MINUTES OF THE AVONDALE CITY COUNCIL
CITY OF AVONDALE, ARIZONA
VISITOR AND CONFERENCE CENTER
December 12, 2022

A **Special Meeting** of the City Council of the City of Avondale, Arizona was convened at 11490 West Civic Center Drive in open and public session at 4:03 p.m.

Members Present: Mayor Kenn Weise; Vice Mayor Veronica Malone; Council Members Tina Conde, Bryan Kilgore, Curtis Nielson, Mike Pineda, and Gloria Solorio.

Note: Council Member Conde attended the meeting by telephone.

Members Absent: None.

Other Municipal Officials Present: Ron Corbin, City Manager; Cherlene Penilla, Assistant City Manager; Tracy Stevens, Assistant City Manager; Nicholle Harris, City Attorney; Marcella Carrillo, City Clerk; Liz Barker Alvarez, Intergovernmental Affairs Administrator; Kirk Beaty, Public Works Director; Ken Chapa, Economic Development Services Director; Andrea Dumbrell, Human Resources Director; Memo Espinoza, Police Chief; Joel Evans, Facilities Director; Bryan Hughes, Parks and Recreation Director; Craig Jennings, Judge; Chris Lopez, Neighborhood and Family Services Director; James Milanese, City Projects Administrator; Dale Nannenga, Public Safety Chief; Jodie Novak, Development Services Director; Abril Ruiz-Ortega, Court Administrator; Larry Rooney, Acting Fire Chief; Jeffrey Scheetz, Chief Information Officer; Pier Simeri, Marketing and Public Relations Director; Aric Stewart, Engineering Director; and Renee Weatherless, Finance and Budget Director.

Audience: No members of the public were present.

1. ROLL CALL BY THE CITY CLERK

2. COUNCIL BUDGET DISCUSSION

City staff presented an update on the City's financials and sought Council's feedback on the FY2024 budget. This item was for discussion and feedback only; no Council action was taken.

Mayor Weise commended Mr. Corbin and his team for the work they have done preparing the budget presentation. Ron Corbin, City Manager, made opening remarks addressing the expectations for today's meeting.

Renee Weatherless, Finance and Budget Director, presented an update on the fiscal year 2022 and fiscal year 2023 budgets. General Fund Revenue for FY2022 was estimated at $97 million but the actuals exceeded the estimated revenue, which is over $99 million. Property sales and miscellaneous revenue came in at a negative number because of adjustments made for market value on the City's investments. The General Fund operating expenses were projected at $67.3 million with the actuals coming in at $67.8 million. The major operating funds all came in at or under the projected expenditures. The

General Fund balance has consistently increased yearly over the past five years. Monies left in the fund at the end of FY2022 were reinvested into the FY2023 budget and used on investments in the capital infrastructure.

Mayor Weise asked for an explanation on stabilization. Ms. Weatherless stated stabilization funds are 35% of the prior year expenditures, with 25% being set aside to address natural disaster emergencies and 10% set aside for unanticipated and unexpected downturns in revenue.

Ms. Weatherless continued with the presentation, stating major additions for FY2023 include 81 additional FTEs for $6.5 million, supplemental funding at $14.9 million, and $76 million or a third of the CIP and infrastructure budget including the Aquatic Center, Fire Station 171/Detention Center, and asset replacement.

Mr. Corbin clarified that the supplemental expenditures are recurring and will reduce the fund balance going forward.

In response to Council Member questions, Ms. Weatherless stated 38 of the 81 FTEs are specifically for the Aquatic Center.

In response to a question by Vice Mayor Malone, Mr. Corbin stated there is a total of 130 vacant positions. Due to reorganization of departments, many positions have not been advertised. When he meets with the directors to discuss the budget, open positions and how to fill them will be part of those conversations. It is expected within the next three to six months the positions will be filled or eliminated. More information pertaining to vacant positions will be discussed at the meeting in February. It is difficult to speak about salary savings at this time as there are so many factors that go into it, but it will be considered when forecasting the FY2024 budget.

In response to Mr. Corbin's request for clarification, Ms. Weatherless explained contracting revenue comes from the sales tax on construction and the timing of construction. Going forward, the timing of when things occur will be taken into consideration when setting the budgets.

Mayor Weise noted that with the high interest rates it is likely the sales tax from auto dealers will continue to decrease.

Ms. Weatherless continued with her presentation, stating state shared revenue has increased as the income tax brackets were consolidated, and the City's portion increased from 15% to 18%, which is compounded annual revenue. $8.5 million was received for FY2022 and $10.9 million was budgeted for FY2023 with actuals at $11.4 million. There is a two-year delay in receiving income tax revenue, being income tax reported in FY2022 will not be received until FY2024.

Revenue from single family home construction permits fluctuate and are continually monitored. A discussion ensued pertaining to staffing, market, and interest rate impacts and if surrounding towns are seeing a similar decrease.

As a preamble to discussion on the FY2023 forecast, changes to the police pay structure, increases for CIPs, the 5% ongoing increase for police salaries, an increase in State shared revenue (income tax), and conservative sales tax projections are included in these numbers. Any adjustments based on the compensation and classification study and recession assumptions are not included in these numbers.

Projected revenues and expenses make up the fund balance, which does not include the 35% stabilization funds. The ongoing revenue and expenses reflect the annual increases to salaries and budgetary reductions. One-time revenue encompasses the fund balance that is reinvested in the FY2023 budget.

James Milanese, City Projects Administrator, presented an update on the FY2023 capital improvement plan. Projects completed since July 1st include the BLVD Garage and adding 400 parking spaces; renovations to Donnie Hale Park; improvements to 10th Avenue and McDowell; moving the crosswalk and installing a HAWK to improve safety for the children at Littleton Elementary School; adding lighting at Indian Springs and Jimmie Johnson through a partnership between the raceway, County, and City; and Alamar Community Park.

At the September 19th Council meeting there was a discussion regarding challenges with projects exceeding projected budgets. At that time, the solution was to prioritize the projects and not seek additional funding. The 13% inflation, needed scope, the supply chain, and future growth capacity are all impacting the cost of planned projects

The tiering system is as follows:

- Tier A - significant project that is underfunded. The transfers and projects are proceeding.
- Tier B - project is budgeted and will be completed within that budget. The majority of the CIP projects fall into this tier. The projects continue to be completed.
- Tier C - projects with a scaled back budget but still meeting the goal. The savings will be reallocated.
- Tier D - amenity projects that are unfunded. Funds will be reallocated.

The current focus is on five projects, Community Center repurposing, Mountain View Park expansion, Civic Center Park, parking improvements for Fire Station 172, Fire Station 171, and relocate Detention Center and Police Substation. The Civic Center Park project is projected to be over budget; funding will be reallocated from other sources.

Mr. Corbin said the City spends tax dollars wisely, saving money where possible and spending without cutting corners as necessary. Staff's practice is to make good quality purchases of durable items that are easy to maintain and replace.

Mr. Milanese continued his presentation, stating two projects are being recommended to be unfunded, the Old Town facilities repurpose study and the digital message board signs for a total of $128,000 that can be reallocated. Two projects can be achieved for less: City Hall furniture renovations and landscaping at Civic Center Plaza. These funds will be reallocated to the Mountain View project. General Fund transfers that will be brought before the Council in January include three bridges that need minor repairs as directed by ADOT inspection reports. Reallocation of funds will be sought for repair of Well 26, replace meter reading equipment, replace a hydro vac truck, and land purchase for the replacement of Well 25.

Note from the Clerk: Council took a recess at 5:10 p.m. and reconvened at 5:33 p.m.

Renee Weatherless, Finance and Budget Director, provided an overview of the FY2024 budget process.

The FY2024 Budget Objectives:

- Maintain a structurally sound budget according to the Financial Policy by maintaining the gap between revenue and expenses.
- Maintain fund balances and reserves by prioritizing the fund balance and one-time expenditures. The goal is to be prepared for price increases and inflation to be able to minimize mid-year unfunding of projects and maintain reserves.
- Ensure CIP projects incorporate planning ahead; better plan the start times for projects; budget for that start time. If revenue should decline, this planning would allow more time to react and plan instead of stopping projects.
- Address employee compensation and retention, as the City's turnover rate is at 17%. Minimum wage is increasing by 8% from $12.80 to 13.85 as of January 1st and the City needs to stay ahead of that. The compensation and classification study are ongoing. A discussion ensued related to possible reasons for the turnover and what the Council can do to help with this situation.
- Budget decisions based off five-year forecast for a detailed look at the operating budget, especially one-time expenditures and cash flow management.
- Develop a long-term financial plan for future projects and start a conversation now to develop a funding plan for future large projects.

Other budget considerations:
- Continue to monitor the City's funding level for PSPRS and ASRS
- Continue to address legislation that could negatively impact revenues
- Plan for anticipated timelines to better forecast price fluctuations

Mayor Weise stated it is important to plan a future discussion on the City's pension projections.

Ms. Weatherless continued her presentation. Potential impacts of economic downturn that are being monitored include:
- Sales tax is currently projected for a 4.6% - 4.7% increase with positive increases every year after that. A portion of sales tax revenue funds are forecasted as one-time revenue. Any decrease in the sales tax revenue would have an immediate impact on the operating budget.

- State shared revenues fund ongoing expenses and support the operating budget. Changes to individual income tax going forward would have an immediate impact on the city.
- Development revenues are generated from single family home construction permits and budgeted as one-time revenue.

Mayor Weise commented on the need to keep an eye on the State shared and development revenues going forward.

Ms. Weatherless reviewed next steps and a handout on economic indicators was provided for Council review.

Mayor Weise stated there was a lot of good news, but the City needs to stay flexible going forward and rely on department heads and the finance department to provide updates. Based on the $67 million budget, he has asked the City to review all CIPs to determine the priorities.

Mayor Weise recognized and thanked Council Member Kilgore for his service on the board and welcomed incoming Council Member White.

Council Member Elect White asked to see the capital projects budget and actual spending graph go to 100% compared to the 60% shown.

Council Member Nielson stated the graphs were inline and easy to understand for the past five years and future five years.

Mayor Weise stated that tonight they are seeing that City leadership and Council have made good decisions. He felt the City is in a good place, but they need to be cautious over next six months to a year. He understands that Council still wants to fulfil projects that have been promised, such as the Aquatic Center, even though the budget has almost doubled. Mayor Weise commented on educating the public regarding the Park Sales Tax and the need for outside interest to assist the Council in future needs, particularly when it comes down to a potential bond, as residents will need to vote.

Council Members Pineda and Kilgore stated they appreciated the excellent, appropriate, and cautious presentation.

3. ADJOURNMENT

There being no further business before the Council, Council Member Kilgore moved to adjourn the Special Meeting; Council Member Nielson seconded the motion.

Upon vote, the motion was carried unanimously 7 to 0.

Council Member Conde	Aye
Council Member Kilgore	Aye

Council Member Nielson	Aye
Council Member Pineda	Aye
Council Member Solorio	Aye
Vice Mayor Malone	Aye
Mayor Weise	Aye

Meeting adjourned at 6:15 p.m.

KWeise
Kenneth N Weise (Jan 12, 2023 11:56 MST)

Kenn Weise, Mayor

CERTIFICATION AND ATTESTATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Meeting of the Council of the City of Avondale held on the 12th day of December 2022. I further certify that the meeting was duly called and held, and that the quorum was present.

MCarrillo

Marcella Carrillo, City Clerk

January 9, 2023

Date Approved by City Council