



## Minutes City Council Work Study Session April 21, 2016

Minutes of the Tempe City Council Work Study Session held on Thursday, April 21, 2016, 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 (*arrived at 4:18 p.m.*)

Councilmember Lauren Kuby

Councilmember David Schapira

Vice Mayor Corey D. Woods

Councilmember Kolby Granville

Councilmember Joel Navarro

### **STAFF PRESENT:**

Andrew B. Ching, City Manager

Judi Baumann, City Attorney

Brigitta M. Kuiper, City Clerk

Cecilia Velasco-Robles, Municipal Budget Director

Various Department Heads or their representatives

Ken Jones, Deputy City Manager – Chief Financial Officer

Steven Methvin, Dep. City Manager – Chief Operating Officer

Shelley Hearn, Community Services Director

Naomi Farrell, Human Services Director

*Mayor Mitchell called the meeting to order at 4:11 p.m.*

## **Call to the Audience**

None.

## **Issue Review Session Items**

### **Tempe Tourism Agreement Renewal**

Shelley Hearn, Community Services Director, introduced Stephanie Nowack, President and Chief Executive Officer, and Michael Martin, Executive Vice President, of the Tempe Tourism Office, and Denise Hart, Secretary/Treasurer, Tempe Tourism Office Board of Directors.

Ken Jones, Deputy City Manager – Chief Financial Officer, provided background information on the terms of the current agreement between the City of Tempe and the Tempe Convention and Visitors' Bureau (Tempe Tourism Office), which will expire on June 30, 2016. City staff reviewed tourism-enhancing programs and activities with Tempe Tourism representatives, and agreed on a proposed six-year agreement renewal that expands Tempe Tourism's tourism-related services. The proposed agreement maintains the existing terms of accountability, enables Tempe Tourism to reach into broader markets to promote tourism, and provides for incremental increases to the annual agreement to reach \$2.77 million in year 6.

Mr. Jones reviewed the proposed annual payments to the Tempe Tourism Office over the term of the six-year agreement. Economic Development staff will oversee the contract to ensure the City is receiving value from the increased investment in Tempe Tourism programs. Staff is requesting City Council input on the proposed terms of the agreement.

Ms. Nowack provided background information on the Tempe Tourism Office, and reviewed highlights of the past six years and transient lodging (bed) tax revenue projections for the next six years. Tempe Tourism staff is proactively responding to marketplace changes by embarking on several marketing strategies and programs to expand tourism, enhance market competitiveness, and increase revenue.

Mr. Martin explained that the proposed annual payments to Tempe Tourism over the term of the agreement would be used to fund specific tourism-enhancing programs and activities to attract new sporting events to Tempe; increase investment in direct consumer programs; research to determine the benefits of specific tourism strategies; develop content for visual advertising; and, develop an arts marketing campaign. Tempe Tourism will report on the performance of its programs by submitting an annual report to the City, and including this information in their annual marketing plan.

Ms. Hart discussed her experience serving on the Tempe Tourism Office Board of Directors for 13 years. The Board reviews the Tempe Tourism budget on a monthly basis, and performs a financial review each year and an audit every three years.

Ms. Nowack and Councilmembers discussed the benefits derived from promoting and investing in tourism, and potential impacts of short-term rentals, such as Airbnb, on the hotel industry. Tempe Tourism has been included in discussions with the Arizona Lodging and Tourism Association to recommend modifications to proposed legislation to create a "level playing field" by ensuring that Airbnb hosts pay the appropriate taxes and adhere to the same health standards and requirements as hotels.

Councilmembers requested that staff collect data on the anticipated returns on investment to Tempe Tourism, in comparison to its peer tourism agencies, and track the number of website and social media impressions versus actual returns on investments to determine the best use of funds. Councilmembers discussed the importance of tourism to the local economy and the intangible value of marketing the City. The U.S. Department of Commerce has published a formula for determining the multiplier effect of tourism in local economies; perhaps Arizona State University students could assist with applying the formula for Tempe. Councilmember Arredondo-Savage noted that she currently serves on the Tempe Tourism Office Board of Directors.

The City Council expressed support for renewing the City's agreement with the Tempe Tourism Office, and thanked Tempe Tourism staff for their work.

### **Fiscal Year 2016-17 Budget Review Session**

Ken Jones, Deputy City Manager – Chief Financial Officer, presented the City Manager's recommended Operating and Capital Improvement Program (CIP) Budgets for fiscal year (FY) 2016-17. Staff is seeking feedback and direction on any adjustments to the recommended funding for specific items or categories.

Cecilia Velasco-Robles, Municipal Budget Director, delivered a slide presentation outlining how City Council input and priorities and public input have been incorporated into the Budget, to include the public forum and online survey tool, the updated long-range financial forecast, and two CIP work sessions. Feedback received from Councilmembers tonight will also be incorporated into the Budget. Tentative adoption of the Budget is scheduled for May 26, 2016, and final Budget adoption is scheduled for June 9, 2016. Ms. Velasco-Robles next reviewed highlights of the proposed Operating and CIP Budgets.

Mr. Jones explained how the recommended expenditures align with the City Council's priority to ensure a safe and secure community through a commitment to public safety and justice.

Councilmembers, Mr. Jones, Naomi Farrell, Human Services Director, and Andrew Ching, City Manager, discussed funding for the Tempe Community Action Agency (TCAA). TCAA may submit to Council an annual supplemental budget request to seek additional funds. The memorandum of understanding between the City of Tempe and TCAA expires June 30, 2016, and increased funding will be discussed during the contract renewal. TCAA receives local and Federal funding to support programs to combat poverty, hunger, and homelessness; provides food through the food pantry; and provides other services.

Councilmembers discussed the need to explore ways to invest in additional support services to address homelessness in Tempe. Ms. Farrell noted that the Tempe Homeless Coalition, comprised of TCAA, Tempe Community Council, Tumbleweed Center for Youth, Salvation Army Downtown Tempe Branch, and other stakeholders, could discuss funding for homeless services and present recommendations to the City Council. Mr. Ching explained that the City provides Community Action Program (CAP) funding directly to TCAA via a funding agreement. As the City's designated CAP provider, TCAA is not included in the Agency Review process and therefore, does not compete for funds available for other human services agencies. As part of the Agency Review process, the City Council could explore reprioritizing funding allocations to specific service categories (Domestic Violence Services; Youth Prevention and Programs; Programs for the Working Poor; Homeless Shelter and Services; Programs for those with Disabilities; and Seniors), and identify whether any human services agencies should receive additional funds to address certain policy initiatives.

Councilmembers further discussed the benefits of the Agency Review process; how the demand for human services in the community exceeds available resources; the need to prevent and address homelessness as part of a regional effort; the importance of undertaking a strategic, proactive, and flexible approach to allocate funds to best address community needs; and, how investing in human services will generate future cost savings for the City. The City Council recognizes the need to increase human services funding to take care of families and individuals in need in the community. Relatively small recurring budget increases and non-recurring budget increases can be added to the budget without impacting other budgeted items. Large, recurring increases would require postponing or eliminating certain projects to compensate for those increases, unless additional revenue sources are identified. Additional discussion is needed regarding this topic.

Mr. Jones explained that the new Office of Strategic Management and Diversity is working with City departments to align funding requests with the City Council's priorities and develop measurable outcomes for City Council consideration and feedback, for incorporation into next FY's budget process. The proposed \$1.5 million General Fund contingency budget contains one-time revenues that can only be spent with City Council approval during the year; \$250,000 of that amount is set aside for potential needs identified through the strategic planning process.

Concluding the presentation, Mr. Jones reviewed how the recommended expenditures align with the following City Council priorities:

- 1) Open government/communications with the community.
- 2) Parks, arts, amenities – quality of life.
- 3) Smart, sustainable growth/transit
- 4) Financial stability, economic development.

In response to a question, Mr. Jones stated that the \$2.8 million requested in the CIP for solar and energy conservation projects includes the replacement of street lights with LED lights and the conversion of the irrigation system at Rolling Hills Golf Course from potable water to untreated raw water.

Councilmembers thanked staff for their work on the budget and noted the importance of developing and reviewing clear, measurable goals that are challenging but realistic and attainable. Staff is responsible for implementing the vision and goals established by the City Council. The City Council is responsible for ensuring that the City has the proper resources to achieve those goals and implement that vision. Staff will present an update on the City-wide strategic planning and management effort at the next City Council Retreat.

Councilmember Kuby stated that she expects to report back to the City Council at the May 5, 2016 Work Study Session regarding the possibility of establishing a Sustainability Coordinator position for the City. Based on discussions with Arizona State University (ASU), ASU is expected to commit 50% of the funds to support a pilot position for two to three years. Councilmember Kuby suggested adding a \$50,000 placeholder to the FY 2016-17 Budget to fund the remaining 50% and noted that grant opportunities will also be explored to help fund this position.

Councilmembers discussed the proposal for a Sustainability Coordinator position, and emphasized the need to explore opportunities to obtain additional resources to help fund this position. Additional staff may also be needed to help implement the sustainability program.

In response to an inquiry, Mr. Jones noted that he will provide Councilmembers with a spreadsheet providing additional detail of all supplemental budget requests submitted by departments, including information on the requested funding for additional permanent full-time positions.

Councilmembers discussed various budget requests and CIP projects, and requested that staff provide follow-up information prior to the May 26, 2016 tentative adoption of the FY 2016-17 Budget, on the following items:

- Resources needed to support the Police Department's supplemental budget request to fund investigative work from the processing of sexual assault kits.
- Funding for the TCAA. Staff's assessment of TCAA's funding should include information on nonprofits providing services directly to the homeless, and whether additional funding is needed to positively impact the homeless community.
- Drinking fountains added to the scope of the Highline Canal Path (Baseline-Knox) capital project, using Congestion Mitigation and Air Quality or Transit funds if available.

- Planned construction schedule for bus pullouts.
- Maryanne Corder Neighborhood Grant Program. The total neighborhood grant amounts budgeted in the past and which homeowners' associations (HOAs) and neighborhood associations (NAs) have received grants.
- Proposed supplemental budget request(s) for the Code Compliance.
- Tempe 311 call center data, citizen satisfaction and employee surveys and how the results are incorporated into budget priorities.

Councilmembers also requested that staff provide additional information on recommended expenditures in future budget documents.

#### **Future Agenda Items**

Councilmembers agreed to add the Homeless Coalition Strategic Plan to the June 16, 2016 Issue Review Session.

### **Call to the Audience**

None.

### **Committee of the Whole Items**

#### **Items ready for City Council Direction or Status Update**

None.

#### **New Items for City Council Consideration**

None.

#### **Items in Progress – updates as needed**

None.

#### **Items Scheduled for Periodic Review**

No discussion.

#### **Mayor's Announcements/City Manager's Announcements**

None.

#### **Future Meeting Date:**

May 5, 2016, at 4:00 p.m., City Council Chambers, Tempe City Hall, 31 E. Fifth Street, Tempe, Arizona.

*The meeting adjourned at 5:49 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 April 21, 2016, by the Tempe City Council, Tempe, Arizona.

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Mark W. Mitchell, Mayor

ATTEST:

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Brigitta M. Kuiper, City Clerk