



**CHANDLER CITY COUNCIL
Work Session Meeting Minutes**

Thursday, March 25, 2021

MINUTES OF THE WORK SESSION MEETING OF THE HONORABLE MAYOR AND CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, held on Thursday, March 25, 2021, in the Chandler City Council Conference Room, 88 E. Chicago Street, Chandler, Arizona.

THE MEETING WAS CALLED TO ORDER BY MAYOR KEVIN HARTKE AT 4:31 P.M.

The following members of the Council were present:

Kevin Hartke	Mayor
Mark Stewart	Vice Mayor
René Lopez	Councilmember
OD Harris	Councilmember
Christine Ellis	Councilmember
Terry Roe	Councilmember
Matt Orlando	Councilmember

City staff present: Josh Wright, Acting City Manager; Kelly Schwab, City Attorney; Dana DeLong, City Clerk; Debra Stapleton, Assistant City Manager; Matt Burdick, Communications and Public Affairs Director; Dawn Lang, Management Services Director; Matt Dunbar, Budget Manager; Ryan Peters, Governmental Relations & Policy Manager; Micah Miranda, Economic Development Director

DISCUSSION

1. Budget Workshop #2

JOSH WRIGHT, Acting City Manager, introduced the item and called for a staff presentation.

DAWN LANG, Management Services Director, presented the following presentation.

- FY2021-22 Budget theme
 - "Moving Forward Together"
 - Our vision
 - We are a world-class City that provides an exceptional quality of life
- 01 – Assessed Valuation and Property Tax Update
 - 02 – Public Safety Personnel Retirement System (PSPRS) Pay-Down Commitment
 - 03- FY2021-22 General Fund Operating Budget Update

- 04- Proposed 5-Year One-time General Fund Balance Forecast
- 05- Proposed 10-Year Capital Improvement Program (CIP)

COUNCILMEMBER ORLANDO asked when Council would look at the \$30 million from the Federal Government.

MR. WRIGHT said that would be presented to Council at the next strategic planning meeting for direction on how Council would like to use those funds.

COUNCILMEMBER ORLANDO asked when the meeting would be.

MR. WRIGHT said mid-April.

a. Assessed Valuation and Property Tax Update

MATT DUNBAR, Budget Manager, continued the presentation.

- Assessed Valuation and Property Tax Update
- Property Valuation and Tax Rate History
 - Tax rate was increased during declining values, and decreased during periods of increasing values

VICE MAYOR STEWART asked if this included 2020.

MR. DUNBAR said this included the current year.

MS. LANG said this provides a historical look compared to the current year.

VICE MAYOR STEWART said in the last six months property values have increased and if this included that change.

MS. LANG said yes.

MR. DUNBAR continued the presentation.

- Property Tax Rate Comparison
 - FY2020-21 per \$100 of Assessed Valuation
- Breakdown of \$1 of Typical Chandler Property Tax Bill
 - Typical Tax Bill Cents from Every Dollar Taxed
 - City of Chandler 9.8 cents
 - Maricopa County and Special Districts 22.7 cents
 - Public Schools and Community College Districts 67.5 cents

MAYOR HARTKE asked when the information would be available regarding the community colleges and school districts about their totals.

MS. LANG said during the summer before the property tax bill comes out.

MAYOR HARTKE asked if that would be in the next fiscal year.

MS. LANG said yes.

MR. DUNBAR continued the presentation.

- Assessed Valuation Impacts with Rates Unchanged

COUNCILMEMBER ROE asked about seniors with certain income and if they could freeze their property taxes.

MR. DUNBAR said there are certain qualifications for reduced rates on property taxes by impacting their assessed values. Mr. Dunbar said this does not affect the City's rate.

MR. DUNBAR continued the presentation.

- Assessed Valuation Impacts with Reduced Primary Rates
 - Lowering the Primary Rate from .2501 to .2426 to eliminate tax increase from appreciation would result in a \$259,834 reduction in ongoing property tax levy.
- Impact of Increase to Median Value Homeowner
 - \$0.01 increase to Property Tax Rate brings \$346K additional levy to the City
 - Should primary tax rate remain flat or be reduced, lowering ongoing revenue and eliminating need for Truth-in-Taxation process?
 - Note: Last time Truth-in-Taxation process was required was FY 2009-10

COUNCILMEMBER ORLANDO asked if this included the primary and secondary rate.

MR. DUNBAR said yes.

COUNCILMEMBER ORLANDO confirmed they still have to do publications anyway about the tax rate.

MR. DUNBAR said yes, they have to post when they set the levy but there is an additional post when taxes go up.

COUNCILMEMBER ORLANDO said they have done those in the past.

MR. DUNBAR said yes, in fiscal year 2009 2010.

COUNCILMEMBER ORLANDO asked if they did two postings for an additional \$0.13 cents per month, they could hire additional public safety officers.

COUNCILMEMBER ELLIS asked if the median value of homeowners is \$272,000 and asked where.

MR. DUNBAR said they look at all the homes in Chandler and this is the middle so half the homes are under this amount and half the homes are over this amount. The full cash value is not truly reflective of market value.

COUNCILMEMBER ORLANDO said the assessed value is different than the sale value which would be a lot higher.

COUNCILMEMBER ELLIS said the market still impacts the assessed value.

MR. DUNBAR said yes, the property value has gone up and would impact their assessed value. Mr. Dunbar said the primary rate still applies and the decision is to determine if there should be a reduction to keep taxes the same or keep the tax rate the same and get additional funds.

COUNCILMEMBER ORLANDO said they could receive additional dollars without increasing the rate because of the assessed value.

COUNCILMEMBER LOPEZ said if you drop the rate you lose some funding.

MR. DUNBAR said there is growth in the City which also increases the properties that are taxed.

MAYOR HARTKE asked for negative impacts by keeping the rate flat.

MR. DUNBAR said if they keep the rate flat, the Truth-In-Taxation states that they are in effect causing a tax increase because the property valuation has gone up. Mr. Dunbar said that is why there would be an additional posting would be required.

MAYOR HARTKE said the choice is to give the appearance of raising taxes or lowering slightly and losing some funds. Mayor Hartke asked if there were other steps to be completed.

MS. LANG said there would be a press release, an additional posting, and only if the increase was 15% would there need to be a unanimous vote but since this would not be that it would just be a regular vote.

COUNCILMEMBER ORLANDO said the last time this was done was during the recession. Councilmember Orlando asked if it was left the same and if Council gave direction for it to be used for Public Safety.

MS. LANG said yes, that would be Council's decision.

MAYOR HARTKE said he would want to see all the other needs in the City before deciding.

VICE MAYOR STEWART said he would support the rate decrease as there has not been a meaningful increase in social security.

COUNCILMEMBER ORLANDO said those who qualify could reduce their property taxes as Councilmember Roe mentioned.

COUNCILMEMBER ROE said he would be in favor of a decrease.

COUNCILMEMBER HARRIS said he would be in favor of a decrease.

COUNCILMEMBER ELLIS said they would be using ongoing revenue that they could do something with and there are needs across the City.

COUNCILMEMBER ROE asked how much of the property taxes makes up the ongoing budget.

VICE MAYOR STEWART said Chandler's culture of being a low tax community and providing great service has created an environment that is generating more sales tax in the community.

COUNCILMEMBER ORLANDO said this could be applied for public safety and for \$0.13 cents a month there would be 2.5 more officers.

COUNCILMEMBER ELLIS said they would have to find money somehow because there is a need and that money would have to come from somewhere. Councilmember Ellis was in support of a lower rate.

MAYOR HARTKE said he was in support of lowering the rate. There were 6 in support of lower and 1 in support of remaining the same.

MS. LANG said the primary property tax revenue is 3.06% of the total ongoing money.

b. Public Safety Personnel Retirement System (PSPRS) Pay-Down Commitment.

MS. LANG continued the presentation.

- Public Safety Personnel Retirement System (PSPRS) Pay-Down Commitment
- PSPRS Actuarial Report Results 6/30/20
 - Unfunded Liability decreased \$9.4M from Prior Year's total of \$180.5M
 - Police \$114.4M
 - Fire \$56.7M
 - Total \$171.1M
 - Employer Contribution decreased \$340K from Prior Year's total of \$19.4 M
 - Police \$12.8M
 - Fire \$6.3M
 - Total \$19.1M
 - Normal portion of contribution 31%
 - Unfunded portion of contribution 69%

COUNCILMEMBER LOPEZ asked if this was just the City's portion.

MS. LANG said yes.

MS. LANG continued the presentation.

- PSPRS Net Unfunded Liability balances Update

COUNCILMEMBER ORLANDO asked if ASRS increased.

MS. LANG said yes, slightly.

COUNCILMEMBER ORLANDO asked if the act passed by Congress that impacted pensions and asked if this impacted the City at all.

MR. WRIGHT said that bucket was set up for a particular class of pensions for private employers, but was not for municipal pensions.

MS. LANG continued the presentation.

- PSPRS Employee/Employer Rates Comparison Fire
- PSPRS Employee/Employer Rates Comparison Police
- PSPRS One-Time Funding Forecast
 - Total One-time Funding in millions
 - \$5.5M of payment goes towards Employer Contribution
 - Chandler's Pension Commitment:
 - Make additional annual one-time payments to reduce PSPRS pension liability
 - Increase projection when possible to offset investment losses and lower payroll growth
 - Increased forecast by \$12M

COUNCILMEMBER LOPEZ said they did not make the target this year and asked if the target was reached last year.

MS. LANG said last year it was closer than this year and they had a very bad year this year. Ms. Lang said this year the rates are much better and are anticipating a significant offset. Ms. Lang said when they worked with the modeler they did not put in that target number and instead used more conservative numbers.

MS. LANG continued the presentation.

- FY 2021-22 PSPRS Unfunded Liability Pay-Down Benefits
 - Updated Actuarial Assumptions in new PSPRS Modeler
 - Started with 20 year amortization, and now have 16 years remaining
 - Continuing additional payments

- Unfunded Liability pay-down is accelerated and fully funded within timeline Achieve annual Employer Contribution reductions of almost \$100M through 2036

VICE MAYOR STEWART asked if there were people on the Board that are genuinely interested in seeing this lowered.

MS. LANG said yes, there have been positive changes in PSPRS.

COUNCILMEMBER ORLANDO said there have been payments made of \$37 million and asked for clarification about what staff is proposing for this year.

MS. LANG said for 2020-21, the payment was \$20.5 million and of that \$5.5 million was employer contributions. Ms. Lang said they are proposing in the new fiscal year for a total payment of \$19.2 and \$5.5 million is for employer contributions.

COUNCILMEMBER ORLANDO asked if they modeled putting in more money.

MS. LANG said yes, they were able to see benefits at this amount that would reflect in the later years.

COUNCILMEMBER ORLANDO asked if staff was looking for direction to increase the payment using one-time dollars.

MS. LANG said it is an option that has been discussed. Ms. Lang said there are some additional dollars and it would be a positive thing to do.

COUNCILMEMBER ORLANDO said there had to be a balance between this and other projects like CIP.

MS. LANG said there are restrictions on certain funds and once they receive further clarification on some federal dollars the City is receiving then there may be a way to make up the one-time dollars being used.

COUNCILMEMBER ORLANDO asked how much of the AZCares dollars was left.

MS. LANG said about \$8 million.

MAYOR HARTKE said he was cautious about putting all of those funds towards this.

COUNCILMEMBER ORLANDO said he wanted to know all the options available.

MS. LANG said yes, it would be possible.

COUNCILMEMBER ROE said this needs to be paid and those in the future would appreciate what Council could do today. Councilmember Roe said they need to pay this off while they have the means.

VICE MAYOR STEWART said the one-time dollars paid now would free up \$1 million dollars in the future or potentially more that could support other areas.

MS. LANG said this forecast is based conservative numbers, but it is hard to say what will happen in the future.

MAYOR HARTKE said he is hearing some of the Council say they want to use one-time dollars to free up ongoing dollars in the future.

COUNCILMEMBER LOPEZ said this is not the only place that needs attention so there needs to be a balance between this and other areas.

MAYOR HARTKE asked when staff needs Council's recommendation.

MS. LANG said these are staff's recommendations and if there is a desire to add more than that direction could be given after more information comes from the State.

c. FY 2021-22 General Fund Operating Budget Update

MS. LANG continued the presentation.

- FY 2021-22 General Fund Operating Budget Update
- FY 2021-22 Ongoing Decision Package Recommendations (All Funds)
 - All Funds
 - \$7.3M in requests
 - \$5.5M recommended
 - *\$5.1M net of revenue offsets
 - General Fund (GF)
 - \$6.1M in requests
 - \$3.8M recommended
 - *\$3.4M net of revenue offsets
 - 9 FTE GF additions
 - *4 Fire (3 ambulances and 1 rover Fire Fighters)
 - *2 Police (SRO Police Officer and Mental Health Coordinator)
 - *1 City Magistrate (Mental Health Court)
 - *1 Neighborhood Resources (Homeless Navigator)
 - *1 Devl Services (Fiber)

COUNCILMEMBER ORLANDO asked if the SRO position was partially funded.

MS. LANG said there is a grant offset.

COUNCILMEMBER ORLANDO asked if the Mental Health Coordinator was partially funded.

MS. LANG said that was fully funded.

COUNCILMEMBER ORLANDO asked about the City Magistrate funding.

MS. LANG said it was fully funded.

MAYOR HARTKE asked how many vacant positions there currently are.

MR. WRIGHT said there are 111 vacancies Citywide and there is discussion around some things to do to speed up the process and fill the vacancies.

MAYOR HARTKE asked how many were in the Police Department.

MR. WRIGHT said he did not have the information broken down by department, but would provide that information.

MR. DUNBAR continued the presentation.

- FY 2021-22 One-Time Decision Package Recommendations (All Funds)
 - All Funds
 - \$9.5M in requests
 - \$7.5M recommended
 - *\$7M net of revenue offsets
 - General Fund
 - \$8.1M in requests
 - \$6.2M recommended
 - *\$5.7M net of revenue offsets
 - Significant Enhancements
 - Court technology Projects
 - City-wide Technology Projects
 - Enhanced Street Maintenance
 - Police Investigative and Technology Equipment

VICE MAYOR STEWART asked if they right size departments and move personnel as needed.

MR. WRIGHT said yes, to a limited degree. Every time there is a vacant position there is analysis to verify the position is needed or if there is another need.

d. Proposed 5-Year One-time General Fund Balance Forecast

MS. LANG continued the presentation.

- Proposed 5-Year One-Time General Fund Balance Forecast
- 5-Year One-Time general Fund Balance Forecast Page 1
- 5-Year One-Time general Fund Balance Forecast Page 2

COUNCILMEMBER ROE asked about wage compression and if that has been considered.

MS. LANG said for the wage compression and market analysis, in one of the decision packages, there is a study that staff is hoping to complete in 2021-22. Ms. Lang said the changes recommended would be ongoing in nature and there would be a small amount set aside to address those recommendations.

COUNCILMEMBER ORLANDO asked for clarification on the total numbers and reserves.

MS. LANG explained the allocated balance and the reserves.

MS. LANG continued the presentation.

- 5-Year One-Time general Fund Balance Forecast Page 3
- General Fund Balance Reserves/Contingencies
 - Total FY 2021-22 Estimated year End General Fund Balance \$137,684,594
 - Unassigned
 - \$39.2M
 - 15% General Fund Contingency (\$38.9M) and Council Contingency (\$325K)
 - Assigned
 - \$97.2M
 - Budget Stabilization Reserve (\$10M) Minimum Reserve Target
 - Represents 4 months of budgeted operating revenues \$86,433,000 (63%)
 - Capital and Econ Devl Reserves
 - Personnel Reserves
 - Public Safety Reserves
 - Fuel/Utility Reserves
 - Domestic Violence and Photo Red Light designations
 - Restricted
 - \$1.3M
 - Court Enhanced Funds (CEF)

MR. DUNBAR continued the presentation.

- Proposed 5-Year One-Time General Fund Balance Forecast
 - General Fund Balances by Fiscal Year End
- Proposed 5-Year Enterprise Fund Balance Projections
 - Water Rate Plan

- FY 2021-22 +2%
- FY 2023-24 +2.5%
- FY 2025-26 +4.0%
- Maintains 20% Operating Reserve
- Focus on maintaining aging infrastructure: facilities, wells, water mains, and filters
- Intel estimate incorporated
- Wastewater Rate Plan
 - FY 2021-22 +8%
 - FY 2023-24 +8%
 - FY 2025-26 +6%
 - Maintains 20% Operating Reserve
 - Focus on maintaining aging infrastructure: facilities, wastewater mains
 - Intel estimate incorporated
- Reclaimed Water Rate Plan
 - FY 2021-22 +8%
 - FY 2023-24 +7%
 - FY 2025-26 +7%
 - Maintains 20% Operating Reserve
 - Rates support operating only, water planning, and conservation
 - Advanced treatment planned in later years
- Solid Waste Rate Plan
 - FY 2021-22 +6%
 - FY 2023-24 +5%
 - FY 2025-26 +5%
 - Maintains 15% Operating Reserve
 - Addresses increased hauling contract and nationwide recycling impact
 - Recycling Solid Waste Coll. Center (RSWCC) under review
- Cost of Study Service in process to ensure each customer class is paying based on usage characteristics

THE MEETING RECESSED AT 5:57 P.M.

THE MEETING RECONVENED AT 6:44 P.M., ALL PRESENT, COUNCILMEMBER HARRIS ATTENDED TELEPHONICALLY.

e. Proposed 10-Year Capital Improvement Program (CIP)

- Proposed 10-Year Capital Improvement Program (CIP)
- Capital Improvement Program (CIP) Guidelines
 - Maintain existing infrastructure
 - Finish planned construction of streets and parks

- Limit new projects that add ongoing operations and maintenance
 - Address public needs
 - CIP guidelines support financially sustainable goal
- 10-Year CIP Overview
 - 2022-2031 CIP total is \$1,297,063,520 (132.8M more than the 2021-2030 CIP)
 - Bond sales are planned in FY 2021-22 to fund projects
 - 75% of increase is maintenance of existing infrastructure
 - Additional bond authorization needed to complete the 10-Year plan
- Summary of Proposed Key Capital Projects in the 1st 5 Years
 - Community/Regional Park Improvements
 - Regional Park Development
 - Winn Park Site
 - Library Facility Improvements
 - Existing Community and Neighborhood Park Imp.
 - Lantana Ranch Park Site
 - Technology
 - Microsoft Office 365 Platform
 - Police Virtual Private Network
 - Wi-Fi Access Points
 - Development Services
 - Citywide Fiber Upgrades
 - Building and Facilities
 - Significant additions to maintenance
 - Police
 - Forensic Facility
 - Remaining Arterial Street Projects
 - Cooper Road/Insight Loop Extension
 - Lindsay Road (Ocotillo Rd to Hunt Hwy)
 - Chandler Heights Rd (McQueen Rd to Val Vista Dr)
 - Other Street Projects
 - Boston St
 - Alma School Rd
 - LED Upgrade Streetlight Conversion
 - Frye Rd Protected Bike Lanes
 - Highline Canal Shared Use Path
 - Kyrene Canal branch Shared Use Path
 - Airport
 - Santan Apron Construction
 - Tower Transceiver Radios
 - Airfield Lighting Improvements
- Proposed 10-Year CIP Debt Service Year-End Fund Balance Projection

COUNCILMEMBER ROE asked if this law was relatively new in the past few years.

MS. LANG said yes, in 2017.

MR. DUNBAR continued the presentation and presented the following spreadsheet.

- Refer to Proposed 10-Year Capital Improvement Program (CIP) List
- FY 2022-31 Proposed Capital Improvement Program
 - Building and Facilities
 - Development Services
 - Information Technology
 - Community Services
 - Cultural Development
 - Fire
 - Police
 - Streets/Traffic
 - Transportation Policy
 - Economic Development
 - City Magistrate
 - Neighborhood Resources
 - Airport
 - Solid Waste
 - Water
 - Wastewater

COUNCILMEMBER ORLANDO asked why GEO bonds were being used to buy fire trucks and police vehicles.

MS. LANG said this went to the Bond Exploratory Committee to review and it is a large expenditure that would be an easy discussion with the community to get bond authorization for the potential use of buying the vehicles. As with any purchase, staff would weigh if it is better to use bonds or general fund dollars. This allows for more flexibility.

COUNCILMEMBER ORLANDO said he was against using bonds for the vehicles.

MS. LANG said they would not exceed the useful life of the fire truck as they use a shorter amortization if they use bonds.

COUNCILMEMBER ORLANDO asked about CCTV traffic cameras and why they would use bonds.

MS. LANG said staff would look at that item as it is not something they would normally use bonds for.

COUNCILMEMBER ROE said there were concerns regarding Aj Chandler Park and relook at the design of the park.

VICE MAYOR STEWART asked if Council said no to the design in the past.

MAYOR HARTKE said there was a pause on the design and this was reviewed with the Bond Committee.

MR. WRIGHT said this was one of the top projects for the Bond Committee. Mr. Wright said the last time the City went to the public for input was 2016-2017. Mr. Wright said having this planned a little further out gives Council time for additional planning for this park.

COUNCILMEMBER ORLANDO said they would get more feedback as well when they go out for the bonds.

VICE MAYOR STEWART said they have invested a lot of money in the downtown area and there are other areas in the City that need funding.

COUNCILMEMBER ORLANDO said there are other items on the list that utilized one-time dollars and not bonds. Councilmember Orlando said there were other items that were dropped off the list and asked if some of those could be added back on the list.

MAYOR HARTKE said dollars repurposed may pay for these, but these items can be put as a placeholder as it changes each year.

COUNCILMEMBER ORLANDO said there were concerns about sending this to the voters when there were other things that needed attention that did not make the list.

MS. LANG said it is unusual for Chandler to include these items on the list for bond funding. Ms. Lang said when there is a downturn in the economy it is nice to have the ability to choose bonds versus General Fund if there are other needs. Ms. Lang said some of the projects on the list did not make sense to put on the list because of the ongoing costs.

MAYOR HARTKE asked if some of the projects may qualify for MAG dollars.

MS. LANG said yes, they have calculated in the grants that are anticipated.

MAYOR HARTKE asked about the street improvement needed for the new Intel project.

MR. DUNBAR said that project has not been included yet.

MAYOR HARTKE asked when that improvement needed to be done.

MR. WRIGHT said 2024.

COUNCILMEMBER ORLANDO asked if State funds could be used for that.

MR. WRIGHT said that is part of the current conversation right now.

COUNCILMEMBER ORLANDO asked when the new project would begin reflect in the budget.

MAYOR HARTKE said towards the end of the year around October.

COUNCILMEMBER ROE asked about the multi-generational facility.

MR. WRIGHT said it is not in there, but it is something they are discussing and would bring more information to Council in a few weeks.

MAYOR HARTKE talked about the regional sales tax and there is a tech pieces that is part of that. Mayor Hartke asked if there were projects to show the City is investing in tech as well.

MS. LANG said the fiber project would allow the City to handle the technology.

COUNCILMEMBER LOPEZ asked when Veteran's Park would be complete.

MS. LANG said this year.

MR. DUNBAR continued the presentation.

- Key Budget Dates
 - Citizen budget Survey Completed
 - Council Budget Kickoff Completed
 - Workshop One with Mayor and Council Completed
 - Budget Input Time (BIT): Citizen Outreach Media Events Completed
 - Workshop Two with Mayor and Council Today
 - All Day budget Brief April 23, 2021
 - Council Meetings
 - Amendment Discussion May 13, 2021
 - Tentative Adoption May 27, 2021
 - Public Hearing and Final Adoption June 10, 2021
 - Adoption of Tax Levy June 24, 2021

VICE MAYOR STEWART asked if there were plans to annex land for parks and around Tumbleweed Park.

MR. DUNBAR said there is an item to finalize some of the amenities at Tumbleweed Park depending on the Parks Master Plan outcome.

MR. WRIGHT said the Parks Master Plan would bring recommendations.

VICE MAYOR STEWART asked if there were discussions to annex land.

MR. WRIGHT said he has not seen the final recommendations and see if that is recommended.

COUNCILMEMBER ORLANDO said he agreed with putting a placeholder to purchase land.

VICE MAYOR STEWART said he would like to discuss it further.

MR. WRIGHT said they would bring the recommendations to Council once the Master Plan was completed.

ADJOURNMENT: The Work Session was adjourned at approximately 7:31 p.m.

ATTEST: *Dana R. DeLong*
City Clerk

Kevin Hawthorne
Mayor

Approval Date of Minutes: April 8, 2021

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Work Session of the City Council of Chandler, Arizona, held on the 25th day of March 2021. I further certify that the meeting was duly called and held and that a quorum was present.

DATED this 8 day of April, 2021.

Dana R. DeLong
City Clerk

