



CITY COUNCIL AGENDA

CITY COUNCIL CHAMBERS . 11465 WEST CIVIC CENTER DRIVE . AVONDALE, AZ 85323

WORK SESSION
February 8, 2010
6:00 PM

CALL TO ORDER BY MAYOR ROGERS

1 ROLL CALL BY THE CITY CLERK

2 BUDGETARY UPDATE AND STRATEGY DISCUSSION

Staff will present the City Council with a budget update and a strategy to address the projected revenue shortfall for the FY 2010-2011 budget year.

3 ADJOURNMENT

Respectfully submitted,

A handwritten signature in cursive script that reads "Carmen Martinez".

Carmen Martinez
City Clerk

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CITY COUNCIL REPORT

SUBJECT:
Budgetary Update and Strategy Discussion

MEETING DATE:
February 8, 2010

TO: Mayor and Council
FROM: Kevin Artz, Finance and Budget Director (623)333-2011
THROUGH: Charlie McClendon, City Manager

PURPOSE:

The purpose of this report is to provide Council with an overview of the City's financial status through the second quarter of fiscal year 2009-2010 and provide solutions to remedy expected revenue shortfalls for the current and future fiscal years.

BACKGROUND:

On November 30, 2009, the Council held the annual budget goal setting session and staff presented Council with the financial projections for the 2010-2011 fiscal year. Based on the projections, staff advised the Council that a plan would be developed to address the budget situation. This report presents the proposed budget reductions.

DISCUSSION:

Fiscal Year 2009-2010 Budget Summary

As of December 2009, monthly sales tax revenue collections have continued to be less than the same month from the previous year, although the decline has slowed from previous months. Development related revenue is also lagging behind the previous year's collections and are generally about 20% below budget projections.

The projected general fund revenues for Fiscal Year 2009-10 total \$44,278,930. Based on current collections, it is estimated that revenues will be short of projections by approximately \$3.8 million.

In order to lessen the impact of the general fund revenue shortfall for the current year, staff has identified savings within each department budget that will not be expended. The departmental savings identified totals approximately \$2.4 million. In addition, workload in various departments is being evaluated to determine current resource needs. This evaluation to date has resulted in the elimination of nine (9) positions for an estimated savings this year of approximately \$235,000 and annual savings of \$766,480 in following years. Overtime is also being carefully monitored and savings should result in the current year and next.

Fiscal Year 2010-2011 Budget Planning

The planning for the ensuing fiscal year is underway and the General Fund has been the primary focus given it is the largest source of funding for non-enterprise City services. As presented to Council in November 2009, the revenue from the State's Urban Revenue Sharing (Income Tax) will be reduced by about \$2.1 million from the current year and with the decline in local tax collections a revenue shortfall is unavoidable. Sales tax revenue projections have been developed using two scenarios, the first being that revenues perform at the same level as the current year with no further decline and the second with revenues increasing modestly in the sales tax and development related

areas. Under either scenario, ongoing, stable revenue sources do not meet the current ongoing budgeted expenditures. In addition, certain costs must be added either due to contractual obligations, new facilities, mid-year additions or pension costs. The funding of equipment replacement was temporarily suspended for the current year but it is recommended that it be restored to ensure the City does not incur unnecessary maintenance costs for old, inefficient equipment. Total costs that have been obligated and will be included in the appropriations for next year total \$2,844,430.

Efforts to reduce ongoing budgets continued with the assessment of equipment replacement funds by a team of City staff members from affected departments that reviewed their vehicles and equipment. The team identified measures to save ongoing replacement costs including eliminating vehicles and equipment from the replacement programs, reassigning vehicles to the fleet pool, extending vehicle and technology equipment life cycles, standardizing equipment by class and use and pursuing grants for replacement of certain vehicles. These changes will result in reduction in general fund contributions of \$495,120 and \$179,950 in all other funds. The equity in the fund from auctioned vehicles will also be used as annual credits for the next few fiscal years reducing general fund contributions by an additional \$262,880.

Staff also assessed the current contributions to the risk management trust fund. The assessment determined that the additional contributions added in prior years to build the reserve to the Trust Board's desired level were no longer required resulting in general fund savings of \$299,250. Payments for development agreements can be reduced based on final payoff dates of a few agreements and the decline in actual collections saving \$1 million. Transfers of \$480,000 from the general fund to the transit fund are recommended to be replaced by transfers from the dedicated sales tax fund based on the voter approval of transit as an authorized use in September of 2008.

New revenue sources were identified to help defray the costs of certain services. This includes the allocation of internal engineering services to the City's capital improvement program and the imposition of all applicable permitting and review fees. It is projected that the general fund will benefit by approximately \$400,000 from this activity. The Parks, Recreation & Libraries department also reviewed costs related to various leisure and community programs and fees will be adjusted to recover a larger portion of these costs including part-time staff. This is expected to generate approximately \$32,500. The addition of a privilege tax auditor in the Finance department is expected to generate at least \$80,000 of audit revenue.

Staff has continued evaluation of base budgets and has developed recommendations for additional budget reductions. The proposed departmental reductions total \$2,076,980. A summary of the changes/reductions include:

- Camera traffic enforcement (\$425,000)
- Public safety overtime & service consolidation (\$395,680)
- Citywide line item reductions (\$313,950)
- Library service consolidation (\$309,900)
- Building & grounds maintenance contracts & services (\$210,000)
- Engineering & plan review services (\$165,500)
- Professional Standards Bureau reduction (\$121,910)
- Neighborhood & Family service consolidation (\$101,960)
- Senior meal services (\$33,070)

The largest reduction in budgeted appropriations comes from the Camera Traffic Enforcement program. The Police Department has assessed the effectiveness of the program and determined that potentially the program costs outweigh the benefits. With the total costs of the program exceeding the revenue and little change in accident rate, staff recommends that Council consider eliminating or suspending the program.

Service level reductions are unavoidable in the current economic environment, however staff has made every effort to identify alternative service delivery methods to minimize the impact of these recommended budgetary cuts. The total proposed reductions to next year's budget amount to \$5,200,760 which will help offset a deficit which ranges between \$6.7 million to \$7.8 million. There are also two positions that will be requested through the supplemental process for the Council to consider. The City's projected general fund balance will sustain an additional decrease but will not drop below the established \$10 million minimum reserve.

RECOMMENDATION:

This report is provided for information and direction only.

ATTACHMENTS:

Click to download

 [Camera Traffic Enforcement Analysis](#)



City of Avondale

Police Department
11485 West Civic Center Drive
Avondale, AZ 85323
Phone: (623) 333-7000
Fax: (623) 333-0700

To: City Council
From: Kevin Kotsur, Chief of Police
Date: February 2, 2010
Subject: Budget Recommendations

Background

Staff recommends Council consider discontinuing the photo enforcement program currently in operation as a traffic enforcement tool. A review of the program indicates the financial investment to operate the program may outweigh the public safety benefit. Currently there are two intersections where photo red-light enforcement cameras are deployed, Dysart Road and Van Buren and Dysart Road and McDowell. There is one mobile photo speed enforcement vehicle deployed throughout the City whose sole purpose is to enforce speeding violations.

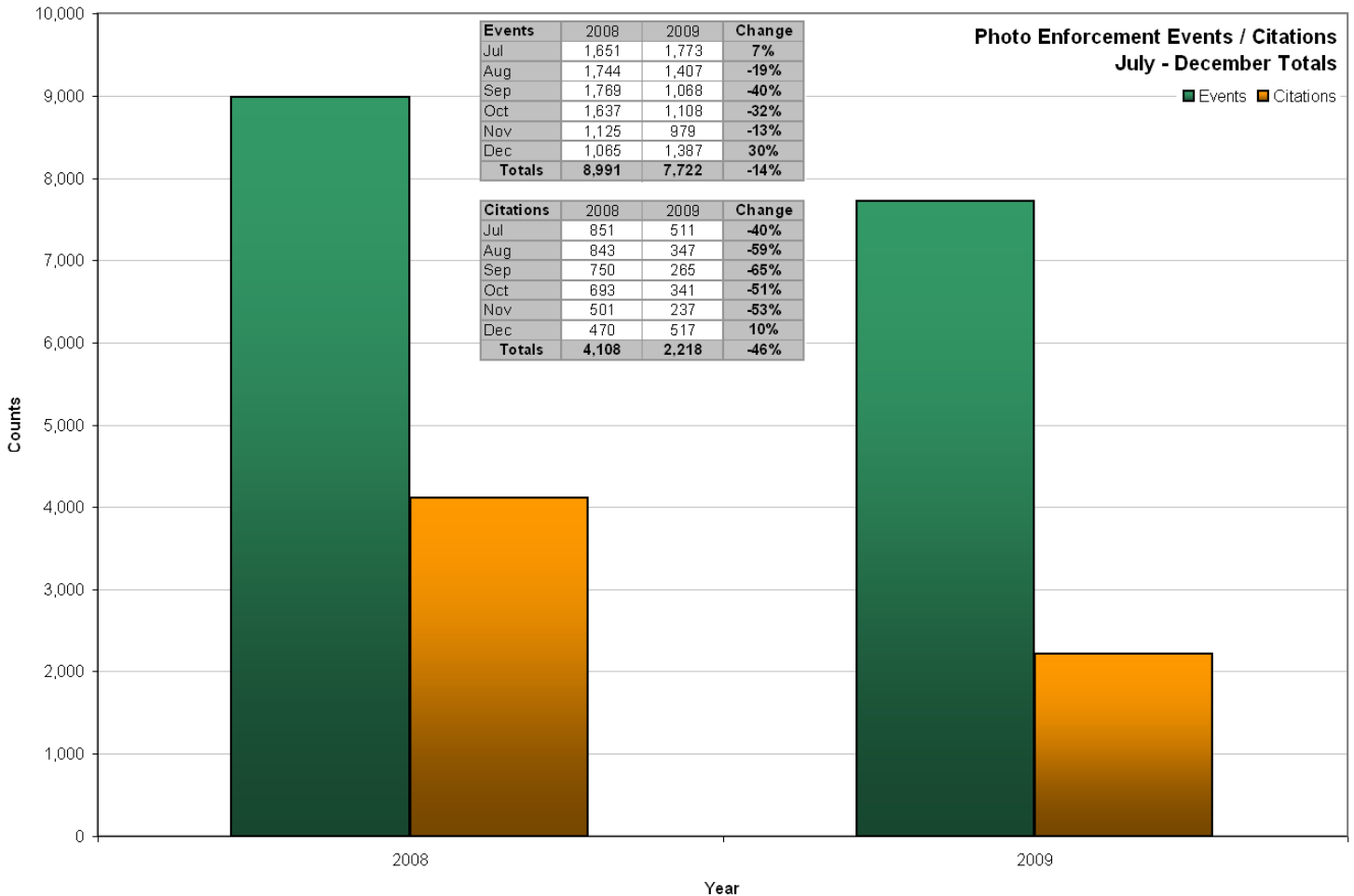
On February 2nd, 2009, after review of the Staff presentation, Council approved an expansion of the program to include two additional photo red-light intersections with photo red-light enforcement. Further, all four photo red-light intersections were to be modified in order to enforce both photo red-light and speed violations. This project was projected to be completed in March, 2010. In considering ways to trim the Police Department budget with little or no impact to police enforcement and patrol, staff conducted the following analysis of the cost benefit of the photo enforcement program.

Enforcement Citations Issued

From July 2009 through December 2009 the total number of photo enforcement “events” has decreased when compared to the same time period in 2008. During this time period a total of 7,772 events were generated for an average of 1,287 per month. During this same time period in 2008 a total of 8,991 photo enforcement events occurred for an average 1,499 per month. When comparing the number of actual citations issued, 2,218 were issued in 2009 for an average of 370 per month while 4,108 were issued in 2008 for an average of 685 photo enforcement citations issued per month. This represents a decrease of 46% in the number of photo citations issued from 2008 to 2009.

In June 2009 the decision was made to discontinue photo enforcement at intersections for failing to stop turning right on a red-light. This was based on a review of the previous year's accident rate that revealed there were no traffic accidents caused by a vehicle failing to stop on a red-light turning right at an intersection. Further, adjusting speed calculations to activate a violation when failing to stop when turning right on a red-light was problematic. This decision appears to account for the majority of this decrease. (See chart A).

Chart A



Accident Count Comparison

The total number of accidents reported throughout the City of Avondale between June 1, 2209 and January 24, 2010 compared to the same time period the previous year shows a decrease of 53 accidents which is an 8% decrease. The areas within 1/2 mile of the photo-red light intersections or the locations of the speed van reported a 7% decrease, 491 reported accidents to 456, whereas areas outside of the 1/2 mile buffer decreased from 183 accidents to 165, a 10% decrease (see chart B).

A review of the Arizona Department of Transportation (AZDOT) accident statistics indicates reported traffic accidents have decreased in Arizona from 2006 through 2008 by 15% as follows;

Statewide Accidents in Arizona

| <i>Year</i> | <i>Accidents</i> |
|-------------|------------------|
| 2006 | 140,197 |
| 2007 | 140,371 |
| 2008 | 119,588 |

* 2009 data are not yet available but preliminary indications are the rate is continuing to decrease.

Chart B Red Light Accident Counts

| Totals | Jun 1, 2008 - Jan 24, 2009 | Jun 1, 2009 - Jan 24, 2010 | Change |
|---------------------------------|-------------------------------|-------------------------------|--------|
| 1/2 Mile Around Photo Locations | 491 | 456 | -7% |
| Area Outside of 1/2 Mile Buffer | 183 | 165 | -10% |
| City Wide | 674 | 621 | -8% |

Photo Speed Citations Issued

The total number of photo speed citations has decreased by 14% from July 2009 through December 2009 when compared to the same time period in 2008 (see chart C).

Red-light Citations Issued

The total number of photo red-light citations has decreased by 63% when comparing the time period July 2008 through December 2008 to the same time period in 2009. This appears to be directly related to the decision to discontinue photo enforcement for right turn red-light violations in July, 2009 (see chart C).

Chart C Comparison of Photo Red-light Citations

| Citations | Jul-08 | Jul-09 | Aug-08 | Aug-09 | Sep-08 | Sep-09 | Oct-08 | Oct-09 | Nov-08 | Nov-09 | Dec-08 | Dec-09 | Change |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
| Red Lights Citations | 528 | 137 | 580 | 182 | 490 | 154 | 404 | 205 | 348 | 136 | 347 | 196 | -63% |
| Speed Van Citation | 323 | 374 | 263 | 165 | 260 | 111 | 289 | 136 | 153 | 101 | 123 | 328 | -14% |
| Total Citations Issued | 851 | 511 | 843 | 347 | 750 | 265 | 693 | 341 | 501 | 237 | 470 | 517 | -46% |

Financial Review of Photo Enforcement Program

From a purely financial perspective, the costs of this program still continue to exceed the revenue generated by the citations as presented in the previous report. As the total number of citations

issued has declined, the total number of paid citations has also declined. The number of paid citations during the 2008-2009 fiscal year are approximately 70% of the citations issued. Based on the current year data, the percentage of paid versus issued has declined slightly to 68%. Total general fund revenue generated from camera enforced traffic citations for the 2008-2009 fiscal year was approximately \$402,000 while projections for FY 2009-10 total \$318,610 a 21% decline. Some costs decrease along with the citation counts, like overtime and contractor fees. However, other costs are fixed and must be absorbed despite the declining revenue. Projected costs for FY 2009-10, both direct and indirect will exceed revenue by approximately \$80,000.

In planning for the upcoming budget cycle, the base budget includes appropriations of \$280,000 for contractor fees, \$12,000 in officer overtime, \$68,000 for a Traffic Program Coordinator and \$65,000 for dedicated Court staff for a total budget of \$425,000. Removing these appropriations and the associated projected revenues from the FY 2010-11 budget will result in a net savings of \$106,390.

Contractual Obligation

The existing contract with American Traffic Solutions, the provider of Avondale's photo enforcement services, expires September 19, 2010. In the event either party chooses to terminate this contract early a termination for convenience provision exists in Subsection 13.1. Under that subsection, the termination for convenience is effective as of a written notice to ATS. The City will liable for all outstanding amounts owed for photo citations issued.