

**NOTICE OF PUBLIC MEETING  
PHOENIX CITY COUNCIL  
FINANCE, EFFICIENCY, INNOVATION AND SUSTAINABILITY SUBCOMMITTEE**

Pursuant to A.R.S. Section 38-431.02, notice is hereby given to the members of the **PHOENIX CITY COUNCIL FINANCE, EFFICIENCY, INNOVATION AND SUSTAINABILITY SUBCOMMITTEE** and to the general public, that **the FINANCE, EFFICIENCY, INNOVATION AND SUSTAINABILITY SUBCOMMITTEE** will hold a meeting open to the public on **Wednesday, February 20, 2013 at 10:00 a.m. located at Phoenix City Hall, 1st Floor Atrium, Assembly Rooms A, B, and C, 200 West Washington Street, Phoenix, Arizona.**

The agenda for the meeting is as follows:

1.	<b>Call to Order and Pledge of Allegiance</b>	Chairman Gates
2.	<b>Approval of Minutes of the January 16, 2013 Meeting</b>	Page 3 Subcommittee members
3.	<b>Innovation and Efficiency Task Force Update</b>  This report provides updated Innovation and Efficiency Task Force savings.  <b>This item is for Information Only.</b>	Page 11 0 Minutes  Mario Paniagua
4.	<b>Phoenix.gov Update</b>  This report provides an update to the Finance, Efficiency, Innovation and Sustainability Subcommittee on the phoenix.gov refresh project, which will enhance transparency and provide a mobile-friendly website that can be viewed on any device.  <b>This item is for Information Only.</b>	Page 13 0 Minutes  Toni Maccarone
5.	<b>Rightsourcing of Plan Review and Inspections</b>  This report provides information to the Finance, Efficiency, Innovation and Sustainability Subcommittee on rightsourcing of plan review and inspections.  <b>This item is for Information and Discussion.</b>	Page 15 10 Minutes  Derek Horn
6.	<b>Solid Waste Sustainable Solutions</b>  This report provides the Finance, Efficiency, Innovation & Sustainability Subcommittee with information on the City's efforts to implement sustainable solid waste solutions.  <b>This item is for Information and Discussion.</b>	Page 17 15 Minutes  John Trujillo

7.	<p><b>Fiscal Transparency</b></p> <p>This report provides the Finance, Efficiency, Innovation, and Sustainability Subcommittee with the steps the city has taken to greatly enhance the city's budgetary and financial transparency, including recent initiatives and those currently in progress.</p> <p><b>This item is for Information and Discussion.</b></p>	<p>Page 19 10 Minutes</p> <p>Mario Paniagua and Jeff DeWitt</p>
8.	<p><b>PROPERTY TAX ASSESSED VALUATION UPDATE AND IMPACT OF PROPOSITION 117</b></p> <p>This report provides an update of property tax assessed valuations (AV) and the impact of Proposition (Prop) 117 approved by the voters in the November 6, 2012 general election.</p> <p><b>This item is for Information and Discussion.</b></p>	<p>Page 25 15 Minutes</p> <p>Mario Paniagua and Jeff DeWitt</p>
9.	<p><b>Task Force on Technology Advancement Update</b></p> <p>This report provides an update to the Finance, Efficiency, Innovation and Sustainability Subcommittee on the City of Phoenix Task Force on Technology Advancement.</p> <p><b>This item is for Information and Discussion.</b></p>	<p>Page 31 10 Minutes</p> <p>Rob Sweeney</p>
10.	<p><b>Call to the Public</b></p>	<p>Chairman Gates</p>
11.	<p><b>Future Agenda Items</b></p>	<p>Chairman Gates</p>
12.	<p><b>Adjournment</b></p>	<p>Chairman Gates</p>

For further information, please call Dennis Murphy, Assistant to the City Manager, City Manager's Office at 602-495-5467.

**Persons paid to lobby on behalf of persons or organizations other than themselves shall register with the City Clerk prior to lobbying or within five business days thereafter, and must register annually to continue lobbying. If you have any questions about registration or whether or not you must register, please contact the City Clerk's Office at 602-262-6811.**

For reasonable accommodations, call Dennis Murphy at Voice/602-495-5467 or TTY/602-534-5500 as early as possible to coordinate needed arrangements.

**CITY OF PHOENIX CITY COUNCIL  
FINANCE, EFFICIENCY, INNOVATION AND SUSTAINABILITY SUBCOMMITTEE  
SUMMARY MINUTES  
January 16, 2013**

Assembly Rooms A, B, and C  
Phoenix City Hall  
200 West Washington Street  
Phoenix, AZ 85003

**Council Members Present**

Councilman Bill Gates, Chair  
Councilman Michael Nowakowski  
Vice Mayor Michael Johnson  
Councilman Tom Simplot

**City Staff Present**

Jerry Harper	Debbie Foshee	Mario Paniagua
James Scarboro	Bianca Hernandez	Dennis Murphy
Melissa Balthazor	Sarah Field	Mayra Baquera
Diane McCullough	Kevin Hill	Donna McWatters
Patty McMahan	Kim Fisher	Carol Gauden
Lisa Takata	Susan Wolf	Jim Burke
Susan Watson	Joni Jones	Dimitrios Laloudakis
Caitlyn Mitchell	Jason Fernandez	Shane Silsby
Wathsna Sayasane	Kathy Wenger	

**Public Present**

Lou Snow	Mike Moonen	James Jessie
Erika Larsen	Frank McCune	

**1. Call to Order**

Chairman Bill Gates called the meeting to order at 10:10 a.m. with Councilman Michael Nowakowski, Councilman Tom Simplot, and Vice Mayor Michael Johnson in attendance.

**2. Approval of Minutes of the December 19, 2012 Meeting**

Councilman Tom Simplot made a motion to approve the December 19, 2012 meeting minutes. Councilman Nowakowski seconded the motion, which was approved unanimously.

**3. Innovation and Efficiency Task Force Update**

This item was for information only.

#### **4. Procurement Appeal Process Update**

This item was for information only.

#### **5. Solar Update and SR 85 Landfill Solar Project**

Deputy City Manager Rick Naimark introduced the item which provides an update on the city's solar initiatives and asked for Subcommittee recommendation to the full City Council.

Assistant Public Works Director Carolyn Bristo provided a presentation on sustainability goals, renewable energy tracking, solar energy, solar projects, solar service agreement projects, and commercial project activities.

Deputy Public Works Director Dimitrios Laloudakis continued the presentation and provided information on residential activities and the large scale solar project at SR 85 Landfill site. He requested the Subcommittee approve the city to enter into an agreement with APS for solar project development at the SR 85 Landfill site and with the Town of Buckeye for amendment of the inter-governmental agreement.

Councilman Michael Nowakowski asked if there was a Request for Proposal (RFP) to select the vendor that will provide solar panels at the landfill.

Ms. Bristo explained that APS are the system owners and invited APS representatives to explain their community solar programs to the Subcommittee.

Frank McCune from APS explained the process which includes land lease agreements and an RFP process. He continued that APS will be the owner and operator and would return at a later date to provide a timeline on the project.

Mr. Naimark explained the current request is the product of a previous procurement process which allows the city to now enter into an agreement with APS. He stated APS will lease city land and will take the generated solar power.

Chairman Bill Gates asked if the city would receive renewable energy credits for the power produced.

Mr. Laloudakis confirmed the city would receive energy credits.

Chairman Gates inquired if this agreement could include a landfill gas to energy component.

Mr. Laloudakis explained that allow it is not part of the current the agreement it would include provisions to allow for that in the future.

Councilman Nowakowski left the meeting at 10:26 a.m.

Councilman Tom Simplot moved approval of staff's recommendation. Vice Mayor Michael Johnson seconded the motion, which passed unanimously.

## **6. Energy Efficient Street Lighting Conversion Plan**

Deputy City Manager Rick Naimark introduced the item and Deputy Street Transportation Director Shane Silsby.

Councilman Michael Nowakowski returned to the meeting at 10:30 a.m.

Mr. Silsby provided details on the Energy Efficient Street Lighting Conversion Plan which would allow the city to install energy efficient street lights along public roadways. He explained the new bulbs use 50% less energy than ones currently used. He stated staff has determined two possible options to fund the plan.

Mr. Naimark indicated the city has adopted using Light Emitting Diode (LED) bulbs as the new standard and as funding become available older lights will be converted to the new energy saving bulbs.

## **7. Solar Street Lighting Evaluation**

Deputy City Manager Rick Naimark introduced the item which includes the efforts made by the Street Transportation and Public Works departments to evaluate solar technology for lighting city streets and facilities.

Deputy Street Transportation Director Shane Silsby provided a presentation on the current lighting technology and the new technology the city hopes to adopt. He described the different options that are available to decrease energy costs.

Councilman Tom Simplot asked if the vertical option is prone to damage or vandalism.

Mr. Silsby responded it is a concern and hopes to obtain specifics during the pilot program. He continued with the presentation and described the advantages and challenges of solar lighting. He explained details of the pilot program including the locations.

Councilman Michael Nowakowski asked how many cities are using solar lighting and suggested that perhaps the city could learn from those programs.

Mr. Silsby responded that not very many cities are using this technology and of those California is the leader.

Councilman Nowakowski requested more information on the new technology.

Mr. Naimark stated the city did do a pilot program using solar wrap technology and it posed a lot of problems. He said city staff would provide him the results of that pilot program.

Mr. Silsby added that the city of Tucson received federal grants for their program and city staff is currently looking into that option.

Chairman Bill Gates asked how much the city spends annually on street lights.

Mr. Silsby stated it is approximately \$7 million including maintenance and other costs. He added that using LED lights and solar energy will greatly reduce annual energy costs.

Chairman Gates said he knows of Block Watch groups that have implemented solar lights and asked if staff have looked at those results.

Mr. Silsby responded that although those are privately owned they could certainly learn from their experience.

Councilman Tom Simplot left the meeting at 10:50 a.m.

## **8. E-Traffic Update**

Assistant City Manager Ed Zuercher introduced the item stating the Police Department is working on this project to achieve efficiencies.

Police Commander Geary Brase provided a presentation on the grant funding and scope of the project, the software used, and described how the new system would work.

Councilman Tom Simplot returned at 10:55 a.m.

Officer James Lawler provided a demonstration of the new equipment which will be installed inside vehicles and attached to the sides of motorcycles.

Chairman Bill Gates asked if the grant funding can be used to purchase the hardware as well as the software.

Mr. Brase stated 85% of the funding would be used on hardware.

Councilman Tom Simplot asked if this would increase the time of an average traffic stop.

Mr. Lawler responded it actually decreases the time since information can now be scanned instead of hand written. He said it is estimated to cut the average time in half for a crash incident.

Chairman Gates asked if the software allows for e-mailing documents.

Mr. Lawler responded it is not part of the first phase of the project but it may be possible in future phases.

Mr. Brase commented the new technology would produce savings in using less paper since current citation forms cost a lot to print.

Councilman Michael Nowakowski reiterated that it cuts down on time and paper.

Mr. Lawler confirmed that statement saying it will cut down on report writing and paperwork that is usually done back in the office allowing for Officers to spend more time in the field.

Chairman Gates asked how old the computer systems in the Police department are.

Mr. Lawler replied between one and six years old and staff are making sure new software is compatible with all computers.

Mr. Zuercher commented there is a separate project looking at the need for replacement of computers and records management systems.

Chairman Gates asked if that project would include tablets.

Mr. Zuercher responded yes.

## **9. Rightsourcing Update**

Community and Economic Development Director John Chan presented information on citywide rightsourcing initiatives that were initiated or completed in calendar year 2012. He also provided information on current initiatives that are being evaluated.

Vice Mayor Michael Johnson left the meeting at 11:13 a.m.

## **10. Phoenix Convention Center Sales Rightsourcing Update**

Deputy City Manager Rick Naimark commented that at the last Subcommittee meeting Councilman Tom Simplot requested information on outsourcing sales at the Convention Center. He explained staff has completed analysis and will now present the results.

Phoenix Convention Center Director Debbie Cotton commented the city has a partnership with the Greater Phoenix Convention and Visitors Bureau (GPCVB) for destination marketing. She stated the PVCB chief operating officer and executive vice president of sales and marketing are in the audience as representatives.

Vice Mayor Michael Johnson returned at 11:17 a.m.

Deputy Convention Center Director Jerry Harper provided a presentation on the responsibilities of city staff versus the GPCVB, industry best practices, sales performances, and ongoing challenges.

Mr. Naimark stated after researching the issue staff believes the current system is the right structure for the city.

Councilman Tom Simplot commented staff should challenge themselves to exceed industry standards and become industry leaders. He requested an update a year from now to review the issue again.

City Manager David Cavazos said an update would be provided to the Subcommittee in December before Councilman Simplot leaves office.

Councilman Michael Nowakowski stated that Senate Bill 1070 really hurt the city's economy and urged staff to show outsiders that Phoenix is a friendly city and not dangerous. He also asked staff to use the City Council members to help tell the story of Phoenix and promote it as much as possible to potential customers. He would also like to see non-profit organizations have access to Convention Center facilities during times when business is slow.

Councilman Simplot left the meeting at 11:40 a.m.

## **11. Budget Process Enhancements**

Budget and Research Director Mario Paniagua provided a presentation on the improvements made to the zero-based budget document and upcoming enhancements to the Budget and Research public website. He stated these changes would increase transparency and make it easier for residents to understand the budget process.

Chairman Bill Gates asked if it was possible to add links to YouTube videos of budget meetings to the new calendar that will be part of the updated website.

Mr. Paniagua replied it is a great idea and certainly possible.

Councilman Michael Nowakowski asked if there could be a link placed on the phoenix.gov homepage that will take you directly to the Budget and Research website.

Mr. Paniagua stated that is currently available on the city's homepage.

Vice Mayor Michael Johnson stated as part of the upcoming trial budget presentation he would like to see information on what would happen if the food tax went away this year. He also commented that he does not believe the Police department can continue to provide proper service without hiring new officers and would like to have that included in the budget discussions.

City Manager David Cavazos responded staff is currently researching both of those items and they will be part of upcoming budget discussions.

## **12. Call to the Public**

None

## **13. Future Agenda Items**

Councilman Michael Nowakowski requested a future agenda item on how to encourage local vendors to participate in the procurement and Request for Proposal processes. He also requested information on the programs currently funded by the Food Tax.

**14. Adjournment**

Chairman Gates adjourned the meeting at 12:01 p.m.

Respectfully Submitted,

Mayra Z. Baquera  
Budget and Research Department

This page is intentionally left blank.

**CITY COUNCIL REPORT**

---

TO: David Cavazos  
City Manager

FROM: Mario Paniagua  
Budget & Research Director/  
Innovation & Efficiency Task Force  
Chair

SUBJECT: INNOVATION AND EFFICIENCY TASK FORCE UPDATE

---

---

This report provides information to the Finance, Efficiency, Innovation and Sustainability Subcommittee on the activities of the Innovation and Efficiency Task Force. This report is for information and discussion only; no Council action is required.

**BACKGROUND**

In three years, the City Manager's Innovation & Efficiency Task Force (Task Force) achieved a total of \$62.7 million in cost savings. Now entering its fourth year, the City Manager set a new total savings goal of \$100 million to be reached by December 2015.

Each year, the Task Force evaluates its current structure and goals in light of available opportunities, prior accomplishments, and challenges moving forward. This report provides information on the conceptual direction of the Task Force for the coming year.

Innovation and efficiency measures continue to be critical to achieving the City's mission to improve the quality of life in Phoenix through efficient delivery of outstanding public services.

**ADDITIONAL INFORMATION**

As the City gets closer to its goal of \$100 million in savings, measures being considered are likely to include more complex and challenging organizational changes. Innovation and creativity are more critical than ever in the City's efforts to reduce costs on an ongoing basis. Opportunities may also involve actions that require some initial investment where longer term savings and return on investment may be realized. This can be particularly challenging considering ongoing budget constraints and limited financial resources.

It is imperative that the City continue to seek assistance in all parts of the community and in all components of the organization in looking to identify new ideas and strategies. With this in mind, the Task Force this year will be seeking to expand the use of key private sector individuals from the community on specific workgroups to assist with idea generation and evaluation. This will likely include business community leaders with specific expertise in the innovation and efficiency areas being examined. The Task Force will also continue to

seek and explore new ideas from managers and employees at all levels of the organization.

Additionally, although not yet finalized, the Task Force will likely be making adjustments to its workgroup structure. Over the last year, five workgroups were established with broad areas of focus, including Communications, Process Improvement, Regional Public Partnerships, Rightsourcing, and Technology. These focus areas remain highly important, but the Task Force is also looking at structuring work groups to oversee more specific goals. For example, a work group may be set up to evaluate new ideas, which would include the innovative proposals submitted by City departments for consideration for the Bloomberg Innovation Grant. Since the City was only able to submit one proposal to the Bloomberg organization for consideration, Task Force members have communicated the need to further consider and evaluate all proposals. It is important to note that technology and process improvement are critical pieces of innovation and efficiency that must continue and be woven into every item under consideration. Another area may include developing recommended strategies that center on the City's economic development competitiveness as it relates to innovation and efficiency. An individual work group may look specifically at ideas that involve multiple departments. Also, as both insourcing and outsourcing have continued to provide long term savings to the City, rightsourcing will likely continue as a key area of focus. Finally, the exploration and development of public-private partnerships is an approach that may provide great opportunity for the City.

In summary, in a relatively short period of time, the Task Force has made significant contributions to the City resulting in over \$62.7 million of on-going annual savings, while enhancing the City's delivery of services. The Task Force believes that it can continue to make contributions that have significant impact to the City's operations and meet the \$100 million goal. In doing so, we will look to broaden partnerships with the community and within the organization to build upon the successes to date.

The Task Force appreciates the leadership and support of the Council Finance, Efficiency, Innovation and Sustainability Subcommittee and will provide ongoing reports on the progress of its efforts.

#### Recommendation

This report is for information and discussion only; no Council action is required.

**CITY COUNCIL REPORT**

---

TO: Jerome E. Miller  
Deputy City Manager

Lisa Takata  
Deputy City Manager

FROM: Toni Maccarone  
Public Information Director

Rob Sweeney  
Acting Chief Information Officer

SUBJECT: PHOENIX.GOV UPDATE

---

---

This report provides an update to the Finance, Efficiency, Innovation and Sustainability Subcommittee on the phoenix.gov refresh project, which will enhance transparency and provide a mobile-friendly website that can be viewed on any device.

THE ISSUE

In December 2012, City Council approved a contract with Riester to refresh phoenix.gov. The Public Information Office (PIO) and Information Technology Services (ITS) are working with Riester on the refresh, which includes making phoenix.gov pages viewable on any web-enabled device, such as desktop PCs, laptops, smartphones and tablets. The plan includes additional steps to improve web functionality and access.

OTHER INFORMATION

The city's phoenix.gov webpage attracts more than 1.1 million page visits per month. PIO manages the look and feel of the site, while ITS maintains the technical infrastructure. Recent phoenix.gov improvements include the following:

- “Mayor/City Council” and “City Department” links moved to more prominent location on phoenix.gov homepage
- New online maps utilizing Geographic Information Systems (GIS) technology to display city-owned authoritative source data, including:
  - “Find My Council District” map – residents can identify their Council district by typing home address
  - “Find a Dog Park” map – residents can quickly locate nearby dog parks
  - Information by Mapped Address in Phoenix (IMAP) – residents can find city services, City Council districts, schools, hospitals and more by typing in an address

- New City Council District maps that reflect updated boundaries, replacing the previous static versions
- New Campaign Finance website and online reporting system, which includes City Council candidate campaign finance documents and campaign committee transaction information
- Effort to identify and fix broken web links, leading to better search results for residents searching for city information through a commercial search engine
- Expanding the number of keywords customers can use to search, allowing better indexing of city web content and improving search engine performance

### NEXT STEPS

PIO, ITS and Riester are identifying technical requirements, working with departments to audit and update web content, and finalizing a project timeline.

### RECOMMENDATION

This item is for information only.

**CITY COUNCIL REPORT**

---

TO: Rick Naimark  
Deputy City Manager

FROM: Derek D. Horn  
Acting Planning & Development  
Director

SUBJECT: RIGHTSOURCING OF PLAN REVIEW AND INSPECTIONS

---

This report provides information to the Finance, Efficiency, Innovation and Sustainability Subcommittee on rightsourcing of plan review and inspections.

THE ISSUE

Increasing staffing levels to match increases in demand for plan review and inspection requests in order to maintain turnaround times has long been a challenge for the Planning & Development Department (P&D). After experiencing an unprecedented reduction in force as a result of the recent recession, staff was directed to find other options for providing services and maintaining plan review and inspection turnaround times in the future. Staff identified a number of options to react quickly to increases in workload. These options include alternative programs such as Self-Certification and Third Party Plan Review as well as expanded contracts for plan review and inspection services. In November, 2012, the City Council approved P&D's plan to expand the use of contracts for workload management and addressing future growth.

OTHER INFORMATION

Rightsourcing for P&D means not adding permanent staff for temporary workload fluctuations and industry growth. In 2012, City Council set the stage for this rightsourcing effort by approving 20 consultant contracts for on-call plan review and inspection services with \$6 million in total capacity. Since then, P&D has expanded use of contracts by doing the following: identifying areas consistently behind and assigning to contract staff; using contract staff to fill in for employee leave; and using contract staff to accommodate recent workload increases.

During this fiscal year, P&D has employed 6 to 10 full time contract plan reviewers and inspectors at any given time. In the last six months, P&D has spent about \$800,000 on contracted plan review and inspection services. This is up 150 percent from the previous fiscal year's total contract expenses of \$320,000. P&D anticipates this spending will increase in the next year because the construction industry is recovering and the Department is committed to using contracts to accommodate growth.

RECOMMENDATION

This report is for information only.

This line is intentionally left blank.

**CITY COUNCIL REPORT**

---

TO: Rick Naimark  
Deputy City Manager

FROM: John A. Trujillo  
Acting Public Works Director

SUBJECT: SOLID WASTE SUSTAINABLE SOLUTIONS

---

---

This report provides the Finance, Efficiency, Innovation & Sustainability Subcommittee with information on the City's efforts to implement sustainable solid waste solutions. This item was heard at the February 12, 2013 Transportation and Infrastructure Subcommittee meeting.

THE ISSUE

The City of Phoenix is the sixth largest city in the United States with a population of 1.4 million, embedded in a metro area of four million and a state of six million. Phoenix strives to take a leadership role in the world of sustainability and has identified several key focus areas in its sustainability plan including municipal waste. Waste value stream management is one of the most difficult, and potentially rewarding, challenge areas within the City's sustainability strategy.

According to the Arizona Department of Environmental Quality, the Phoenix metropolitan area disposed of more than five million tons of residential solid waste materials at local Phoenix metropolitan area landfill sites in 2011. This collection represents approximately 70 percent of the total solid waste material disposed of at Arizona landfills. In 2011, the City of Phoenix buried approximately 900,000 tons of material in the State Route 85 Landfill; over 600,000 of these tons were generated from the residential solid waste stream.

A 2003 City of Phoenix waste characterization study concluded that more than two-thirds of the single-family waste stream consisted of material that can be recycled or diverted through standard recycling and composting programs. Although the City of Phoenix's commingled recycling program has been in effect for more than 20 years, the residential diversion rate was 13 percent in FY 2011-12, well below the average national recycling rate of 34.1 percent.

OTHER INFORMATION

The Public Works Department (PWD) has set an ambitious goal of achieving a citywide waste diversion rate of 40 percent by 2020. To accomplish this goal, PWD collaborated with local partners on a citywide "Waste Diversion Action Plan" consisting of a number of programs, strategies, measurable outcomes, and responsibilities. The action plan

identifies short-term (0-1 year), mid-term (2-4 years), and long-term (5-8 years) strategies focused on achieving a citywide waste diversion rate of 40 percent by 2020.

A strategy identified in the citywide Waste Diversion Action Plan includes initiating a partnership with ASU to explore and identify regional solutions that meet the growing demand to minimize the amount of materials sent to regional landfills. The ASU Global Institute of Sustainability is a national leader in developing sustainable solutions and will serve as a regional expert in solid waste reduction.

In an effort to meet the City's commitment to environmental excellence and support the research and development of programs and technologies that minimize environmental impacts from our city's waste production, PWD aims to collaborate with local businesses, academia and waste industry leaders to discover sustainable waste solutions which generate positive economic and environmental impacts that will preserve our local environment for generations to come.

Partnering with ASU will allow the City to collaborate with our waste diversion consultants in developing a roadmap to achieving a 40 percent diversion goal and seek grant funding opportunities. ASU will aid in identifying waste reduction programs, projects, initiatives and policies focused on waste prevention, recycling, composting and reuse.

### FINANCIAL IMPACT

The estimated cost of the one year IGA with ASU should not exceed \$75,000. Funds are available in the Public Works Department's budget.

### RECOMMENDATION

This report is for information only.

Attachment

**CITY COUNCIL REPORT**

---

TO: David Cavazos  
City Manager  
  
Ed Zuercher  
Assistant City Manager

FROM: Jeff Dewitt  
Chief Financial Officer  
  
Mario Paniagua  
Budget and Research Director

SUBJECT: FISCAL TRANSPARENCY

---

---

This report provides the Finance, Efficiency, Innovation, and Sustainability Subcommittee with the steps the city has taken to greatly enhance the city's budgetary and financial transparency, including recent initiatives and those currently in progress. This report is for information only; no Council action is required.

**THE ISSUE**

The City of Phoenix is committed to helping residents understand how their tax dollars are being spent and to making all our processes transparent, accessible, and easy to understand. This commitment was recognized by Sunshine Review, a non-profit organization dedicated to state and local government transparency, with a [2012 Sunny Award](#) for exceeding transparency standards for the content it provides to residents at [phoenix.gov](#). This is the third year in a row Phoenix has received the award, and is one of only 214 jurisdictions out of 6,000 reviewed, or the top 3.5% to be recognized. Also for several years running, the city was again recognized by the Government Finance Officers Association with the Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation Award. As part of efforts to advance transparency and to further engage citizens in helping shape the city's budget, the city has one of the most open and accessible budget input and adoption processes in the country, with more improvements on the way. As outlined here, recent enhancements to budget and financial reports demonstrate the city's dedication to ongoing improvement in these areas.

**DISCUSSION**

**Transparent and Responsive Budget Process-** The Zero-Based Inventory of Programs Budget document recently transmitted to the Council and Community was provided a full six weeks prior to the City Manager's Trial Budget and subsequent Community Budget Hearings. This provides important context for evaluating the Trial

Budget that is released at the end of March. The document is online, searchable, and has links to allow for easy navigation. The Inventory of Programs document answers many questions for residents, including the following:

- ✓ Does city spending reflect my priorities?
- ✓ How much of the costs to provide city services come from staff, contractual services, or supplies?
- ✓ Have the costs or staffing levels to provide services been changing and by how much?
- ✓ How much of staffing costs are related to wages and benefits?
- ✓ What programs and services are provided by the city?
- ✓ How much do these programs cost?
- ✓ How many city staff are involved in delivering these programs?
- ✓ What sources of funding are used to pay for these programs?
- ✓ What services are provided by these programs and how are they being measured?

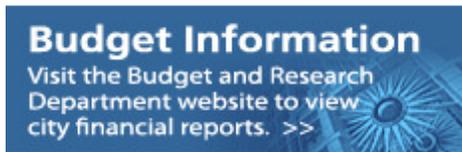
Additionally, on February 26, staff will provide the preliminary budget status for the 2013-14 budget, a Five-Year General Fund Forecast, and updated Public Safety Funds Forecast to the City Council. These presentations provide a strategic and long-term view of the city budget, providing necessary context and considerations for well-informed budget discussions and decisions.

On March 26, the City Manager's Trial Budget will be presented. This will include greater detail on the proposed 2013-14 budget. The City Manager's Trial Budget is then followed by Community Budget Hearings during the month of April. The city's longstanding practice of providing budget hearings at several locations, times, and dates throughout the community provides residents with numerous opportunities to be briefed, get questions answered, and offer their input on the Trial Budget. Last year, 17 hearings were held, including a bilingual English-Spanish hearing and an on-line hearing with the Mayor. Residents can also provide input via online forms, email, and telephone. All resident feedback is provided to the Mayor and Council in the form of summary minutes, and all meetings are video-recorded and posted online at the city's YouTube webpage. This year, the city will add to the number of hearings it will hold and will do more to engage the public using technology and social media. Additionally, the first hour of this year's hearings will be devoted to providing specific information about the city's emergency sales tax on food to better inform and hear from the public on this important issue.

Every year, the community feedback received during the hearing process results in important changes reflected in the City Manager's Proposed Budget, a revised version of the Trial Budget that incorporates input from residents. The Proposed Budget is scheduled for two meetings in the month of May, the second of which is intended for Council action. The two Council meetings in May ensure the Mayor and Council have sufficient opportunity to fully evaluate, question, and discuss the budget prior to taking

any action. In June and July, tentative and final budget information is published in official newspapers, additional hearings are posted and conducted, and final legally-required actions are taken.

**Transparent, Detailed, and Easy to Use Budget/Finance Documentation-** Currently the phoenix.gov webpage provides access to a great wealth of information on the city's budget and finances. The phoenix.gov home page prominently displays the link below that goes directly to the Budget and Research Department website, which also contains an easy to follow link to our Finance Department website.



Listed below are additional informational pages that can be found on the Budget and Research (phoenix.gov/budget) and Finance Departments' (phoenix.gov/finance) web pages:

- Inventory of Programs- Zero Based Budget Document- discussed earlier in this report.
- Summary Budget- The Summary Budget presents a high level summary of the City of Phoenix operating and capital improvement program budgets, including revenue and expenditures. Included in this book are summarized descriptions for each department of the services they provide, their adopted operating budget, number of positions, and funding sources. It provides a description of the budget adoption process, the city's strategic plan, a history of selected community services, and demographic data. It also contains a description of general budget and financial policies, and summary financial schedules.
- Detail Budget- This book presents detailed information about each department's operating budget, organizational structure, and positions, including a summary of service additions or reductions that were part of the Council adopted budget. It provides a summary of all debt service payments, a breakdown of staff expenditures and pay ranges, and a summary of all grant funded programs. It also contains additional details on the capital improvement program budget, various financial schedules, and the ordinances adopting the final budget.
- Capital Improvement Program- A listing of every planned project in the Capital Improvement Program budget, this book provides detailed listings of each major land acquisition or construction project planned for the next five years and what source of money will pay for the project.
- Other Important Budget Information includes budget-related documents and reports to City Council, Temporary Sales Tax on Food information page, Video recordings of all Community Budget Hearings, General Obligation Bond Program information, Community Profile and Statistics, and contact information for the Budget and Research Department.
- Comprehensive Annual Financial Report (CAFR)- This highly detailed financial and accounting report is available for the last six years and includes a search function. The financial statements contained in the report conform to Generally Accepted Accounting Principles (GAAP) as prescribed in the Governmental

Accounting Standards Board (GASB). As required by City Charter, the CAFR must be audited annually by independent certified public accountants and the Independent Auditor's Report is included in the financial section.

- Financial Conditions Report- This straightforward report provides the city's entire financial operations in a comprehensive, yet easy-to-understand format. This report informs the public on how Phoenix tax dollars have actually been spent. It includes an overview of the city's financial outlook, financial position, assets, debt and a summary of the Comprehensive Annual Financial Report (CAFR).
- Investor Information- This section of the webpage provides numerous reports for investors including credit ratings, debt policy, official statements and continuing disclosures for bonds, and pension information.
- Monthly Financial Report- provides an overview on actual monthly revenues and expenditures at a department level.
- Other Important Financial Information includes: Annual Single Audit detailing grant program expenditures, Aviation Annual Report, and contact information for the Finance Department.

The city is focused on transparency in all of our operations and is always looking for ways to improve and provide more information and access for residents and businesses. We are committed to providing services and records that are easily accessible and online, and to providing residents with opportunities to meaningfully participate in the decision making process.

There are several new fiscal transparency projects currently in process of being developed:

- The Budget and Research Department website is being redesigned to make it easier for users to find the information they want. A more graphics driven interface, and providing information in smaller pieces and multiple formats, will make learning about the budget more accessible and less daunting for those just getting started. New content currently being created includes:
  - A short video on the city's budget development and adoption process.
  - An FAQ section to address commonly asked questions, along with an online glossary of budget and fiscal terminology.
  - A pictorial presentation of the General Fund budget using interactive pie charts that will allow residents to quickly and easily understand how their tax dollars are being spent. Users will be able to explore several levels of detail on costs by type of expenditure and costs by type of service.
  - An online calendar that will allow residents to see when budget related reports are going to council, provide a link to the reports and video recordings of prior hearings, and a map link for community budget hearings.

- The webpage enhancements are expected to be rolled out prior to the presentation of the City Manager’s Trial Budget this March.
- The Finance Department is working to have vendor payment information available online in the near future. Initially there will be a simplified version that will allow the public to view payment information by Department. Finance is researching a more extensive version for further consideration in the future.

In addition to fiscal transparency, here are a few non-fiscal examples of how Phoenix currently makes our city accessible:

- An online searchable history of all actions taken at city council and subcommittee meetings including meeting agendas, staff reports, meeting minutes, contracts, and payment ordinances. The “[Search for Public Records](#)” function is linked to the phoenix.gov homepage under “eServices”.
- The City provides access to all Audit Reports conducted by the City Auditor at the City Auditor Department’s webpage: phoenix.gov/auditor
- The “eServices” area of the phoenix.gov homepage provides easy online access to many city services including:
  - [Search Tool for Campaign Finance Documents](#)
  - [Pay My City Services Bill](#)
  - [Building Permits / Inspections](#)
  - [File a Police Report](#)
  - [Pay a Court Fine, Fee or Restitution](#)
  - [Register to Receive Notices of City Bids](#)
- All Phoenix City Council meetings, including subcommittee meetings, are televised live on PHX11, phoenix.gov and the city’s Facebook page. Meetings are archived on phoenix.gov and on the city’s YouTube page – [youtube.com/cityofphoenixaz](https://www.youtube.com/cityofphoenixaz).

## RECOMMENDATION

This report is for information only; no Council action is required.

This page is intentionally left blank.

**CITY COUNCIL REPORT**

---

TO: David Cavazos  
City Manager

Ed Zuercher  
Assistant City Manager

FROM: Jeff DeWitt  
Chief Financial Officer

Mario Paniagua  
Budget & Research Director

SUBJECT: PROPERTY TAX ASSESSED VALUATION UPDATE AND IMPACT OF  
PROPOSITION 117

---

---

This report provides an update of property tax assessed valuations (AV) and the impact of Proposition (Prop) 117 approved by the voters in the November 6, 2012 general election. Prop 117 modified property tax law to limit the annual growth in the limited property value of locally assessed properties beginning in tax year 2015 to no more than 5% per year plus new construction. The impact on the \$1.82 combined primary and secondary property tax rate policy and remaining \$150 million in projects related to the 2006 bond program is provided in this report.

This report is for information only; no Council action is necessary.

**Property Tax Background**

In Arizona, municipalities may assess two separate property tax levies, the primary property tax levy to fund operation and maintenance expenses and the secondary property tax levy to pay the debt service related for voter approved capital projects. The two levies combined reflect the property taxes paid by businesses and residents in the city of Phoenix. For Phoenix, the combined property tax rate, per City Council policy, has been set at a \$1.82 per 100 of assessed valuation since 1995 by maximizing the primary property tax levy and using the balance of the \$1.82 tax rate to the fund secondary property tax levy. Bond programs since the 2001 bond program have been funded from the combined \$1.82 tax rate.

The **Primary Property Tax** is levied to pay the current costs of operations and maintenance such as utilities, fuel and staff. This tax is levied on property values that are limited in growth under state law and will be further limited by Proposition 117. Further, the amount a municipality may levy each year is limited by state law to two percent (2%) over the prior year's maximum allowable levy plus the tax amount associated with newly constructed or improved properties not taxed in the previous year. The maximum allowable primary levy may be adjusted upward in the amount of

involuntary tort judgments paid by the municipality and approved by the Property Tax Oversight Commission.

The **Secondary Property Tax** is restricted by state law to be used to pay the costs of servicing debt on voter-approved bonds. This tax is levied on full cash property values known as secondary assessed valuation. Prior to Proposition 117 taking effect, there is no limit on growth in the property values other than the levy must be adequate to meet debt service requirements. Voter-approval is required to use property tax supported bonds.

### **Impacts Due to Real Estate Market Declines**

From the peak in 2009-10 compared to the 2013-14 data recently received from the County Assessor's Office, secondary assessed property values in Phoenix declined from \$18.9 billion to \$10.0 billion or 47%. As a result, Phoenix taxpayers are paying \$140.5 million, less than they were at the peak due to maintaining the \$1.82 combined tax rate. The typical single family home Phoenix property tax bill has dropped from \$407 per year to \$214 per year during this period. The impact of these large declines has put significant pressure on the capital program as the city has maintained the allowed primary property tax revenues for the General Fund operating revenues which are a critical element of the city's AAA bond rating.

### **City Council Approved Property Tax Policy**

On May 25, 2010 as a result of the continued decline in assessed valuations, the City Council voted 9-0 to adopt a new property tax policy to provide confidence to investors and to maintain the City's excellent credit ratings. Besides agreeing to maintain the combined primary and secondary property tax rate through the use of the secondary property tax reserves, the policy contains three options that would be considered in the event the reserve was inadequate due to continued declines in assessed valuations. Those include the following:

- (1) Allow the secondary property tax rate to float up;
- (2) Allow the primary property tax rate to float down; or
- (3) Use other general fund resources to cover G.O. bond debt service

Other actions taken were to delay portions of the 2006 bond program and to restructure and refinance G.O. bonds to reduce the near term debt service to maintain the \$1.82 tax rate. A six to nine month reserve of secondary property tax revenues was also targeted.

### **Updated Financial Analysis**

The Finance and Budget and Research Departments recently updated property tax information and the assessed valuation forecast. The analysis included a review of current and near term property tax revenues, development of a long-term assessed valuation forecast that reflects the impact of Proposition 117, and analyzed necessary actions in the capital program to maintain the \$1.82 combined property tax rate given

current secondary property tax reserves. To assist in the development of a long-term assessed valuation forecast, a recognized expert in the area of real estate forecasting, Elliott D. Pollack and Company was consulted to develop a forecast through 2020.

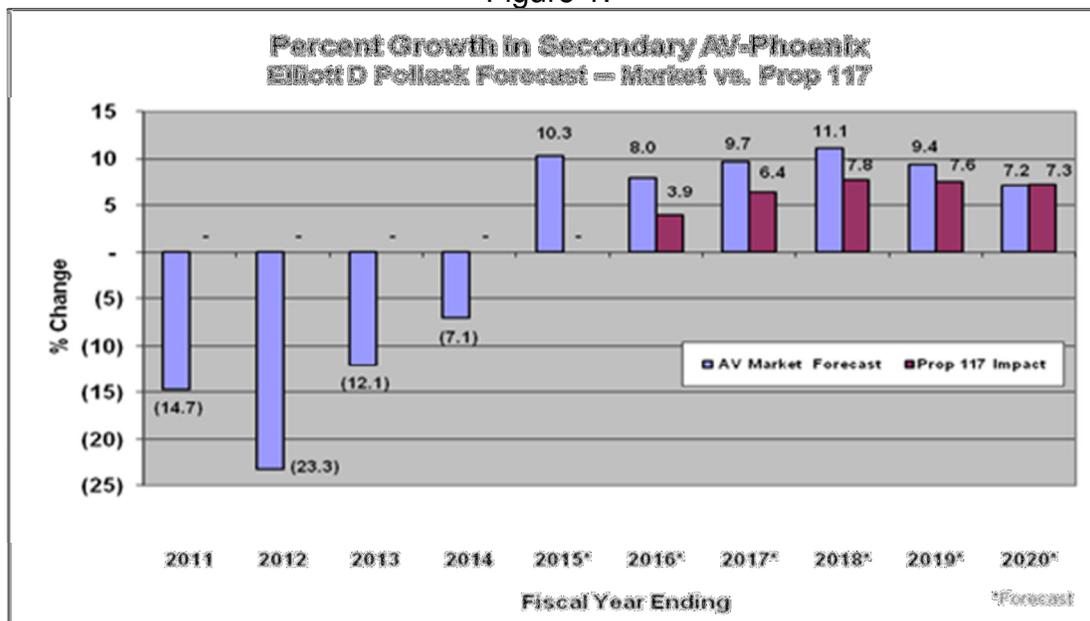
Assessed valuations of all property in the City of Phoenix are conducted by the Maricopa County Assessor’s Office. The current year property tax collections actually reflect market conditions from approximately two years ago. In other words, today’s real estate market will be reflected in the 2014-15 property tax revenues. This two year lag provides the City the ability to forecast revenues fairly accurately two years into the future and adjust capital programs and financing strategies each year.

### Assessed Valuation Forecast

Elliott D Pollack & Company provided a forecast that reflects projected market changes and the impact of Proposition 117. This information was used to determine actions necessary to maintain the \$1.82 combined property tax rate and if any of the three options of floating the primary or secondary tax rates or using other General Fund revenues would be required.

The forecast reflects the reality that secondary assessed valuations have dropped by 47% since the peak in 2009-10 to the 2013-14 budget currently under development. Property values have begun to recover across the state. Based on current market data, Elliott D. Pollack estimates a 10.3% increase in total assessed valuations reflecting a 20.4% increase in residential and 2.3% in all other property for the 2014-15 budget. After 2014-15, property values will be restricted by Prop 117 in any future recovery of market values. Figure 1 below provides the unconstrained Elliott D. Pollack & Company forecast and the same forecast showing the impact of Prop 117.

Figure 1.



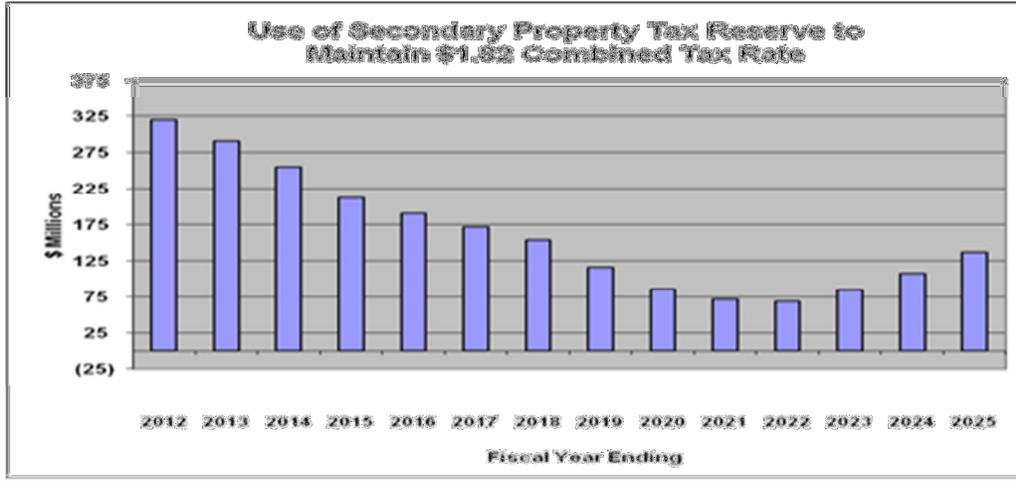
## **Impact on Ability to Maintain \$1.82 Combined Tax Rate and Financial Capacity**

Using the Pollack forecast discussed previously and reflecting the reduced recovery in the tax base as a result of Prop 117, an analysis on the financial capacity of the system was completed. Historically low interest rates and the City's AAA bond rating provide opportunities to refinance and restructure existing general obligation debt service to lessen the need to use current reserves. The overriding basis for the analysis was to not recommend any actions that may negatively impact the current AAA credit rating. As a result, the analysis was based on the following assumptions:

- All bonds will be refinanced and/or restructured when callable (ten years after issued and when no penalty is incurred);
- Restructuring will not increase principal & interest costs over term of bonds and the term (last payment date) will not be extended;
- Refinancings and restructuring assume current market (February 2013) for all future refinancing;
- The secondary property tax reserve will be maintained at a six to nine months of annual debt service;
- The remaining approximately \$150 million in the 2006 bond program would be deferred until capacity for the program at the \$1.82 combined tax rate recovers;
- The primary levy will continue to grow as allowed by law to help offset funding operations of GO Bond-built facilities and to maintain the most stable source of general fund revenues (currently approximately 13% of total General Fund revenues).

The results of the modeling indicated the cap imposed on the recovery of the assessed valuations related to Prop 117 from the 47% decline has an impact to the future property tax base. As a result, the ability to complete the approved \$150 million of the remaining 2006 bond program or do future programs at the 1.82 combined tax rate level is deferred until after 2022. Projects already under way can be completed. The \$1.82 combined property tax rate can be maintained if interest rates remain at current levels as refinancing and restructurings are completed over the next few years through a drawdown of the secondary property tax reserves. Figure 2 below, shows the drawdown of reserves to six months of debt service and the recovery as the program comes into balance in 2023 providing additional financial capacity to the system.

**Figure 2.**



### **Impact of Increased Interest Rates**

As was mentioned above, the forecast assumes interest rates will remain at the current low levels. To illustrate the sensitivity of the program to interest rates, an additional analysis was completed. If interest rates were to rise by 1.0 percent, (100 basis points) impacting the ability to refinance debt service for savings, the combined tax property rate would need to increase 19 cents to \$2.01 by no later than 2019 to maintain the same reserve levels as show in the chart above. This continues to assume deferral of the \$150 million remaining in the 2006 bond program until after 2022.

### **Impact of Advancing Remaining Bond Program or a New Bond Program**

Further analysis was completed to determine what level of an increase in property taxes would be required given the current and projected tax base. If interest rates stayed at the current levels and the remaining 2006 bond program or a new bond program were to be advanced forward as early as July 2015, the combined rate would need to increase by an estimated 5 cents to \$1.87 for a \$100 million bond program or 25 cents to \$2.07 for \$500 million program. This rate would go need to go into effect at the date of the new program.

### **Conclusion**

The City continues to maintain a secondary property tax reserve that provides capacity to maintain the current policy of maximizing the primary levy and using the reserve to maintain the combined \$1.82 tax rate. Taxes on Phoenix property owners are \$140.5 million less than at the peak levels of 2009-10. If interest rates remain close to current low levels, by mid-2014 the Finance Department will have the opportunity to complete a significant refinancing of existing general obligation (G.O.) bond debt. This will be a significant step in achieving the plan of finance discussed above. By that time the full impact of property valuation changes will be known before Prop 117 takes full effect. After the 2014 refinancing, critical information necessary to advance the current bond

program schedule or to initiate a new bond program would be available to fully determine the impact on property tax rates.

### RECOMMENDATION

This report is for information only.

**CITY COUNCIL REPORT**

---

TO: Lisa Takata  
Deputy City Manager

FROM: Rob Sweeney  
Acting Chief Information Officer

SUBJECT: TASK FORCE ON TECHNOLOGY ADVANCEMENT UPDATE

---

---

This report provides an update to the Finance, Efficiency, Innovation and Sustainability Subcommittee on the City of Phoenix Task Force on Technology Advancement.

**THE ISSUE**

At the November 14, 2012 meeting, the Finance, Efficiency, Innovation and Sustainability Subcommittee approved a plan to create a Task Force on Technology Advancement. This task force will be comprised of select executives and technology subject matter experts who will help identify significant technology advancements critical to the City's future success. The task force will include members from multiple backgrounds, including large and small technology companies, academia, other public sector organizations, and valley companies utilizing innovative technologies to provide services or products. The goal of the Task Force is to identify technologies and strategies to drive innovation in city processes and create better interaction with Phoenix residents and businesses.

**OTHER INFORMATION**

The City is at a pivotal time in IT planning. Technology has been identified as a key pillar in the City's Strategic Plan, a study area of the Innovation and Efficiency Task Force, and a focus in every recent department efficiency study. Additionally, the city is embarking on an update of its IT Master Plan. These efforts, in conjunction with the explosive expansion of technology used by citizens, require that the City take a step back from traditional planning methods and tap into the knowledge, creativity, and insight that the community has to offer.

The first meeting of the task force will take place in March, 2013, with regular meetings anticipated over a twelve-month period. Throughout this time, staff will provide regular updates to the Subcommittee on the progress of the task force.

**RECOMMENDATION**

This report is for information only.