



City of Goodyear

Meeting Minutes

City Council Work Session

Mayor Georgia Lord

Vice Mayor Joe Pizzillo

Councilmember Joanne Osborne

Councilmember Sheri Lauritano

Councilmember Wally Campbell

Councilmember Bill Stipp

Councilmember Sharolyn Hohman

Meeting Location:
Goodyear Justice Center
14455 W. Van Buren St.,
Suite B101
Goodyear, AZ 85338

Monday, April 20, 2015

5:00 PM

Goodyear Justice Center

1 **CALL TO ORDER**

2. **ROLL CALL**

Present 7 - Mayor Lord, Vice Mayor Pizzillo, Councilmember Osborne, Councilmember Lauritano, Councilmember Campbell, Councilmember Stipp, and Councilmember Hohman

3. **AGENDA ITEMS FOR DISCUSSION:**

- 3.1 [15-5560ws](#) Council will receive information on and discuss the estimated fiscal year 2015-16 (FY16) revenues and expenditures. (Lauri Wingenroth, Budget and Research Manager)

Lauri Wingenroth, Budget and Research Manager, and Larry Lange, Finance Director, presented.

Wingenroth reviewed the proposed revenues which total \$167.1M. She showed a chart breakdown of all City funds and revenue categories. The key revenue policies are to maintain a diversified and stable revenue system for fiscal health, and review User Fees and Development Fees related to new development, which will be reviewed every 3-5 years.

REVENUE:

General Fund Revenue

*Projected FY16-\$82.6M (about a 5% projected growth rate)

>Other General Fund Resources:

- Transfers from Enterprise Funds
- Estimated Rolled Over Fund Balance/Contingency-\$27.5M

Property Tax

Assessed valuations are the basis for which property tax valuation is determined. Prior to this year, there were two assessed valuations (Primary and Secondary). Primary Property Tax supports the General Fund ongoing revenues. There was a change in the law, which basically creates only one assessed valuation that both the Primary and the Secondary are now levied on.

Primary Property Tax Levy (General Fund-Ongoing Revenue)

FY15 Levy-\$7,431,367

FY15 Rate (Per \$100 of Assessed Valuation)-1.1836

FY16 Levy-\$7,807,879

FY16 Rate-1.1637

Secondary Property Tax Levy (General Obligation Bond Debt Service)

FY15 Levy-\$4,527,418

FY15 Rate-0.6864

FY16 Levy-\$4,738,940

FY16 Rate-0.7063

FY16 Property Tax Rate Total: 1.870

The total increase in property tax assessed valuation is 6.9%.

Council Discussion:

***Previous discussion was that the projected tax rate would be 1.85, and the final number is now 1.87. Asked for an explanation of what impact it would have if the rate were changed to 1.85.** Lange explained that Proposition 117 limited the amount of increase in property value (not assessed value) each year to 5%. Staff estimated a 4.5% amount. When the final estimates came in this spring, they were 3.7% for real growth (county-wide it was below 2%). When staff contacted the County Assessor's Office about the discrepancy, they explained that there are certain exemptions related to Commercial property rates being phased down (which comes after the limited property valuation calculation). Also, a lot of the solar companies have been acquired by SRP, which is not on the property tax rolls. Those, and other factors, affect the rates and that is why the real growth rate came in at 3.7%. Because of this, the 1.85 rate needed to be adjusted to 1.87. Council policy is that we will levy the maximum allowed rate, and lowering the rate would take us away from that policy.

***Council asked for clarification of the 6.9% property tax valuation increase and how it affects taxes.** Lange responded that the 6.9% increase is broken down into two categories. The appreciation portion of our increase in valuation is only on the Primary Levy - 3.7% is from appreciation, and 3.1% is from new construction. The Secondary Levy only increased minimally (from \$659M to \$670M), because there is no longer a Secondary Levy.

***Council wants the public to understand that, because the tax levy is limited to a 2% growth rate each year, part of the reason for the levy increase is that the Commercial Rate is dropping, and that is creating a cost shift from Commercial to Residential.** Lange responded that staff can put together a pie chart that shows where the levy increase is coming from by allocating it by category with regard to existing appreciation, versus growth, versus tax shift.

Other Funds Revenue Highlights

*HURF - estimates are provided by others

*Sanitation - no rate change, only adjusting revenue for account growth

*Stadium - based on trends

- *Impact Fees - Estimates have been lowered due to a decrease in construction
 - >Permits not at planned level
 - >Revenue, and therefore projects, pushed later in the 10-year plan

Water and Wastewater Utility Rate Study Update and Budget Approach:

- *Integrated Water Master Plan (IWMP) and Asset Management Studies
- *Citizen Committee created
- *Draft plan for capital projects under review
- *Rate study scheduled to complete after budget is adopted
- *FY16 Budget Appropriation needed to implement adopted recommendations
 - >Current rate structure funded budget
 - >Proposed but not yet funded
 - Highest cost option
 - Block use of unfunded budget
 - Release blocked budget based on approved rates

Water and Wastewater are currently working on an Integrated Water Master Plan, as well as an Asset Management Study. A Citizen Committee is reviewing plans with regard to work that may need to be done on the system, and are also conducting a rate study. CIP projects are under close scrutiny because the rate study and study information will not be presented to Council until after the budget is adopted. Council may need to spend some resources that will be approved after the beginning of the year. Staff is proposing that they come forward with a two-part approach to the Water and Wastewater budgets. One piece of the budget will be based on the current rate structure, and the second part would be a "worst case scenario" that will be put together by the consultants.

EXPENDITURES:

Lyman Locket, Human Resources Director, presented medical insurance renewal and compensation.

Cost Containment Efforts:

- *Evaluated AzMT Arizona Metropolitan Trust
- *Evaluated fully or partial self-funding insurance options
- *Explored level funding option
- *Completed negotiations of renewal rate with Cigna
- *Completed Request For Proposals for Vision and Life Insurance
- *Continued Integration of Wellness Efforts-Contracted with new BioMetric Screening Provider

Medical insurance renewal options:

- *Based on Loss Ratio of 94.29% (Cigna's target is 83%)
- *Status Quo Renewal increase 7.0% (savings of \$545,926.56 annually from initial renewal)
 - >Initial Renewal was increase of 14.7%
- *Level Funding Option-Once expenses are deducted and there is surplus, the City can recover 50% of surplus
- *\$50,000 Wellness Fund is included
- *EAP (Employee Assistance Program) included in plan (no cost; \$40,000 savings annually)

Proposed Plan Options (Status Quo Renewal):

- *HMO-\$750/\$1,500 Deductible
- *HSA-\$1,250/\$2,500 Deductible
- *HSA-\$2,400/\$4,800 Deductible

Total Increase-7% (Total plan increase-\$497,139)

Other Insurance:

- *Dental Insurance Renewal-5% Reduction
- *New Vision Provider "Avesis"
- *New Life Insurance Provider-new maximum of \$300,000

Wellness Clinic:

- *Based on Primary Care Doctors Visits
- *Average Plan Cost per Office Visit-\$141.00
- *Annual Number of visits to Wellness Clinic-2,724
- *Clinic is open 28 hours a week
- *Cost of Services in Medical Community per year average-\$424,478
- *Cost of Services via Goodyear Wellness Clinic per year average-\$320,000 (paid for by City)

Council Discussion:

***How much did the City pay this year for health insurance, and what will the cost increase be due to the rate increase?** The total budget for this year was \$6.7M, and the 7% increase equates to \$497K, for a total of approximately \$7.2M for next year.

***How can we reduce our 94% loss ratio?** Locket responded that we promote prevention efforts through our Wellness Program, but a lot of the current 94% loss ratio is driven by high dollar catastrophic claims (currently there are 31). We also promote use of the City's Wellness Clinic.

***Asked for explanation of the Biometric Screening.** Locket responded that it is a screening that involves a blood draw, and identifies health concerns such as high cholesterol and triglycerides, and other health issues that are controllable. If any results come back "out of range", patients are encouraged to follow up with medical care.

COMPENSATION:Council Interests

- *A structure that would move non-sworn employees closer to market
- *Eliminate steps (Exempt Employees)
- *Flexible
- *Explainable and Defendable
- *Legal

Proposed Salary Increase: **Non-Sworn** (Average: 3.25%):

Quartile 1-4%

Quartile 2-3.5%

Quartile 3-3%
Quartile 4-2.6%
Above Range Maximum-1.75% one-time

Proposed Memorandum of Understanding (3-year)-Police:

***Covered Positions**

- >Police Officers-73 (actual average salary is at 86% of market)
- >Police Sergeants-13 (actual average salary is at 88% of market)

Our salary range is competitive, but we are not competitive within that range.

Base Pay:

***Frontloaded Increase**

- >Year 1-7.5%
- >Year 2-6%
- >Year 3-5.24% (Includes a 5% market adjustment and movement back to steps)

***2.5% Lump Sum for Employees at max of range**

***Revenue trigger with the following components**

- >Additional funding available in Year 3 of the contract if revenue collections exceed projections
- >Management option for wage reopener if revenue projections are not met

Proposed Memorandum of Understanding (3-year)-Fire:

***Firefighters-42 (actual average salary is at 88%)**

***Fire Engineers-17 (actual average salary is at 95%)**

***Fire Captains-24 (actual average salary is at 96%)**

Base Pay:

Frontloaded Increase

Year 1-6%

Year 2-4.3%

Year 3-5% (Includes a 3% market adjustment and movement back to steps)

***2.5% Lump Sum for Employees at maximum of range.**

***Specialty Pay for Hazardous Materials (Proposed \$1.00 and Paramedics \$2.25)**

Other Components:

***Reallocate a portion of the current Uniform Allowance \$26,975 to VEBA (Voluntary Employee Beneficiary Association Trust Fund)**

***Change Move-up language to:**

- >5% pay for one rank jump
- >10% for two rank jump
- >Institute a 4 hour minimum requirement
(Estimated savings-\$28,800)

***Revenue trigger with the following components**

>Additional funding available in year 3 of the contract if revenue collections exceed projections

>Management option for wage reopener if revenue projections are not meet

*Update committee language to better reflect the current meeting structures

*Allow donation of floating holiday to Labor Relations Bank

Council Discussion:

***Asked for explanation of the "Revenue Trigger".** Wingenroth responded that the Revenue Trigger would come into play if the City's revenues exceed projections by 5%, and would be from the General Fund on-going revenue, which excludes construction sales tax.

***Concerned that there are many things that affect revenue projections that we have no control of.** Lange responded that if revenues come in within the range of 100% - 104% of our projections, the Revenue Trigger will not kick in. If revenues come in at 105% or more, we would have the money to pay for the increased salary adjustments. Construction related revenue does not count, but development related revenue does.

***How will the anticipated increase in revenue due to possible revised Census figures affect this?** Locket responded that, in the event of the Revenue Trigger going into affect, applying more money to the salaries would depend on having market survey data to support the increase, based on the proposed percentages in the MOU.

***What additional benefits are available for non-sworn employees?** Locket responded that there is Tuition Reimbursement which is payable up-front (\$2,000 Annually).

***Asked if we should consider changing our leave policy to combine sick leave and vacation leave into one "Paid Time Off" policy instead, to discourage abuse of sick leave.**

***Council is very concerned that if the Revenue Trigger comes into play, we will have to pay the increased percentage even if expenses exceed projections as well. This could have a potential long-term implication.** Locket responded that there is a "fiscal crisis" clause within the MOU that would protect us, and allows us to ask for and/or make concessions in the MOU.

***Council asked staff to review the draft MOU for emergency conditions to ensure that the City is protected. Possibly tie the salary increases due to a Revenue Trigger to expenses as well.** Dalke responded that staff will review the MOU and report back to Council on how we are protected.

***Concerned with the large market salary gap for police officers. Would like more information on how we can start planning to get police officers closer to market.**

Mayor Lord recessed the Work Session at 7:08 p.m.

Mayor Lord reconvened the Work Session at 7:30 p.m.

RETIREMENT PLANS:

Larry Lange, Finance Director, presented information on the City's retirement plans.

Goodyear Retirement Plans

*Participate in two defined benefit retirement plans

*Public Safety Personnel Retirement System (PSPRS)

- >Sworn Police
- >Sworn Fire
- *Arizona State Retirement System (ASRS)
- >All other full time employees
- *Accounting standards change elevates discussion

Lange reviewed financial information for Police and Fire PSPRS.

Funding Level

Total PSPRS System-50.5%
Goodyear Fire-92%
Goodyear Police-68.3%

Net Unfunded Liability:

PSPRS as a whole-\$685,964,945 **(41.4%)**
Goodyear Fire-\$2,007,105 **(13.85%)**
Goodyear Police-\$9,367,180 **(21.66%)**

Lange reported that the PSPRS Board has established an actuary process where each agency has a rate that will close the gap, and reduce the unfunded liability to zero after 22 years. Each agency is calculated on its own merits and each agency's Local Board reviews the plan on an annual basis.

Recommended Funding Rate (Gross Pay)

PSPRS-41.40%
Goodyear Fire-13.85%
Goodyear Police-21.66%

PSPRS Issues

- *Permanent Benefit Increases (PBI) are 50% of Earnings over 9%. COLA reduces return by 2% (Lower than assumed)
- *2011 Senate Bill 1609
 - >Increased Investment Return Threshold for PBI
 - >Variable PBI
 - >Funded Status Minimum
 - >Additional Employee Contributions
 - >Lower tier benefits for new hires
- *Fields case overturned PBI changes for Retirees
- *Hall case challenges additional contribution and PBI mechanism-has not been resolved
- *Time period to eliminate unfunded liability is fixed at 22 years

What can Goodyear do:

- *Pay Liability today instead of over 22 years (Not Recommended)
- *Pay "Recommended Funding Rate" (Recommended)
- *Prepay contribution in July (Recommended at 90%) If we do this, we will earn interest at PSPRS rates for the entire year.

Arizona State Retirement System

- *Cost Sharing Plan-Assets and Obligations are Pooled
- *No Permanent Benefit Increase (PBI) for Ten Years
- *Employer and Employee Rate 11.35% for FY16
- *Total Unfunded Liability \$9,903,897,264
- *Funding Level 76.9%

Council Discussion:

- *Asked for an explanation of why the funding rate for Police is so much higher than Fire.**

Lange responded that the variables that cause this are experience within the system, salary levels, and a number of variables that pertain to benefits. Our Police Department has more personnel who are on the long side of the equation.

- *What is a comfortable funding level rate?** Lange responded that industry officials consider 75-80% as a healthy range.

- *Pointed out that the City has no authority to change any of this. This a Constitutional benefit that can't be changed.**

- *Council is in favor of Langes recommendation to prepay our contribution in July at 90% so that we will earn interest at PSPRS rates for the entire year.**

EXPENDITURES - BASE BUDGET:

Wingenroth reviewed the expenditures in the base budget. The General Fund has a total of \$63,510,417. Other funds consist of \$27,559,332. This includes Fleet, Engineering, Sanitation, Water, Water Resources, Wastewater, Ballpark, and Police/Towing Impound fund.

Wingenroth reviewed the Capital Improvement (CIP) Program:**Ten Year CIP Changes**

- *Impact fee projects are delayed, but all remain in plan
- *General Fund FY16 Additions
 - >\$500,000-one warranted traffic signal
 - >\$120,000-Yuma Rd. and Canyon Trails Signal (developer funds also)
 - >\$212,000-ROW Median Improvements Litchfield and Yuma/Western
- *General Fund FY18
 - >\$1,100,000-Add back Bullard Avenue and Van Buren Intersection improvements using Pavement Management savings
- *General Fund FY25 Additions
 - >\$1.8 million-Annual Pavement Management Asset Management
 - >\$60,000-Annual Public Art Program
 - >\$500,000-Annual warranted traffic signal

Council Discussion:

- *Can the \$212,000 for right-of-way improvements for Litchfield Rd and Yuma Rd be better used somewhere else in the City?**

- *Is the Elliot Road and San Gabriel Road intersection one of the 12 intersections that are being looked at for traffic signals?** City Manager Dalke reported that it is.

***Would like to find a source to fund traffic signals that are deemed necessary before they are funded in the 10-year CIP. Perhaps consider not lowering the food tax by .25%, and using that money toward traffic signals instead.**

***Can monies received from the digital marquee be used for traffic lights?** Dalke responded that those monies are reserved for public transit related expenses.

***Are grant funds a possibility for traffic signals?** Staff will check on this.

***There may be some adjustments necessary to the CIP for traffic signals.**

***We need to be careful when using on-going funding and moving it to fund one-time expenditures, which we would be doing if we changed the food tax appropriation to traffic signals.**

***Asked if street lights are part of our impact fees.** Lange reported that, because of changes in the impact fee statutes, we need to develop a strategy to fund traffic signals on an annual basis. Budget staff are looking into a way to do this. Under the previous impact fee statute, we could fund multiple intersections in one year, but the new statutes don't allow that. The important question tonight is to consider whether we have adequate funding for traffic signals in Fiscal Year 16.

***There are roads that have not been completed in the Canyon Trails area that we have been telling citizens for the last ten years would be fixed. Wants to know why those roads aren't in FY16 CIP.** Wingenroth responded that there was a project for Sarival (I-10 to Van Buren) that was in this year's adopted FY16 CIP in the amount of \$2.7M. That project is now spread between FY16-FY18 for \$2.7M. Another project for Sarival (Jefferson to Yuma), that was programmed for FY17 for \$1.7M. That has been moved to FY20 for \$1.2M. Those two projects were deferred as a result of changes in the Impact Fee revenues. Almost every project in the CIP that was Impact Fee funded has been pushed back to be consistent with the estimated revenue stream. A third project on Van Buren from Estrella to Sarival was previously included in the adopted FY16 CIP for \$2M. This project was to be funded with the impact fees that ended in July of this year (older impact fees). Those impact fee revenues were not substantial enough to continue with that project. Additional funding will be requested in the future for this project.

***Want to ensure that CIP projects that were promised in the past to our citizens are completed before moving on to new projects.**

***Should we consider adding money to CFD assessments for new developments to include traffic signal funding?** Lange responded that CFD assessments are only to benefit immediate neighborhoods. Traffic signals will benefit more than one immediate neighborhood, unless it is a traffic signal specifically within that specific neighborhood. The type of infrastructure funded by CFD assessments are roadways, water, and sewer improvements. Also, at the time the neighborhood is built, the need for the traffic signal doesn't exist, and the need doesn't occur for many years.

Wingenroth stated that staff prepared the CIP based on feedback from Council at the CIP Work Session.

***All 12 intersections are important. Would like staff to see if there is additional funding to add two traffic signals for FY16. One on Elliot Road in Estrella, and one on Sarival Avenue.**

- *Possibly move \$1.3M for Community Center funds to a later CIP year.**
- *Would like more explanation on budget reports for multi-year projects.**
- *Would like to see department reports for CIP projects for past years, and percentages for completion of those projects, in order to help prioritize CIP funding for future projects.**
- *Requested more information on Council's past discussion on CIP funding for Bullard Avenue and Van Buren Street.**

Dalke asked for Council's direction on the Van Buren and Sarival road construction project, and if they want to try to fund this over a one-year period, rather than the proposed three-year period.

Lange recapped what he is hearing from Council and asked for direction on the prioritization of:

- >Interest in getting an extra signal light.
- >Should the Bullard & Van Buren Improvement Project take priority over the Van Buren and Sarival project?

Council Response:

1. Safety is the priority in consideration of which projects to fund.
2. Projects that have been promised to the citizens in the past should have a priority. If full funding isn't possible, possibly move up the project a year or two.
3. Projects related to Economic Development drivers.

***Asked what the Bullard Avenue project would include.** Dalke and Zook responded that the project to improve the corridor area of Bullard Avenue from Van Buren Street to Yuma Road would improve the right of ways, roadways, and landscaping in that area to attract shovel-ready projects.

***Will have a better understanding for prioritizing projects after the upcoming Work Session on traffic signals.**

Wingenroth continued with the CIP presentation.

Water CIP

***Existing 10-Year Plan updated for impact fee**

***New project requests**

>Block wall at Well 19

***Potential FY16 Projects**

>EPCOR CAP

>Adman #3 Well, 1 new well

>Brine Line

>Booster

>Reservoir rehab

>Well production improvement

Wastewater CIP

*Existing 10-Year Plan updated for impact fee

*New project requests

>Rehab GWRP North Digester

>Rehab CWRP Aeration Dome

*Potential FY16 Projects

>Replace/rehab/repair force mains, manholes covers, small diameter pipe

>GWRP Solids Handling Facility Upgrades & South Digester Rehab

>Rainbow Valley Pump Station & Sludge Holding Tank

>Various Lift Station Improvements and Replacements

>Reservoir rehab

>Well production improvement

Wingenroth presented the proposed Asset Management Program.

Asset Management - Use of FY15 \$5M Seed Funding:

*Deferred Maintenance catch-up:

>Parks ROW-\$2,727,000

>Parks & Park Facilities-\$965,000

>Parks Rolling Stock/Equipment-\$57,000

*Misc. Departments - No Reserve-\$570,000

*Balance to \$2M undesignated-\$681,000

**Also add \$1.3M in FY16 supplemental funds to establish \$2M in seed funding to address Asset Management plans in development.

Council Discussion:

***Is it possible to leverage some money out of this fund for one-time projects?** Lange responded that the \$1.3M and the \$681,000 undesignated (that make up the \$2M) are for currently unspecified projects, such as those that will come up in the Facilities Master Plan. Council can discuss whether they want these funds kept in Asset Management, or use them for one of the other CIP projects.

***Concern that we have worked hard to establish an Asset Management Fund, and caution should be used if we start tapping into it for other projects.** Lange responded that the \$2M seed money is an amount that is to be used for expenditures that have not been identified, compared to the \$5M that have been identified.

Wingenroth reviewed the proposed FY16 ongoing costs for the Asset Management Program, as well as monies being moved to the Reserve Funds for future needs. She also reviewed proposed new reserves for the Parks Department.

Wingenroth reviewed the one-time proposed supplementals totaling \$1.1M.

***Council would like to have more discussions on funding projects at the Mobile Fire**

Station.

Wingenroth reviewed the following General Fund supplementals for new programs, positions and initiatives:

>\$486,000 for base budget increases, which are identified areas where departments could not absorb increases.

>\$1.5M New program, position or initiative expenses, which include:

*Hardware support

*SAP maintenance and support

*HR intern funding

*Innovation Initiative funding

*Police Department equipment and a body camera program (includes new personnel)

*Economic Development programs for business recruitment strategy, marketing plan, and a retail attraction strategy.

*Parks Veteran's Day event, tree trimming, ROW utilities, Parks & ROW landscaping, and a Community Wellness Park Master Plan

*Streets rapid flash beacons, and stormwater management.

Council Discussion:

***Body cameras - Council has not discussed using body cameras before. Mayor Lord is in support of the body cameras to protect the police officers. Should we consider a "roll out" period before fully implementing this?** Police Chief Geier reported that there will a lot of public records created as a result of having body cameras. There will be a lot of video redactions that will need to be done, and our records staff already processes over 4,000 public records requests per year. There is already twenty hours of overtime in the budget for current staff, every two weeks, just to keep up with current demand. Body cameras will have a significant impact on the records requests, and more staff will be necessary to handle the workload.

***Concerned that Council wasn't provided information on the body camera program before receiving it in the budget packet. Asked for the City Attorney's opinion on this.** Massey responded that this is the trend, and all the cities are starting to use them. There is an expectation that the video evidence will be available. Body cameras also will prove or disprove the facts of the case in a civil liability situation. It is another piece of evidence, and will help with officer safety. The program will take a lot of roll out, but it is the way of the world.

***Questioned the Marketing Plan for Economic Development. Determined that this program is needed to attract companies and jobs, but Council wants to see results and a return on investment. It is too important not to fund.**

***Questioned the Community Wellness Park Master Plan expense. Council discussion determined that this project is more than just a park. It will enhance the City's image and will be an economic driver.**

***All projects presented tonight are valid and need to be considered.**

Wingenroth reviewed recommended new positions and Other General Fund items:

>Police Department Records Specialist

>Public Works Department Director

>Sanitation Worker I & Sanitation Work II

- >Special Census Increase
- >Arizona Department of Revenue Costs

Staff asked for Council policy direction on:

- >0.25% Food Sales Tax
- >Increasing the INFOCUS Publication to 12 issues per year

Council Discussion:

***Have we fully vetted what we can do with what we have with regard to INFOCUS?**

Would like to focus on innovation and efficiencies to do things differently to get information out to our citizens with the money that we have now. Possibly use the the website and electronic versions to get information out between printed versions. Would like to focus more on City issues and what is going on in Goodyear. Dalke announced that the consensus is to not move forward with 12 issues of INFOCUS per year.

4. INFORMATION

5. ADJOURNMENT

There being no further business to discuss, Mayor Lord adjourned the Work Session at 10:55 p.m.

Maureen Scott, City Clerk

Georgia Lord, Mayor

Date: _____