

***PLEASE NOTE: Since the Glendale City Council does not take formal action at the Workshops, Workshop minutes are not approved by the City Council.**



**MINUTES OF THE
GLENDALE CITY COUNCIL SPECIAL BUDGET WORKSHOP SESSION
Council Chambers – Workshop Room
5850 West Glendale Avenue
February 14, 2012
1:30 p.m.**

PRESENT: Mayor Elaine M. Scruggs, Vice Mayor Steven E. Frate and Councilmembers Norma S. Alvarez, Joyce V. Clark, and Yvonne J. Knaack, H. Phillip Lieberman

ABSENT: Councilmember Manuel D. Martinez

ALSO PRESENT: Ed Beasley, City Manager; Horatio Skeete, Assistant City Manager; Craig Tindall, City Attorney; and Pamela Hanna, City Clerk

1. 1ST BUDGET WORKSHOP

Presented by: Sherry Schurhammer, Executive Director, Financial Services, Don Bolton, Chief Budget Officer, Stuart Kent, Executive Director, Public Works and Brent Stoddard, Intergovernmental Programs Director

This is a request for City Council to review the material presented in the budget workbook. Today's workshop will cover the following:

- Public Works Department, pages 353 – 376;
 - Please note that the enterprise fund operations (sanitation and landfill), HURF fund operations (street cleaning and streets maintenance) and the training facility revenue fund operation will be addressed at a later budget workshop.
- Economic Development Department, pages 221 – 231;
- Information Technology Department, pages 377 – 381;
- Financial Services Department, pages 232 – 254;
- Intergovernmental Programs Department, pages 264 – 268; and
- Compliance and Asset Management Department, pages 197 – 203

In response to Council's request for more time to review the city's budget, five budget workshops have been scheduled for February and March 2012 as shown below. Additional workshops will be scheduled if needed.

- February 14, 1:30 PM
- February 21, 1:30 PM
- February 28, 1:30 PM
- March 6, 1:30 PM
- March 20, 1:30 PM

The material to be reviewed at the budget workshops is contained in the budget workbook that was posted with today's meeting agenda.

The City Council budget workbook was prepared to facilitate Council's review of the operating budgets for city departments. A detailed explanation of the budget workbook that is labeled "Budget Workbook Material – Explanation" is included in the workbook.

Please note that the budget workbook materials include a draft FY 2013 budget for each department. Any revisions to departmental operating budgets agreed upon by Council during its review will be incorporated. After that review is completed, we will return with a revised FY 2013 budget and a proposed balancing plan for the GF.

At the January 10, 2012 Council meeting, an ordinance was adopted authorizing the refunding/restructuring of outstanding water/sewer revenue obligations and Municipal Property Corporation (MPC) excise tax revenue bonds and authorizing the issuance of these bonds in an amount not to exceed \$99 million and \$70 million respectively.

At the January 3, 2012 Council workshop, staff presented the debt management plan and options related to refinancing outstanding MPC debt and refunding outstanding water/sewer debt.

Glendale's budget is an important financial, planning and public communication tool. It gives residents and businesses a clear and concise view of the city's direction for public services, operations and capital facilities and equipment. It also provides the community with a better understanding of the city's ongoing needs for stable revenue sources to fund public services, ongoing operations and capital facilities and equipment.

The budget provides Council, residents and businesses with a means to evaluate the city's financial stability.

The material to be reviewed at the budget workshops is contained in the budget workbook that was posted with today's meeting agenda.

Today's workshop is for information only. Decisions on the FY 2012-13 budget will not be requested until a later date.

Sherry Schurhammer, Executive Director, Financial Services, presented the summary.

Councilmember Clark stated staff had done what they had been asked to do and have provided the information relevant to department needs. Each department head has provided a clear picture of staffing levels and expenditures and for that she was thankful. However, what she was about to ask for does not in any way undermine what staff has presented or their efforts. Nevertheless, before they begin, she would like some basic questions answered. She believes they need to know the total amount of anticipated revenue to the general fund before they start looking at department budgets. Additionally, she would like to know the total amount of debt payments annually that are attributed to the general fund since they have to subtract that right off the top of whatever the general fund budget is.

Councilmember Clark stated that another area to examine is the cost of an option to eliminate furloughs as well as find out the total cost of benefits. Lastly, she would like information about city assets and what their current market value was. She noted all of this was critical before they look into department budgets. She used an analogy of how a family would handle their budget by cutting out things to reduce their expenses in order to meet what they are actually bringing in. She stated that was how the city should look at their budget. She explained what staff was proposing was to look at departmental staffing levels and expenditures. And in March they will look at revenues. However, they cannot do it this way and have a clear picture of which revenues are available and what expenses they must meet. If there are not enough revenues, they must look for cuts or other strategies to meet those standards.

Councilmember Clark stated that another issue was priority services which are listed in their book as police, fire, public transportation, public works and water. Those elements make up 59% of the total general fund budget, the rest make up 41%. Therefore, they cannot afford not to look at priority service budgets because they are such a large element of the general fund budget.

Councilmember Clark began with her core questions. She asked what the expected general fund revenues were for FY 2013. Ms. Schurhammer explained staff has been working on a revenue projection, but have not completed it yet. Staff normally does not complete it until the end of February and brings the proposed budget in mid to late March. Councilmember Clark then asked if they knew what the total amount of debt payment and lease attributed to the general fund on an annual basis was. Ms. Schurhammer noted they could look up that information in their budget workbooks. Councilmember Clark asked if staff had the cost option if they chose to eliminate furloughs.

Don Bolton, Chief Budget Officer, stated the furlough answer for FY 12 was valued at \$1.3 million from the general fund and for all the funds it was \$2 million. He anticipates the number to be very similar for this year and it might even decrease. Ms. Schurhammer noted that did not include another \$1.3 million of deferrals for employees on the step plans. Councilmember Clark asked for a total figure. Ms. Schurhammer replied \$2.6 million for general fund or at least \$3 million for all funds including the \$700,000 for the enterprise funds. Ms. Schurhammer clarified stating the furloughs were \$1.3 million and another \$1.3 million for deferrals, bringing the total

to \$2.6 million for the general fund. She did not have the other information and was estimating a figure of at least \$3 million.

Councilmember Clark wondered as to what the increases in the cost of benefits were for this year's budget. Ms. Schurhammer replied that retirement contribution rates are increasing for next fiscal year. The public safety retirement plans have increased an additional \$725,000 across all funds. She added the regular retirement fund, in addition to the retirement plans that are in the general fund, are \$1.5 million to \$1.8 million depending on the split of the retirement plans.

Councilmember Clark asked to discuss city assets. Mr. Horatio Skeete, Assistant City Manager, communicated that staff was continuing to look at options of selling or leasing city assets similar to what the state had done. However, at this point, they have not identified any asset that would make sense to sell at this time. Councilmember Clark suggested the civic center which was paid for with cash. Mr. Skeete replied staff had indeed looked at the Civic Center using many different scenarios and are continuing to explore that option.

Councilmember Clark asked if staff had found the information on the debt lease payment. Ms. Schurhammer asked if she would like to have the net number of what they anticipate paying this year after revenue coming in or the gross. Councilmember Clark replied both. Ms. Schurhammer said the additional money was a reduction in the debt service and not additional revenue.

Mayor Scruggs said when Ms. Schurhammer came before City Council a few weeks ago to present the idea of the MPC restructuring. At that time, she said because that it would help the general fund and that's what our Council item had - when we voted on it. Mayor Scruggs reiterated Ms. Schurhammer said this will be money that's going to help our general fund - and now she's saying it's going to pay down debt. Which is it?

Ms. Schurhammer explained this only reduces the debt service payment, which helps the general fund because the general fund then has to cover less of it.

Mayor Scruggs said she had asked at City Council meeting does this help the general fund and was told no it goes to pay down the debt.

Ms. Schurhammer explained she thought Councilmember Clark asked if this comes in as revenue. Councilmember Clark said she did.

Mayor Scruggs said it does come in as revenue and then it goes to meet the debt service, which normally would come out of the general fund. It does not pay down the principal.

Mr. Skeete stated the debt restructuring does not pay down the principal; however, it does defer the payment. He noted Ms. Schurhammer is correct; this is not a revenue item, but it does reduce the amount of general fund obligation that they have to transfer out to the debt service.

Ms. Schurhammer stated the net number for FY 12 for the MPC service after revenue is estimated to be \$10.2 million. However, at the end of the year, they do a reconciliation to see what revenue came in to determine if the payment will be either higher or lower. The lease debt for FY12 is \$410,000, which reflects the lease restructuring done last spring. For FY13, the MPC service before the restructuring is \$21.5 million. On the lease side it was still about \$410,000.

Councilmember Clark provided an example of an annual city budget of \$130 million. From that \$130 million they will subtract \$21.5 for MPC debt before revenues and any reconciliation, \$410,000 for lease payments, \$2.6 million for the furlough option and \$1.8 for retirements which comes to \$27 million in total. Councilmember Clark stated that based on this information, what was the current total of expenses including staffing and salaries for these departments. Ms. Schurhammer stated that in the general fund the total for draft FY13 budget is \$137.6 million. Councilmember Clark guessed that staff took last year's general fund budget and built in a smaller increase related to sales tax. Ms. Schurhammer stated they also had to add the HURF revenue to that figure which was another \$11 million.

Councilmember Clark estimated a total of \$141 million in the general fund and then subtracted \$26 million from that to cover the debt payment, furloughs and increased benefits. Ms. Schurhammer added that they also had to look to see what the off-set of revenue would be for MPC debt service. Councilmember Clark stated that left \$115 million. She asked how staff planned to reconcile \$115 million with operating budgets that totaled \$137.6 million. Mr. Skeete explained the information in preparing this book for this meeting had not been prearranged to propose a recommended budget. He indicated that what they have today was a basic summary of the services brought forth last year for the \$140 million that was invested in the community. He added that the attempt today and over the next three days was to discuss the level and quality of the services that are provided to the community over the last year and the cost for that service. He noted the cost for those high standard services were at the expense of the general fund being reduced by \$27.2 million. They were able to use the general fund because it had been built up substantially during the times when revenues were high. As they go through the process, staff will attempt to prepare and present to the Council a balanced and recommended budget in March. Over the last three years what staff has done has been to reduce department expenses to the minimum level as well as staffing levels and other areas across the board. Consequently, over the last three years they have reduced the budget expenditures by at least 20%. Unfortunately, revenues that came in were much less than the 20% savings. As a result, over the three year period, they had to dip into the \$17 million fund balance reserve they had set aside to cover those services. However; they no longer have a fund balance to cushion them and take them through the remainder of the recession. Therefore, they must now discuss the decisions that will allow them to continue the services and at what level and where they can be reduced. The presentations are very short and concise. However, staff was prepared to discuss and explained in detail, as well as any consequences to reductions. He added the current levels cannot be sustained without some drastic measures. Staff will include in their balanced budget recommendation in March all the things the Council has pointed out to staff.

Councilmember Clark noted the problem they currently have was to either cut or raise taxes. In her estimation, the city needs to cut \$25 to \$30 million out of the budget from the general fund. She explained that was the reason for bringing all this forward at the beginning before they started looking at the departmental budgets so the citizens could understand the importance of what was going on and why those decisions were made. They have to all come to terms on what level of service can be tolerated and what they can pay for.

Mayor Scruggs said she'd like to follow up on what Councilmember Clark was saying because it does not end there. Ms. Cecilia Chan, Arizona Republic, requested information on pay increases that have been given out for various reasons for the past three fiscal years, and that was provided to each Councilmember on January 26th. And unfortunately, she let it sit there and didn't really start looking at it until this weekend. So as the City Council goes forward we look at the \$25 million gap or whatever it is. Mr. Skeete said he told Council it was \$27.2 million for this current year and there was the \$5 million that Council knew they did not have for the Coyotes or to pay to the NHL that the city was going to find somewhere. But what she had found in her rough calculations was that while Council— she at least thought — there were no pay increases being given out and she didn't know what the rest of Council thought. What she learned is that built into - the base budgets which has increased by \$609,269 in FY 09/10 was for pay increases for various types and promotions. For FY 09/10, 168 employees benefited with increases that came to \$609,260 for a variety of reasons that included merit pay, equity adjustment, criteria based increase, change salary to minimum upgrade and promotions.

Mayor Scruggs said then going to the next year, FY 10/11; there was an increase to the base budget of \$688,822 that went to 162 employees. So that meant over those two years the city's base budget increased by \$1,245,979. She had not been able to complete what went on so far in FY 11/12. She continued realizing that the information was provided to Ms. Chan, she thought in January. She got up to \$984,269 going to 310 employees, but she still had five more pages to compute. Also, she hadn't done promotions, that was just the pay increases, not promotions, so that with five more pages to compute for FY 11/12, it was up to \$2,230,248 that went to some employees, which was oddly close to the furlough amounts and the so called deferred compensation, which she didn't understand what that is for some public safety people. But that \$2,230,000 is going to go probably to \$3 million easily. So here are her questions. When did City Council approve those increases in pay in the budget cycle? She thought pay was frozen. And when staff computed what they've given Council in all these pages showing salaries and staff nicely added everything back in, staff took the furlough days out and staff added that money back in, did staff compute more increases like what went on in the last three years? So where does that money come from if it was never presented in the salary portion of the budget pages City Council saw? Where does that money come from?

Ms. Schurhammer explained that every year when they do the budget, they look at the salary forecast. The salary forecast can change on a week to week basis depending on whatever movements are going on in the organization. Some people leave while others complete their one year probation and get promoted. She indicated when they do the budget; it only reflects that snap shot in that point in time of what the salaries would be. During the course of the year, they have eliminated another 40 positions, which caused the salary figure to go down. On the other

hand, they have some people who have been promoted, which means salary figures move up and down.

Mayor Scruggs asked where did the \$2,230,000 and growing come from. If it wasn't built into the budget and the majority of these increases did not go to promotions, although the promotion amounts are very sizeable, but they came for other reasons. If Council sat here and we're told everybody's pay is frozen – there is not going to be any increases, but yet the reality is there were lots and lots and lots of increases. Where does this money come from if the City Council did not appropriate it? Where did it come from and how is it sustainable? If staff took salary savings from one year and built other peoples' salaries up with that money, how does staff sustain that the next year if staff doesn't know whether they are going to have salary increases? And more importantly, what about the rest of these people in this organization who gave up 5% of their money and they're not getting anything. How would they feel? Maybe some of employees in this room? She wanted to know, how did we do this? Supposedly, City Council got the memo from Mr. Tindall, "we are in charge – we the Council are in charge of developing the budget". We get recommendations but we are setting the budget and we did not know we were doing this? So where was that money and where is it this year that City Council doesn't know about?

Ms. Schurhammer explained that through the course of the year, they had more than enough vacancies to cover the cost. She added that was how it has worked out over the last few years, primarily because they had eliminated many positions over the last several years.

Mayor Scruggs said in the beginning administration held on to those FTEs and she fought like crazy, nobody supported her and she said take those FTEs out of the budget, but no, we had to hold them because we might need them. So she could see where staff can pay for increases on FTEs that weren't filled, but then staff eliminated them either last budget year or the budget year before. So there aren't those empty funded positions to use their salary to give to other people. So, how does this happen and how is it sustainable?

Ms. Schurhammer stated some of the pay increases mentioned were paid out over the course of the year. Related to the represented employees, those were actually presented to Council and approved. They had been brought forth as part of the MOU and built into the budget.

Mayor Scruggs said we did have a discussion on that in a workshop, she remembered. So what did they give up, if they all got increases?

Ms. Schurhammer explained some received step increases, but there were also pay related decreases they had to agree to as part of their MOU packages.

Mayor Scruggs said but that doesn't go – if staff does these pay related decreases – like we're talking about this deferred whatever-it-is. When someone gives up their salary as a furlough, they're also giving up part of their retirement system and they are giving other things besides just that amount of their salaries. So when they give up whatever they gave up – uniform allowance – that is not part of the salary, is it? That does not help determine their pension. Is it a fair trade off?

Ms. Schurhammer noted she did not know the answer since she was not familiar with that aspect and not a compensation expert.

Mayor Scruggs said she understood that. We will talk about it as we go through these workshops, please. Because this is all about fairness or it should be about fairness.

Councilmember Clark asked to follow up with a question regarding vacancies. She inquired if they still had vacancies within departments. Ms. Schurhammer replied yes. Councilmember Clark remembered that last year they were going to eliminate vacancies. Ms. Schurhammer stated last year they had 30 vacancies and they were eliminated. However, they also said they need to come up with additional vacancies. Councilmember Clark asked about the amount of vacancies at the moment. Ms. Schurhammer replied they had 37 positions in the general fund across all departments. Councilmember Clark asked how much salary and benefits do those 37 positions generate. Ms. Schurhammer estimated the figure of \$3 million with all benefits included. Councilmember Clark noted that if they eliminated the 37 positions today, that would be \$3 million less they have to cut somewhere else. Ms. Schurhammer agreed.

Councilmember Lieberman commented that the workbook provided was very well laid out with a wealth of information. He noted they were summing up what they were doing in 2012 based on withdrawals in the general fund of \$27.2 million; however, they were leaving \$11.7 million in the general fund. Therefore, there was absolutely no way they can draw \$27 million to balance the budget. He explained this will become much worse since the property valuations based on FY 2009/10 dropped in Glendale an average of 42%. Therefore, they are also faced with three principals. Revenue will be down from the state 22% to 45%; revenue from sales tax in Glendale will be down and the city is short 20 people in the police department. He recommends they go through the book to see where they should cut that figure. He noted he was here to learn and decide how they can live and provide the services at a level that is acceptable when they cannot draw \$27 million from the general fund. He mentioned the \$5 million the city was still short to pay to for the Coyote issue.

Ms. Schurhammer noted the FY 12 figures have been adopted; however, the FY 13 figures were only a draft. Councilmember Lieberman stated his point was that there was no reserve in the general fund.

Mayor Scruggs said that's exactly the point. So now staff has heard it from three Councilmembers and so the idea of presenting Council with something that builds more expenses in is a little bit out of whack considering we don't know how to fund what is in there.

Councilmember Knaack noted she had been the one to ask about city assets and what the debt service was. However, she did not mean the city should immediately sell those assets, especially now when there was no market for them. She only wanted them to maybe start looking at those for the future and its possibilities. She discussed her intent of having a somewhat zero-based budget workshop understanding that some areas they would not be able to touch since they were mandated by law. She listed the many departments that criteria entailed. Therefore, she wanted

to make it clear there were many departments that were mandated, not just the ones she previously listed.

Councilmember Clark agreed with Councilmember Knaack, however, believes that within those mandated departments there were services which have developed over time that may not relate to the core mission and those they need to look at.

Mayor Scruggs said she really doesn't agree with that at all. She thought it was important and City Council needs to finally just put it out there – the city is starting out in a \$32 million hole. City Council wouldn't be looking at cutting anything in any department if the city didn't have deficits. It's not like Council wants to sit here and just rip apart the city and all the functions we love and so forth. That isn't what Council wants, Council knows the city is in a serious situation and it's about time a number is put on it. She got her first email, and she bet other councilmembers did too, from a very concerned citizen who wants to tell City Council not to cut any library services. And why and how terrible this would be and so this tells her that people really don't understand what the problem is here. The problem is the city has a \$32 million shortfall, okay, and the City Council needs to look at these in terms of addressing that, not building it bigger, but peeling it back. So what Councilmember Clark is saying is based on that size of a shortfall, which staff identified as some very large percentage of the overall budget. Council has to look at this much more critically and yes, we have to look within the so-called mandated departments. We just have too.

Mayor Scruggs said Council has to look at things that we didn't look at a couple of years ago; we were told everybody has to have a car allowance because of their contract. She didn't think people have a contract here that says they have to have a car allowance. Council has to start looking at things that we haven't looked at before because we just accepted a staff recommended budget and went okay, last year, four hours – that's all we did. So she really believed Councilmember Clark is on the right track with her comments.

Mayor Scruggs said also the city's assets, City Council has been asking about that for about three years at least. Okay, we heard about the Civic Center, but she didn't hear anything that says sell the Civic Center to an organization that puts on events. There are organizations that do this, they could buy the Civic Center and carry on all the activities that go on there and bring money into the general fund. So she cannot honestly sit there and make recommendations on some of these things without looking at the total picture. She said for her, looking at the disposition of some assets was a critical part of this. So if a company comes in that stages events and they take over all the employees and life goes on only it's not out of our general fund – that is worth looking at for her.

Councilmember Alvarez remarked that the way this conversation was heading was they were laying all the blame on staff, when it was the Council who told them they needed to balance the budget. Meanwhile, they, as policy makers have voted for things they should not have voted for and now they do not want to hear that. The Council does not want to hear they made an error in the baseball situation or legal fees. However, continue to approve them as a needed service. She noted the Council also needed to get their priorities straight and know what was going on in their

city. She believes they need to stop asking staff to find money for things that are not needed. Therefore, since staff prepared this presentation, they need to listen and examine how they should spend the money. Additionally, the Council needs to protect the mandated departments and look into the furlough situation. She remarked that the people who are taking the brunt of all this was the employees and staff who only wants to please the Council in what they want to do.

Vice Mayor Frate stated that by statute, they had obligations and they will meet those obligations. He explained that in the past, the city has had the fund balance reserve to fall back on in these difficult times of a hard recession. He noted this had not been a normal recession, although economists say they were seeing signs of economic recovery. However; they will not see that until a year or two. Therefore, the Council will have to do some pretty tough soul searching on what is important, what is needed and what is required by law. The Council will have these meetings openly in public with input from the community. He remarked they were all elected officials, therefore will listen to their constituents on what is more important. He added the most important thing for him in the Sahuaro District was public safety. He said this budget situation was not something they did not see coming and now they just have to address it.

Councilmember Clark responded to some of Councilmember Alvarez's comments. She stated that over the years, the Council has made public policy decisions from everything from building the arena to retaining the Coyotes. Most of those decisions have been directed by a majority of the Council. However, that was in the past and now they were living with the consequences of those decisions. Whether they agree with those decisions back then or not, they must now face the reality of what they can accomplish based upon the demands of those decisions. She remarked it makes no sense to say you shouldn't have built the arena when the arena was here and they have to pay debt service to it. She believes those decisions did not create the \$30 million budget deficit, but a lousy economy did. Therefore, they are now forced to cut and make the best of the circumstances in which they exist.

Mayor Scruggs said she would add that there are many people in this room right now and many more people throughout this organization that cheered and thanked us and called us and emailed us and stopped us in the halls when we made the decisions going back 11 years to give our city opportunities it would not have otherwise. Councilmember Lieberman talked about the car dealerships going bad – it happened a long time ago. There was really nothing in this city to sustain an economy. We had houses and we had very little commercial activity, but Arrowhead Towne Center was really the only thing the city could count on to bring in revenue to service this whole city. So when Council had an opportunity to create a revenue-generating area region versus putting in more homes where the services were a continual drain on the budget, many of people in this room, will remember how happy you were. Others throughout this organization, they said the city has an opportunity; they now can compete with the rest of the valley. This is good. So to say that something that was wonderful – she could pull newspaper article after newspaper article praising Glendale for being foresighted enough to go forward and create a reason for the west valley to share in the economy of the entire region. She could bring those newspapers out and probably have more than 100. So 11 years later to say the City Council made a mistake – and to use that as an answer to the situation the city faces, does no good. And

public safety, more than any department, more than any department was excited and would stop council and say thank you for what you did, you made us so proud.

Mayor Scruggs said the economy changed all of that – it's going to come right back again, but at least we have an opportunity to participate in the economics of this region. She will not say the same for the baseball stadium. And she has said publicly, she regrets her vote for the baseball stadium and she will say it again. But everything else, it was good for Glendale then and it's good for Glendale now.

Councilmember Lieberman asked how much savings was shown from FY12 to FY 13 as referred on page 354, Public Works. Ms. Schurhammer explained she does not have a figure to provide at the moment since FY 13 was only a draft. She stated they can make a comparison between the adopted budget for this FY and this draft budget for the general fund.

Mayor Scruggs asked how Council can work if they don't know this ahead of time. Because she thinks what Councilmember Lieberman said was exactly right. Where was the city last year, what does FY 13 say? And take the furlough out of there because that presupposes the city was doing away with all furloughs. That bumps everything up and she means you can go through here and see the salaries bump up. Council has to do the ASRA because it's by law. So just go FY12 to FY13. She did not think staff's proposing any reductions in here.

Ms. Schurhammer stated staff can bring any information Council wants forward; however, they don't have that information at the moment.

Mayor Scruggs said well let's see if it's what everybody wants. She didn't know what everybody wants anymore. What would Council like to have? What information would Council like in order to be able to make those decisions?

Councilmember Lieberman indicated he would like figures for FY13 that take into account what must be done so the city can produce a balanced budget.

Mr. Skeete asked to provide the framework that was in the workbook. The information in the book does not present any overall reduction or any cost savings from FY 12 to FY 13. He explained the process and added staff had not prepared any assumptions of reductions in this year's budget for this presentation. What staff is attempting to do for Council today was to describe the services, get a reaction on the quality and the level of those services and then go back to work on the process to bring alternatives and options on how to best balance the budget. He noted the two things increased in this book between FY12 and FY13 was that the 2.5% furlough was added back in, as well as the known increased cost in the retirement contributions.

Councilmember Clark stated she would have preferred a budget without the furloughs and then a price tag to add them back in. She indicated she had a problem with the way this was presented since it felt like the decision was already made for them. She would have preferred a more "naked" budget then was presented.

Mayor Scruggs said let's just start with – Council can go through this – does Council want to have animal control services? Do we want to have graffiti? And we will just do it this way – but she thought we've laid some very important things out there. She still wants to address where the \$3 million for pay increases for some portion of the employees came from and where this fits in for this coming year because evidently it's anticipated to just continue like this. But let's go through the things and say, do we want animal control?

Councilmember Clark asked Stuart Kent, Executive Director, Public Works which of all the services in his department he considered to be core services and are there any vacancies in the department. Councilmember Clark read from a CIP list and asked what he believed were the core services.

Mr. Kent stated they were all core services; however, the question is, what is higher priority compared to others. He noted he was not prepared today to start ranking the list. The purpose for today's exercise was in part to get the Council's collective feedback on public works as well as everything else. Staff will go back and make those adjustments based on the information provided today. He added currently they had two vacancies.

Mayor Scruggs said she is not asking him to rank them, she is saying, which are core services? For example, the city owns a cemetery, so that will probably be a core service that the city has to take care of. Isn't that kind of where you were going?

Councilmember Clark remarked that her questions actually took a different course. She actually was wondering if they could possibly sell the cemetery and perhaps it was time they got out of the cemetery business.

Mayor Scruggs said okay, but Council can't decide that for this budget year, so for right now that is a core service. She continued unless she'd gotten in the wrong department somehow, Mr. Kent's marketing downtown events. Why is public works marketing downtown events? So let's go through each of these things and let's do it because it sort of seems like that's to reduce the marketing expense and they shove something over in public works. She didn't think public works really had the expertise. So let's go through this and Council will give one department a try, activity by activity. And we are going to start with animal control services.

Mayor Scruggs asked how do they figure what to charge us?

Mr. Kent explained the county provides the city an assessment based on service activity and related calls. The city was currently in the second of a three year Intergovernmental Agreement with the county to provide the service. The set amount was \$335,000 with set amounts going up each year.

Mayor Scruggs said it says – this is kind of interesting – required by law/code regulation – no. But yet she didn't think the city can just permit dogs and cats to run wild, but it says it's not required.

Mr. Kent explained the Council will see a lot of these services that are not required by law; however, this was up to the city. Additionally, the city currently has the base lower level service and believes most cities do as well. The higher levels include after hours and more animal control officers in the area.

Councilmember Clark inquired as to the differences in the level of services compared to other cities. Mr. Kent explained each city pays according to how big their area was and the level they chose. The fee was based on the calls of service and the hours of coverage that are provided within that. Councilmember Clark asked if they could reduce the hours of coverage. Mr. Kent replied yes and added they can discuss that with the county to determine what the effect of that would be.

Mayor Scruggs said staff was going to put that on their list of one of the things to look at – can the city reduce the level of service. Staff will bring this back when they come back.

Mayor Scruggs said can Council move on to the next item – administrators. Vice Mayor Frate mentioned it should be noted the area has already been reduced 75%. Mayor Scruggs said they were at eight FTEs and now they are down to two. She asked when Council sees something like that has been reduced, did the other six get moved into other categories or are they just gone?

Mr. Kent noted two of the positions were retirements, one a layoff, three were moved into solid waste administration.

Mayor Scruggs asked if Council was ready to move on to the cemetery.

Councilmember Clark restated her question of possibly selling the cemetery. Mr. Kent stated he would look into it.

Mayor Scruggs said staff really needs to look into that because the cemetery was talked about once before in relation to setting services or whatever and there were actually people who showed up and said, they had this...something that when they brought the plot...and they believe it refers to perpetual care.

Councilmember Lieberman inquired as to how much revenue the city received from the cemetery. He believes they charge \$2,000 for a plot. Mr. Kent stated last FY, the city generated just over \$200,000 in revenue. During the last seven months of this year, revenue was about \$118,000, therefore, for year end, they estimate \$170,000. Councilmember Lieberman noted it almost paid for itself. Mr. Kent clarified that in 2007 it was \$250,000 and in 2008 \$234,000 therefore it recovered a little more than what it cost to operate. In 2009, the amount was \$272,000 and in 2010 it was \$163,000. They expect a 70% recovery for this FY.

Mayor Scruggs said she didn't remember what started it. She thought it had something to do with the rates not having been adjusted for decades or something and Council looked into it and made some rate adjustments. She believes the people who work at the cemetery provided the utmost respect and dignity and care to everybody who is already buried there and to the families

who come to choose our cemetery for their families' resting places. She asked Mr. Kent to please take that to the employees because she knew it went through some rough patches there for a while, but they just really do the kind of job they should do.

Councilmember Clark agreed the employees did an outstanding job, but this is the year that everything is on the table.

Mayor Scruggs said Manistee Ranch maintenance, tell Council about that.

Mr. Kent explained this item was related to the Manistee Ranch property electricity cost of \$500,100 a year.

Councilmember Knaack stated that seemed very reasonable.

Mayor Scruggs said okay next is Graffiti removal.

Councilmember Clark inquired if anyone had ever been caught, prosecuted and the city received any revenue from that action. Mr. Kent replied yes and added they had four restitution cases this past year that have generated about \$190.00 in direct fines and community service hours.

Mayor Scruggs asked does the restitution then stay in the court. She assumed – we are not talking about huge numbers, but this is just a curiosity thing.

Mr. Kent replied he believes it does, however was not certain.

Mayor Scruggs asked so how does everybody feel about graffiti removal service levels?

Vice Mayor Frate remarked he does not want to touch that because the alternative would be devastating to the community. Councilmember Clark agreed and views this as a core service to the community. Mr. Kent noted the city originally had four and now was down to three. No reduction on this item.

Mayor Scruggs said next is facilities management. What does that mean?

Mr. Kent stated this item relates to the electricity bill that covers the vast majority of all city buildings.

Councilmember Knaack asked Mr. Kent to elaborate on some of the things the city has done to cut the cost of electricity. Mr. Kent explained two years ago, the city received \$2.3 million in energy efficiency community block grants and started the process of looking at energy efficiency opportunities across departments. As a result, they have relit the main library, city hall, city garage and the public safety complex, with higher efficiency lighting. Additionally, they are in the process of re-lamping the recycling facility and will be re-lamping the downtown garage behind the B of A building as well as working on solar installation in a number of parks. He noted they also received additional rebates from the electric companies.

Mayor Scruggs said well thank you and congratulations on that. Okay so no change there.

Mayor Scruggs said next is Facilities Management. So these are our own people that go out and provide the repairs on the city buildings and parks.

Mr. Kent started she was correct.

Mayor Scruggs asked the only option would be outsourcing this somehow- paying a company to do it, right?

Mr. Kent noted that another option was to target where they could provide less service on buildings. He added this would also work in the city's favor if they decide to sell city assets, which would lower the cost to maintain the buildings.

Councilmember Clark noted that 6.25 people provide repairs on over 150 building and over 70 parks to plumbing, electrical and other components. However, they also have another facilities management with the same number of people that only do air conditioning preventative maintenance. She asked if there was any cross training that occurred between these two groups. She wondered why they need the same number of people to only do air conditioning preventative maintenance. Mr. Kent explained that many do have cross training; however, some are very specialized skills. He provided examples of the many cost savings being implemented in the numerous departments. He also discussed service adjustments being made due to staff reductions.

Councilmember Clark noted that through the course of the year, \$81,000 has been expended to repair 150 buildings and 70 parks, which sounds like not much needed repairing. The figure expended for air conditioning repair was \$76,000 for year. Mr. Kent remarked much of this was labor expense.

Mayor Scruggs said its odd how your salaries come out exactly the same. She thought it was a duplication of – she knew, but that they all do make exactly the same amount of money is odd. So what can be talked to about here – is less service targeted at certain buildings? That is what – if we're trying to look at a reduction – that would be where it is?

Mr. Kent replied yes and added it would be a function of going through and assessing where cuts can be made and the consequences of those reductions in maintenance.

Mayor Scruggs replied okay; let's see if there is anything there.

Mayor Scruggs said now we'll go to service contracts. Required by law/code regulations, okay so we can move on. Now we come to alarm and security systems. Required by law code regulation, yes, we can move on. Does everyone agree to that? Yes

Mayor Scruggs said next is vandalism damage and emergency response.

Councilmember Lieberman stated that amount was pretty cheap. Mr. Kent explained there were 180 instances where they responded to emergencies after hours. Vice Mayor Frate asked if they were the same people that respond to a falling tree in the road. Mr. Kent said that area was covered by the streets and right-of-way crew.

Mayor Scruggs said okay, facilities enhancements. What is that?

Mr. Kent stated it was part of the cost instituted by a tenant that would do an improvement and may require some assistance from the city. He provided examples and explained this area was only discretionary.

Mayor Scruggs said next is facilities management special events support.

Mr. Kent explained this item had to do with Glendale Glitters and a number of the other events the city puts on. He stated their electricians spend about 407 hours supporting Glitters.

Mayor Scruggs said well, for something as important as that is to our city, she thought it was being done at a very cost effective price. Thank you.

Mayor Scruggs said next is custodial services for restrooms. Are we talking about restrooms in buildings, parks and all of the above? She knows it says detention area.

Mr. Kent stated these were primarily in buildings not in parks. He noted Parks and Recreation handles that area. Councilmember Clark asked what the impact would be if they decide to reduce the service level. Mr. Kent explained it was done once a day and does not recommend anything less from a health standpoint. However, they could look into it. Councilmember Knaack asked how many restrooms they serviced. Mr. Kent replied he did not have the number with him. He noted this did not include the libraries, civic center or the fire departments, but every other building including the detention area and the facility treatment plant.

Councilmember Knaack stated for \$420,000, it seemed more than reasonable.

Councilmember Clark asked if they could possibly consider a partial service instead of full service. Mr. Kent noted he will look to see if anything could be modified.

Mayor Scruggs asked why the decision was made to have some departments have their own custodial services instead of it all be managed out of our public works departments.

Mr. Kent explained the libraries have had their contract for a number of years. The reason provided was for them to have a higher level of service. The fire department has always done their own custodial services in-house. To the Foothills Aquatic Center extent, the decision was made to have it be completely tracked relative to its revenues and expenditures. All other park facilities receive city custodial service, as well as all other city facilities.

Mayor Scruggs suggested that Mr. Kent get together with our library friends and look at whether our public works department's custodial staff can service their buildings too. She didn't understand why they have to go out and get their own? Is there anybody else – the police? You don't do fire because they like to do it themselves because they live there. So is the library the only one? Oh parks and recreation? And any other parks and recreation facilities that are outside, you don't do? You do inside the building ones?

Mr. Kent replied yes.

Mayor Scruggs said now we are doing trash services.

Mr. Kent explained the city changed its trash collection service about two years ago prompting staff to take their trash to the common areas where its gets picked up. This was the equivalent of four FTE's doing the trash service.

Mayor Scruggs asked any comments, or suggestions? No. Next, pest control and additional services.

Mr. Kent stated this service was contracted out. He noted carpet shampooing was done by staff as well as additional cleaning in common areas done for special events.

Councilmember Clark asked if this was charged back to the departments that made the request for service. Mr. Kent replied no and added it was part of the service they provide. Councilmember Clark remarked that perhaps it should be and therefore they might get fewer requests. Mr. Kent replied the request were very minor.

Mayor Scruggs asked where is that outdoor elevator figured in. She thought that was a health hazard because it's so foul and it's almost impossible to keep clean. So she didn't know what we pay for that? And her other question was – was it required by law that the city have that?

Mr. Kent said he will research the cost to clean, as well as if it was required by law.

Mayor Scruggs said yes, find out because it's a magnet for kids to scratch the glass, ride on it, and graffiti. The pigeon droppings, it's filthy. She thought about when people visit here, especially for events, she thinks it's a health hazard. Councilmember Knaack believes it was required.

Mayor Scruggs next is floor cleaning. This is different than floor cleaning you've mentioned before, evidently.

Mr. Kent noted this was the cleaning and vacuuming of the common areas weekly. This requires 1.5 FTEs doing that across the city's facilities.

Mayor Scruggs said okay, Special Events Support; no FTEs provide custodial staff and materials for special events. That's a very small number.

Mr. Kent provided the example of Glendale Glitters as a special event needing custodial staff.

Mayor Scruggs said so that has no FTEs, so is that like some of the special request stuff that we just talked about before?

Mr. Kent explained the FTEs do the work, therefore not contracted out.

Mayor Scruggs said okay, the next item is electricity to the downtown parking garage. Which one?

Mr. Kent stated they were talking about the Promenade parking garage.

Mayor Scruggs said obviously we need electricity, but you're looking at less expensive ways to light it.

Mr. Kent remarked they planned to retrofit the lighting fixtures and hope to get between 10% to 20% energy savings.

Councilmember Clark asked if this was a sellable building. Councilmember Knaack stated she would like to add this building to the sellable building list.

Councilmember Lieberman asked if the city was getting any revenue from the parking garage. Mr. Kent replied he was not sure since this was just the parking garage and not the building itself.

Mayor Scruggs said so the next page is both the Bank of America building and the Promenade commercial enterprise maintenance services.

Mr. Kent provided the details as to the current leasing arrangements.

Mayor Scruggs asked when you say Bank of America was 80% leased, how much of that 80% is city owned – is occupied by city departments. Mr. Kent explained that half the space was occupied by city departments, which was marketing, transportation, fire department and visitor's center.

Mayor Scruggs asked do those departments pay the lease payments or rent.

Mr. Kent replied no and added only transportation pays a rental fee and the others do not.

Mayor Scruggs asked why is transportation charged.

Vice Mayor Frate inquired about the professional landscaping service at the Promenade. He noted it could use some granite touch up. Mr. Kent noted he will bring it to the attention of the landscaping service.

Mayor Scruggs asked can we go back to this again. She would like to know how much the transportation department pays and does it come out of the GO fund? Which should be going to service? Then she would like to know with all the moving around and everybody's been cleared out of the sine building, can we fit some of these folks into other buildings that the city has, that have space and then we can turn this into revenue production by leasing it to other people? This is what it was suppose to be in the first place. It was suppose to be leased out to private sector businesses that would pay us. So can we move some folks over? That would be something to look into. Mr. Kent agreed.

Mr. Skeete explained the transportation department pays rent out of the GO funds.

Mayor Scruggs said that's not right. To her they're the only ones paying a fee and to her that's a way of building up the general fund by taking it from GO where we already have had to cut bus service so much. She didn't like that at all. Councilmembers Clark and Knaack agreed.

Councilmember Lieberman asked how much revenue has the parking garage taken in from events at \$10 a stall. Mr. Kent replied he did not have that information with him.

Mayor Scruggs said it was projected to be \$100,000 when we went ahead and decided. They projected it be \$100,000 and she knew they filled the buildings up.

Councilmember Clark asked why revenue from the parking garage, that should go to offset the maintenance and utilities, instead goes to marketing. Mr. Kent stated the revenues go straight into the general fund.

Mayor Scruggs said Engineering Administration and Design Division with 13 employees. Would Council like to talk about that?

Mr. Kent stated the design division has eight employees and administration had the remaining five employees. There currently have two vacancies, therefore only 11 employees presently.

Mayor Scruggs asked do you have a request with HR to fill those two. Mr. Kent replied no.

Councilmember Clark stated they should be eliminated.

Vice Mayor Frate remarked it was important to note the impact of changing services to outsourcing would be at a 300% cost increase. Mr. Kent explained the current billing rates if they were to outsource.

Councilmember Clark inquired as to real-estate services under engineering administration. Mr. Kent explained it relates specifically to the acquisition and review of appraisals of city properties for various purposes. Mr. Skeete noted this also covered right-of-ways as well as responding to encroachments by other entities. Mr. Kent stated there was one person out of the 11 current employees that exclusively worked on real-estate services.

Mayor Scruggs said okay the take away from this one is possible elimination of the two FTE open positions.

Mayor Scruggs continued next is Mapping and Records and Land Development, four FTEs. It sounds like there're pretty busy over there.

Mr. Kent explained this was the infrastructure management division of basically the entire city's infrastructure and how it was all laid out.

Councilmember Clark inquired if this was all done digitally. Mr. Kent replied yes.

Mayor Scruggs said and then approximately \$95,000 revenue was generated. Is that from the requests or are some of the requests internal?

Mr. Kent clarified that the plan review fees collect were \$94,162 of the \$95,000. The other \$1,200 was generated by external requests. The total amount was closer to \$95,362.

Mayor Scruggs said construction inspection materials, testing and utility inspection is required by law. Okay, so we move on then to downtown beautification and promotion.

Mr. Kent stated this part of the downtown beautification was related to a two-person maintenance crew created when the Council asked for more commitment provided to the downtown area. Those two staff personnel are dedicated to working to keep the downtown area clean from 55th to 59th and from Myrtle to Lamar.

Councilmember Knaack noted she has never seen anyone power wash the sidewalks that far to the east from 55th to 59th. Mr. Kent stated he would look into it.

Councilmember Clark commented the next four items were related to downtown beautification and needed to be looked at as a must-have or was this necessary. She noted the downtown daily maintenance regarding cleaning and replacing flowers was a level that could be diminished. Another area was having security officers in the area, which she believes was critical. As far as the power washing of sidewalks and garage cleaning, that can also be looked at. She inquired as to why his department of public works was being charged with marketing downtown. Mr. Kent explained the breakdown, noting that it was actually charged to marketing. Ms. Schurhammer explained the budget had been set up that way to capture all the cost related to the downtown beautification and promotion in one spot, however the budget is shared.

Mayor Scruggs said since when does Public Works provide a marketing campaign? It just makes no sense. There are no people there, but it just makes no sense. It should all go over to marketing.

Councilmember Lieberman asked where the \$23,000 goes. Ms. Schurhammer reiterated it was \$23,000 in the budget for downtown beautification and promotion that marketing spends on marketing the downtown area.

Mayor Scruggs said okay, so Councilmember Clark has requested a review of the four items that all have to do with downtown activities, beautification and promotions, to see if those services levels can be reduced.

Councilmember Knaack asked why Parks and Recreation takes care of the sanitation in the new alley way? Mr. Kent stated the two staff employees take care of that alley, however, the right-of-way portion has moved over to Parks and Recreation.

Mayor Scruggs called for a 15 minute break.

The meeting was reconvened.

Mayor Scruggs said we will continue with our discussion of activities within the Public Works department. And we are going to move to the fund that has to do with equipment management of the 1400 vehicles.

Mr. Kent provided a brief outline on this item. He explained that fleet management does charge back all of the work they do for the services they provide.

Councilmember Lieberman inquired how much was charged back for per hour shop time. Mr. Kent stated their light duty rate was charged \$69 an hour and heavy duty was charged at \$78 an hour. The heavy duty service was done on all city trucks, fire engines et cetera and light duty was done on all smaller engine vehicles including police cars.

Councilmember Lieberman asked how many employees they had. Mr. Kent stated there were a total of 34 staff employees for the maintenance operations.

Mayor Scruggs asked the way this department is run is through charge backs; so in effect other department's expenses are built up because they have to pay equipment management for their repairs, so that builds up their budgets. So then when Ms. Schurhammer and her crew come in and say "everybody give me 5% or 10%" or whatever the amount is, they are limited on what they can give. So in other words, by forcing this to be paid by the users, it may end up with the using departments having to give up some necessary service because they have this expense that comes up over here. And it's just moving the same money around.

She wondered why we don't just fund equipment management for what it costs rather than come up with these labor rates and you change the labor rates. And so some department over here that's just trying to keep programs going and everything they have to do, but they have to send this chunk of money over to you. And it seems like it could be harmful to important programs. She continued really that's a question for our finance people, as to why we stick with this model. Have we ever looked at doing it differently? Or did we just say okay it cost this much to run our

equipment management – all aspects of it, whether it's the new cars with the strips or its preventive or whatever it is. And fund that rather than put the burden on departments to where they have to let an employee go because they have to cut their budget by some percent and they're trapped into sending money to information technology, they're trapped into equipment maintenance.

Ms. Schurhammer noted staff could do it either way and will evaluate the matter.

Mayor Scruggs said this is a tremendous amount of moving the shells around and what the Council has been trying to do with this exercise – the ones that promoted it – was to look at - what is the cost to provide this service - name a service? Whatever it is? But when it gets convoluted with all these internal premiums, charge back things or whatever, we no longer know what it cost to provide the service. So if we make a decision, we want to be in charge of maintaining our own equipment, we don't want to send it out to a dealer, we want to do it ourselves. It seems to me it's worth looking at just funding it so that we can make the departments budgets more pure. Some of them especially – some of the departments are so small that when they are given one of these “you give up 5% or 10% notices” they don't have anything to give up and still provide the service because they are doing all this stuff. She continued last year the big thing in my office was we found out that every single piece of mail that got delivered to us cost us 20 cents. Well, we get junk mail and so Steve went down and said stop delivering this to us unless it's a letter or something. I know why you're doing it and that it's the way it's always been done and everything gets put in a silo – she just doesn't know if it works now.

Ms. Schurhammer restated they can certainly reevaluate the process. However, they are not just doing it because that's what they have been doing for a long time; there is actually some merit to doing it that way. She explained this was similar to their insurance charge backs that they do for risk management or worker's comp. She noted when a department realizes they're going to have to pay more because of carelessness, their risk premiums go up and there were penalties associated with that, therefore it helps keep costs down when there is a record of the usage.

Mayor Scruggs said it's sort of like if you smoke you pay a higher insurance premium. But these people all work for the same organization and it seems like everybody should pull together and to threaten them with a higher premium when they should be doing this whatever corrective behavior anyway, seems maybe not the right way to go. Now she knew what she was going to bring up is a huge, huge issue but Mr. Skeete, if there is support on the Council, she would like to put this on the table that we get to where we have more pure department budgets that aren't cluttered with all this transfer stuff. She said this maybe that's a discussion, but there might not be support for it.

Councilmember Clark remarked she still does not know whether to support it or not since she does buy into Ms. Schurhammer's argument that this is a way to keep the brakes on expenses. She believes if a department has to pay a charge back for a repair, they are more conscience of it than if it was just lumped into a budget. However, she can see both sides of the issue and probably needs more information and rational to move away from the charge backs.

Mayor Scruggs said well, that's what she was asking for; can we have a discussion on it? She knows this is especially painful, especially to departments that have three to six employees. Because the request for sweep of their funds does not take into account that they are a small department, everybody gets given the same percentage and you get to the point where it's down to the bone and they have to leave things like this in.

Mr. Kent stated they can evaluate that matter. He added there have been adjustments for those small departments using a pool vehicle that they are not charged for. He discussed the cost effective measures that have been made reducing the fleet by over 120 vehicles.

Mayor Scruggs said okay that makes me feel better about it.

Mayor Scruggs said it just gets down to, what do you need to know? Except if, like Councilmember Clark says, someone is abusing the system. But she means just like we implemented the three false alarms and you pay a fee thing and we've implemented all these punitive measures for people who don't behave.

Councilmember Lieberman inquired as to warranties and extended warranties on city vehicles. Mr. Kent stated the city does take advantage of those warranties. Councilmember Lieberman asked how the departments were charged. Mr. Kent explained they total up what the departments used as far as services by vehicle and then are charged at the end of every month.

Councilmember Knaack inquired if they had ever gone out for bids for the small maintenance items such as oil changes and tire rotation. Mr. Kent explained that for police vehicles, there was extensive maintenance that had to be done because of the stress they're under. However, for the other vehicles, there was the flat rate of \$15 for labor; therefore, it was very reasonable. Councilmember Knaack agreed.

Councilmember Lieberman inquired as to the parts department. Mr. Kent noted that operation was outsourced to NAPA five or six years ago. NAPA provides a higher availability of parts than what the city was able to provide when they had the operation. Additionally, the city does not pay for inventory cost and only until the part is used.

Mayor Scruggs said okay, we are going to move along. She's just going to comment that we are going to end at 5:30 p.m., hopefully. But we need to fit in the Intergovernmental Programs Department because he's already missed a whole day at the legislature by having to sit through this and we want to not have him miss another day.

Mayor Scruggs said so the next one says it's required – repairs. She didn't know – it's required by some law, code or regulation. There are nine FTEs. What requires this? Is there a law that says it has to happen in-house?

Mr. Kent noted these were repairs that were required by law. He added most were done in-house, however, at times, they do outsource for things that are beyond their level of expertise.

Councilmember Clark asked which division covered vehicles being sent out. Mr. Kent stated the \$477,000 for outsourcing was included in the \$566,870 for service repairs. Councilmember Clark questioned the work of nine people when most was being outsourced. Mr. Kent stated most of the larger figure was technician's time and expertise.

Mayor Scruggs said okay, equipment management does Council have any questions on that? No.

Mayor Scruggs said equipment management car wash, are there any questions?

Councilmember Clark asked how often they are washing the cars. Mr. Kent noted that depends on the department; however, there was not a charge back for that. Councilmember Clark suggested possibly creating a formal schedule in order to reduce service levels. Mr. Kent said they will look into limiting the usage.

Vice Mayor Frate suggested staff inquire about obtaining a contract with a local car washing service. He noted police vehicles do not look very good and could look much better. They can possibly get a good discount with better service.

Mayor Scruggs said so there are two questions, look at washing them less and look at washing them better by using a local business.

Mayor Scruggs said next is equipment management motor pool. This is the one where you said you're not charging the departments yet. That sounded like there's a plan afoot to charge.

Mr. Kent replied there was not a plan to charge. He added they had not charged since its inception.

Councilmember Clark asked if people were using a car allowance in place of using their cars. Mr. Kent said he did not have any information on that matter.

Mayor Scruggs said equipment management, fuel island, cleaning and maintenance. Does anyone have any questions?

Councilmember Clark inquired if the cleaning service level can be reduced.

Mr. Kent explained the cleaning only entailed water pooling inspection and picking up trash. Therefore, this will have a small effect on the budget if reduced; however, they will look into it. Councilmember Clark remarked nothing was off the table.

Mayor Scruggs said it says this is part of the fuel surcharge that each department pays 13 cents a gallon, which gets back once again to her being concerned that these departments – and she added it up, it's just under \$9 million that all the departments pay, through whatever budget, mostly general fund, but whatever budget pays into this division each year to maintain the vehicles, to repair the vehicles, to put fuel in the vehicles and all of that other stuff.

Mayor Scruggs said the next thing is fuel services - \$3 million – this is all you get paid back for all of this?

Mr. Kent stated this was related to the purchasing of fuel that fleet does as well as keeping the island facilities fueled and functioning.

Mayor Scruggs asked so what do you pay for it? Because she just read that you charge 13 cents a gallon surcharge and there are a lot of gallons being used. So is this a profit center?

Mr. Kent replied no. He explained they typically buy fuel at 18 to 20 cents a gallon less than on the street. He noted the surcharges were only to cover all the other costs associated with running the fuel island and inspections. He believes this was cheaper than buying fuel on the street.

Vice Mayor Frate suggested possibly using a fleet station that's been set up for companies only, not the general public. Mr. Kent explained the advantages of having two locations, one in the south and north making it easier for police or sanitation vehicles to use instead of driving to one location across town. However, they can certainly look into it.

Mayor Scruggs said next is parts store operations.

Mr. Kent explained this item was the contract services they pay with NAPA for the volume of parts they were buying out.

Vice Mayor Frate believed the city can have an outside source like NAPA for the 21 point inspection and oil changes. This will be much quicker and cheaper than taking a vehicle out of service. He added this also can be done with tires. He believes they can save some money on this item and would like them to seriously look into it.

Councilmember Clark and Knaack noted it was worth looking into and would like to hear from the departments as well as if there will be any cost savings. Mr. Kent stated he will provide that information in addition to the down time of a vehicle being serviced.

Mayor Scruggs said equipment replacement. Does this go along with some of the other things you've been talking about in terms of what you want them to look into? Oh, this is the replacement funds? Is that what this is?

Mr. Kent replied yes and added this was for next FY.

Mayor Scruggs said one of her favorites. The youth sports complex facilities management. This is electricity for the sports complex.

Mr. Kent explained this and the next items were related to the sports complex. The city pays the electric bill as well as the replacement and repair of light fixtures associated with maintenance.

Mayor Scruggs asked why are all these put together with the youth sports complex over in parks and recreation. Why do we have them spread around? Because now we got a memo that the city's taken over the management of the sports complex and we are going to do it ourselves. So why don't we have all of the expenses in the same place rather than put it in his budget.

Ms. Schurhammer replied they will look into making that change.

Mayor Scruggs noted so we can know what it really cost us to run that thing.

Mayor Scruggs said next is lighting retrofit.

Mr. Kent noted the last two items were related to carry-over projects. Normally, these grants would not show up here but because these are going to be anticipated carry-over items, they are in this book. These will not be showing up in future years.

Mayor Scruggs said there are a lot of little things to look into and so forth. Councilmembers - anything else on the public works?

Councilmember Lieberman replied no, just a big thank you to staff.

Mayor Scruggs said yes, thank you, you know your department very well. Thank you for all you do.

Brent Stoddard, Intergovernmental Programs Director, provided a summary of department services.

Councilmember Clark asked on what the department spent \$14,000 for professional development and was it critical or mandated. Mr. Stoddard explained there were some components of the department regulated by state law and the fees associated with those functions. The single largest expenditure of the professional development fund was for the bill tracking system which was used to cover 450 bills this session. Their department also does advertising for Luke Air Force Base.

Councilmember Clark inquired if this department handled and approved contracts. Mr. Stoddard noted there were some contracts that fall under the purview of his department such as the federal lobbying contract. He discussed the lobbying firm that also worked with the city. He remarked his budget also includes the consultant's fee for the representation of Luke Air Force Base.

Councilmember Clark remarked she would like to know what kind of return the city receives from these consulting firms and what have those firms been able to provide the city in terms of federal grants or funding. She asked how much their contract fees were. Mr. Stoddard replied they were \$96,000 a year. Staff was working on providing the Council with a detailed statement of the work done by the firms, specifically for the city verses what the city was paying out to them. He read a partial list of grants the city has secured and added he believes the city does get a tremendous amount of value from the firms. He indicated the city was well below market

value for the cost of the representation since other cities are paying \$11,000, while Glendale pays \$8,000 a month. Additionally, knowing the city's predicament, he had negotiated a 10% reduction for next FY in this contract.

Councilmember Clark indicated it did sound as if they were delivering some kind of cost ratio benefit to the city and based upon this decision, that's exactly what they are doing. She asked if the state lobbying contract delivered the same kind of benefits to the city. Mr. Stoddard noted they currently do not have state lobbying in place. However, they will be revisiting this item in the future.

Councilmember Lieberman asked if not having a state lobbying firm put a sizable dent in the budget. Mr. Stoddard noted \$96,000 was the budget for the state lobbyist. Councilmember Lieberman thanked Mr. Stoddard for his presentation and for his help with his trips to Washington.

Councilmember Knaack inquired as to the four FTEs in the department. Mr. Stoddard explained each person's roles and contributions to the department.

Vice Mayor Frate asked Mr. Stoddard if he had a car allowance. Mr. Stoddard replied yes. However, he does not use the fleet vehicles and uses his own car for every amount of travel that takes place. On the other hand, his staff does use the fleet vehicles to cut down on the mileage that would be charged back to the city.

Mayor Scruggs said you are one of the employees – probably not in the majority - that if he were put on a per-mileage reimbursement, the city would end up spending probably twice what they pay you in a mileage allowance. But he said his car use is not representative of the average employee who has a car allowance. So she's just figuring the number of times she goes downtown in a month. She knew that he would – downtown meaning to the capital – and he often makes that twice a day back and forth. Or he has to go out to Westmarc and then he goes down and all over the place. So if he just made a trip down to the legislature once day – that would be a thousand miles if she added it right and that would be \$500 to \$550. So when she brought up car allowances she was thinking more of folks that don't live in their car like him.

Councilmember Lieberman inquired about a local lobbying firm the city recently acquired. Mr. Stoddard explained they did have a firm called Policy AZ, however, that contract was not managed or controlled in his department, but through the city's Attorney's office.

Mayor Scruggs asked any other questions? Okay she guessed his budget stays in place and we have no helpful suggestions.

Mayor Scruggs said she would just comment what this Van Scoyoc, or whatever, does for the city. Another aspect is they are our ears back there in DC to know what's going on. And there was an incident that happened, she didn't remember if it was this past year or two years ago, where a couple of cities who will remain nameless, were going back and confusing our congressional delegation as to what the transportation priorities should be and they were different

from what the congressional members thought they should be. And she believed Van Scoyoc heard about this and got a hold of Brent and then Brent was able to unravel it and de-confuse our congressional members. So that's just another benefit. Thank you very much. That concludes our workshop for today on the budget. We have gotten off to a good start. She thinks we have the process now a little more rolling along and so forth. So we will have to add the four departments she guessed to next week and do those first. A particular Councilmember who will remain nameless has already started saying that we will need another meeting. But we will see how it goes next week, it might move along a little more quickly. We kind of have our pace now.

ADJOURNMENT

The meeting was adjourned at 5:30 p.m.