

notes

2011 ANNUAL REPORT

Improved city budget brings cautious optimism

As the nation's economy continued to struggle in 2011, the city of Phoenix remained cautiously optimistic about its budget while expanding efforts to be more innovative and efficient. Along the way, Phoenix enjoyed many accomplishments and reached a milestone with its Mayor and City Council election.

During the Nov. 8 runoff, Phoenix voters chose Greg Stanton as their new mayor. He succeeds Phil Gordon, who had led the city since 2004. Voters also elected Jim Waring in District 2 and Daniel Valenzuela in District 5 and re-elected Thelda Williams in District 1, Bill Gates in District 3 and Michael Nowakowski in District 7.

The runoff election set a record with 169,866 ballots cast, representing 28.69 percent of registered voters. This is the highest ballot total in city history and also the highest percentage turnout since 1989. Additionally, a total of 19,925 votes were cast at the city's Voting Centers, which were introduced in 2011.

The mayor and council members were sworn in during a Jan. 3

inauguration ceremony at the Orpheum Theatre.

Last year began on a positive note with January 2011 sales-tax collections, which were 12.5 percent higher than the previous year because of stronger-than-expected city holiday sales. That was the best January growth rate in General Fund sales tax since January 2005 and the first positive growth since 2008. As the state and local economy improved, sales-tax revenues showed modest but steady growth throughout 2011.

Even so, the city faced a \$59 million General Fund deficit for fiscal 2011-12. But considering the previous year's \$277 million deficit, the shortfall proved to be manageable. To close the gap, the City Council approved efficiencies and cost-cutting measures of about \$20 million; General Fund reductions of \$4 million; and refinancing some debt to save an additional \$35 million.

The city also took advantage of its excellent bond rating to refinance debt. The city's AAA bond rating is the highest among the country's largest cities.

City of Phoenix Mission Statement:

"To improve the quality of life in Phoenix through efficient delivery of outstanding public services."

Here's how Standard and Poor's rates the cities:

- Phoenix (AAA)
- New York City (AA)
- Los Angeles (AA-)
- Chicago (A)
- Houston (AA)
- Philadelphia (BBB)

The 2011-12 spending plan represented a turnaround for the city. With a \$1.06 billion General Fund, the budget did not require staff layoffs, service reductions or increases in taxes or user fees.

The city continued to do more with less last year. The 2010-11 General Fund budget, for example, was \$79.2 million smaller (7.2% lower) than the 2006-07 budget, even with an almost 6 percent increase in population and dozens of new facilities opening.

(continued on page 4)



Greg Stanton
Mayor



Thelda Williams
District 1



Jim Waring
District 2



Bill Gates
District 3



Tom Simplot
District 4



Daniel Valenzuela
District 5



Sal DiCiccio
District 6



Michael Nowakowski
District 7



Michael Johnson
District 8

Major accomplishments and activities

The city can point to many accomplishments and achievements last year, and in one instance, you can say it hit a home run. We're talking about the 2011 Major League Baseball All-Star Game, which was played at Chase Field last summer.

The game and related events were a big success, pumping about \$60 million into the local economy and attracting more than 150,000 fans to downtown Phoenix, where thousands of residents enjoyed the FanFest at the Phoenix Convention Center.

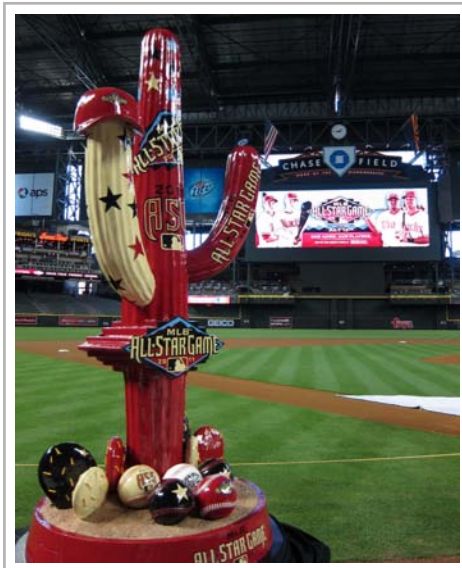
Here are additional highlights:

- **Customer Service** – Public Works started a “How’s My Driving?” program for non-public safety vehicles; City Council approved same-day service for trash and recycling collection (effective July 2012); Neighborhood Services launched “smart phones” apps to report neighborhood blight; various departments implemented QR (Quick Response) codes that provide important information through a cell phone; and social media usage was increased to keep residents informed, including launching a city Facebook page at facebook.com/cityofphoenix.



Public Works employee Eric Young suggested “How’s My Driving?” bumper stickers.

- **Economic Development** – The Community and Economic Development Department assisted in the attraction of 18 businesses to Phoenix, including three foreign firms. The companies represent net new employment of 2,918, average annual salaries of approximately \$34,983, total estimated annual



The saguaro cactus underwent a makeover for the 2011 MLB All-Star Game in Phoenix.

payroll of \$92.5 million, capital investment of more than \$163 million, and building space of 3,260,405 square feet.

- **Employee Staffing** – The Budget and Research Department worked with departments last year to eliminate 489 vacant positions (civilian and sworn). As a result, the authorized position count more closely mirrors the actual work force. More than 2,000 positions have been eliminated over the past three years, giving Phoenix its smallest government in nearly 40 years (10.4 employees per 1,000 residents).
- **Financial Excellence/Budget** – As previously noted, the city’s innovation and efficiency initiatives, vacancy reductions and responsible financial management have turned around a \$277 million revenue shortfall from the prior year. Partnerships with employee bargaining units are saving the city more than \$100 million over two years. Executive and middle manager compensation was reduced at an even higher level.
- **Infrastructure** – Aviation officials announced that construction of PHX Sky Train™ was ahead of schedule, projecting it would reach all airport terminals nearly six years earlier than planned. Stage 1 of the Sky Train will transport airport visitors and employees between METRO light rail,

east economy parking and Terminal 4, which serves 80 percent of Sky Harbor’s passengers.



The first car of the PHX Sky Train debuted during an unveiling ceremony in August.

- **Neighborhoods & Livability** – The city was awarded more than \$100 million in federal Neighborhood Stabilization Program funds for homebuyer assistance, property acquisition and rehabilitation, as well as demolition and redevelopment of properties. The city added another 592 acres of State Trust land to the Sonoran Preserve in late 2011. The city’s desert preserve system now encompasses more than 31,000 acres citywide. The land was purchased through the voter-approved Phoenix Parks and Preserve Initiative.
- **Public Safety** – At the conclusion of fiscal 2010-11, the overall number of reported violent and property crime offenses in Phoenix remained relatively consistent with the record low levels reported in fiscal year 2009-10. In terms of property crime, the overall number of reported incidents decreased 2.6 percent compared to last fiscal year, according to Phoenix Police. Meanwhile, Fire’s first-unit response times averaged 4 minutes and 41 seconds in 2010-11 compared to an average of 5 minutes and 15 seconds in 2006-07, a 10.8 percent reduction.
- **Regulatory Review** – Planning and Development created the Self-Certification Pilot Program for Architects and Engineers, which allows licensed architects and engineers to bypass the city’s plan-review process by certifying their own plans as code compliant. The program was among several customer-service improvements introduced in 2011.

- **Social Services Delivery** – The Human Services Department honored more than 650 senior citizens at a luncheon for volunteering at least 40 hours each at their senior centers. In 2011, 832 volunteers logged 160,300 hours at the city's 15 senior centers, equaling \$3,424,000 in services. Through the city's senior programs, volunteers provide support services for older adults such as greeting participants, serving meals, assisting office staff, facilitating activities and planning trips.
- **Strategic Plan** – The City Council completed its review of the city's



Volunteer cleanups such as the one shown here enhance neighborhoods and livability.

draft strategic plan and proposed mission statement. The plan focuses on 10 study areas: Economic Development and Education; Financial Excellence; Infrastructure; Innovation and Efficiency; Neighborhoods and Livability; Phoenix Team; Public Safety; Social Services Delivery; Sustainability; and Technology. Residents were given an opportunity to comment on the plan during community meetings in April. The last strategic plan was released in 1990 and had not been formally updated in more than 20 years.

- **Sustainability** – Energize Phoenix completed assessments for 181 units in three multi-family buildings and 43 commercial projects. Concentrated along a 10-mile stretch of the light rail, the program provides energy-efficient improvements to neighborhoods, commercial and industrial buildings and single-family homes.
- **Technology** – Several city departments logged technology improvements, including upgrading

and increasing usage of the city's human resources and payroll system (Human Resources); upgrading the customer billing information system (Water Services and Public Works); and upgrading the tax and license system (Finance and City Clerk).



The Phoenix Afterschool Center program is fun and educational.

- **Youth** – Parks and Recreation prepared to open its first after-school program site funded by a private-sector sponsor. Circle K Corporation committed \$36,000 for the Sunnyslope site, and if it is successful, the company has pledged to continue its sponsorship on a multi-year basis.

Awards and honors

- Time magazine praised the city in a March 7, 2011, article: "People who study government performance can rattle off a list of the better-run states and cities in the country: Virginia, Washington, and Utah; Phoenix, Austin and Portland, Ore. These places have almost nothing in common except their leaders decided to make more policy choices based on data and measure their results – and they got rank-and-file workers to buy into their vision."



Phoenix's vast network of desert preserves and hiking trails earned the city recognition from National Geographic magazine as one of the nation's best hiking cities.

- The International Association of Chiefs of Police chose the Phoenix Police Department's Air Support Unit as the top unit in the country. The unit also was featured on the cover of Professional Pilot magazine, highlighting the excellent law enforcement and fire protection services the group provides.
- The city received the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its 2009-2010 Comprehensive Annual Financial Report (CAFR) and the Sub Regional Operating Group (SROG) and Val Vista Joint Venture Financial Statements.
- For the 10th consecutive year, Phoenix received the International City/County Management Association (ICMA) highest award, the certificate of excellence, for performance measurement. ICMA awards certificates of excellence to those jurisdictions demonstrating success in utilizing and improving performance measures.
- Phoenix became the first Arizona city to be named a "National Leadership City" from Cities of Service, a coalition of mayors formed in 2009 to promote volunteerism in local government.
- The Phoenix metro area was ranked the seventh most sustainable metro area by Site Selection magazine in its "Green Guide 2011."
- Phoenix Sky Harbor International Airport received the Federal Aviation Administration (FAA) Western-Pacific Region Airport Safety Award for its commitment to safety and for its ongoing efforts to work in collaboration with the FAA.
- Sunset Magazine recognized the city's Downtown Civic Space Park by placing it fourth on its Top-10 list of urban parks.
- Sunshine Review, a nonprofit organization dedicated to state and local government transparency, recognized the city's website, phoenix.gov.

To read about more city awards and honors, visit phoenix.gov/awards.

Residents to save on property tax bill

Phoenix's property-tax rate will remain the same next fiscal year, which means continued savings for residents. In December, the City Council supported keeping the tax rate the same. Property owners will continue paying \$1.82 per \$100 of assessed value. Homeowners will see a decline in the Phoenix portion of their bills. A homeowner with a home valued at \$200,000 will see his or her property tax bill reduced by \$58 in 2011-12. Because home values are still declining, the city expects to collect \$22 million less in property taxes next fiscal year.



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City of Phoenix

Budget outlook improves...

(continued from page 1)

The city's success can be attributed to:

- Strong employee relations and employee sacrifices
- Doing more with less
- Enhanced compliance and accurate estimates
- Responsible financial management
- Keeping public safety the city's top priority
- Reduced tax collections in adverse times
- Focus on Innovation and Efficiency

Phoenix's innovation and efficiency program began with the 2010 formation of the Innovation and Efficiency Task Force, which is comprised of members of the public and city staff. Their task: to explore, develop and implement innovative processes that would result in a more efficient delivery of city services and maximize the use of limited taxpayer dollars.

At a City Council meeting in December, city leaders joined the Task Force in celebrating results of the year's innovation and efficiency efforts and organizational review. Innovation and efficiency savings now total \$40 million; the organizational review eliminated 40 additional positions, making Phoenix the smallest government per capita in more than 40 years.

The \$40 million in innovation and efficiency savings comes from departments throughout the city organization. Strategies range from "right sourcing" to insourcing, refinancing debt, consolidating departments and other creative ideas that save money, such as eliminating paper pay stubs and printing fewer copies of contracts and City Council agendas.

In the coming year, the city will step up its efforts to "right-source," which boils down to selecting the best resources to perform services. For 2011-12, city departments will outsource \$477 million in services in more than 340 service areas.

In 2011, the city also launched some major initiatives that will put Phoenix on

even stronger financial footing once the economy fully recovers. They include:

- An innovation and efficiency study of the Police, Fire and Water departments and a combined review of Municipal Court and the Public Defender and City Prosecutor's offices.
- A Total Compensation Study, reviewing the city's pay and benefits against public and private-sector employees to ensure the costs associated with employee pay and benefits are fair, equitable, and appropriate for the work performed.
- Pension Reform Task Force, which was appointed by the City Council in January 2011 to work with management, outside consultants, and other stakeholders to review and recommend changes to the City of Phoenix Employees Retirement System (COPERS).

One of the highpoints of 2011 was the Community Attitude Survey, which showed that, despite a weak economy and budget cuts, residents still overwhelmingly rate Phoenix a good place to live and give the city high ratings for services.

The survey, which is conducted every two years by Behavior Research Center, Inc., shows that residents gave the highest ratings ever for how city employees handle contacts with the public, with 95 percent of residents saying that they were treated in a professional manner when they had contact with a city employee.

"This scientific survey backs up what we know – that Phoenix is a great place to live and city employees provide outstanding services," said Mayor Phil Gordon.

"Even during these tough economic times, residents recognize there is a reason Phoenix government wins so many national and international awards - our city employees are smart; they work hard; and they care deeply about the services they provide to our 1.4 million residents."