 feet to 500 feet, and provide a website feature that allows individuals to report and track noise complaints. The City's special event recap and evaluation process will include information regarding noise complaints and take those complaints into account when considering future special events with impacted event promoters.

The working group also sought to create a reasonable balance between a vibrant downtown area and encouraging residents to live downtown. Downtown Tempe Authority (DTA) representatives have been involved in this process and have indicated that they will consider noise complaint information during the development of the Mill Avenue District Master Plan. The noise issues relate to special events at Tempe Beach Park as well as activity in the downtown area. The working group has also discussed Community Development requiring noise mitigation building materials for new construction in the downtown, as part of the conditions of approval.

Councilmembers discussed how the working group initially explored the establishment of an objective, decibel-based standard to determine if a noise violation has occurred. There is a City Code provision regulating noise based on decibel level; however, the police department has indicated that the ordinance is unenforceable, for various reasons, including the presence of ambient background noise, number of measurements required, and reflection of sound off of buildings and other structures. Currently, noise complaints are investigated using a reasonableness standard. To determine if the proposed policy changes are effective or if modifications are necessary, the working group would like to have a one-year review to evaluate noise complaints, public feedback, enforcement issues, and to identify noise sources.

Based on the discussion, the City Council agreed to move this item forward, with the following recommendations, as outlined in the staff memorandum:

1. Expand the special event notification area from direct impact, about 100 feet from noise source, to 500 feet.
2. Distribute to all downtown residential Homeowner's Associations and new developments, a DTA welcome packet that includes information on noise expectations from special events and district area businesses, and how to complain if there are issues.

3. Add a feature on the City website for reporting and tracking noise complaints.
4. Collaborate with DTA as they develop their district master plan and entertainment district proposal.

Staff was also asked to continue to follow these policy practices:

1. Special Event Division's post event evaluation with producers to mitigate noise problems.
2. Community Development Department planners meet with developers to adhere to noise-muting building material standards for conditions of approval.

New Items for City Council Consideration

Vice Mayor Woods stated that the Tempe Anti-discrimination Ordinance was approved in February 2014, providing protections for members of the LGBT (lesbian, gay, bi-sexual, transgender) community and military veterans from discrimination. He discussed the need to reconvene the working group, which included himself and Councilmembers Navarro and Granville, to discuss possible updates to the ordinance. Councilmembers agreed to reconvene this working group.

Items in Progress – updates as needed

Trash and Recycling Collection - Potential Pilot Programs aka Single Sided Sanitation Collection

Councilmember Granville stated that the City Council previously discussed the potential implementation of a pilot program to relocate curbside trash and recycling collection to one side of the street, in a neighborhood where 100% of the residents agreed to participate in such a program. A pilot program has not yet been implemented. Getting 100% of residents to agree to a pilot program may not be realistic. Staff will present an update at the November 19, 2015, Work Study Session, and seek City Council direction regarding the program.

Items Scheduled for Periodic Review

No discussion.

Mayor's Announcements/City Manager's Announcements

None.

Future Meeting Date:

November 19, 2015, at 4:00 p.m., City Council Chambers, Tempe City Hall, 31 E. Fifth Street, Tempe, Arizona.

The meeting adjourned at 6:07 p.m.

I, Brigitta M. Kuiper, the duly-appointed City Clerk of the City of Tempe, Maricopa County, Arizona, do hereby certify the above to be the minutes of the City Council Work Study Session of October 15, 2015, by the Tempe City Council, Tempe, Arizona.

Mark W. Mitchell, Mayor

ATTEST:

Brigitta M. Kuiper, City Clerk