



ATTACHMENT A
City of Phoenix
Minutes

Meeting Location:
City Council Chambers
200 W. Jefferson St.
Phoenix, Arizona 85003

City Council Policy Session

Tuesday, February 25, 2025

2:30 PM

phoenix.gov

CALL TO ORDER

The Phoenix City Council convened in Policy Session on Tuesday, February 25, 2025, at 2:34 p.m. in the Council Chambers.

Present: 8 - Councilman Carlos Galindo-Elvira, Councilwoman Betty Guardado, Councilwoman Kesha Hodge Washington, Councilwoman Laura Pastor, Councilman Kevin Robinson, Councilwoman Debra Stark, Vice Mayor Ann O'Brien, and Mayor Kate Gallego

Absent: 1 - Councilman Jim Waring

Councilwoman Stark attended the meeting by telephone.

COUNCIL INFORMATION AND FOLLOW-UP REQUESTS

Councilwoman Stark recognized Mayor Kate Gallego for being named a 2025 Consumer News and Business Channel (CNBC) Changemaker. Councilwoman Stark also shared she participated in the Phoenix Police Foundation Honor Walk with Vice Mayor O'Brien.

Councilwoman Guardado reported she attended a ribbon-cutting event for the re-opening the El Oso Park baseball fields. She spoke about the importance of the re-opened fields to the surrounding West Phoenix communities and expressed her appreciation to the Tolano Family, Diamondbacks Foundation, and Parks and Recreation Department for their efforts in re-opening the fields. She also spoke about the recent Maryvale Mercado Kickoff event and stated there will be another Maryvale Mercado event on March 29 at the Maryvale Community Center. She shared that the Grand Opening of the Canalscape will also take place on March 29. She announced there will be a celebration of the 1,000th Gated Alley on March 22 at 59th Avenue and Coolidge Street.

Councilman Galindo-Elvira shared he attended the opening ceremony of Fire Station 62 and participation in the Point in Time (PIT) Count of people experiencing homelessness. He also stated he attended the South-Central Light Rail Extension ceremony, the Laveen Parade, NFBPA Black History Month Kickoff, and Laveen Barbecue (BBQ). He spoke about the Light Rail Construction along Central Avenue, and noted there may be heavier traffic in the area. He also announced there will be a community celebration of the first trains reaching the South-Central Extension on March 8.

Councilwoman Hodge Washington spoke about attending multiple events including the 3rd Annual Hike with a Firefighter, Hear from a Park Ranger event, the Laveen Parade, Junior Achievement Three-Dimensional Education (3DE) Kickoff, Broadway House Apartment Carnival, Devin Booker Starting Five Court Unveiling, National Forum for Black Public Administrators and Phoenix Hispanic Network Afro-Latino Celebration, Phoenix Convention Center's Black History Month Exhibit, Matsuri Festival, Eastlake Jazz Festival, Central City Community Connections, and the 73rd Annual Laveen BBQ. She shared information regarding the upcoming "Coffee with Kesha", which will be held on February 28.

Councilwoman Pastor spoke about her recent listening session titled, "Navigating PHX C.A.R.E.S. Forum", which provided information to residents on how to report encampments and listen to residents' experiences. She attended the Coronado and Willo Neighborhood Street Fairs, Sueño Park Grand Opening, Martin Luther King Jr. Day Commemorative March, and Falcon Park Ribbon Cutting for its new playground. She provided information on several events that are taking place in District 4 and a neighborhood cleanup event, which will take place on César Chávez Day.

CONSENT ACTION

This item is scheduled to allow the City Council to act on the Mayor's recommendations on the Consent Agenda. There is no Consent Agenda for this meeting.

CALL FOR AN EXECUTIVE SESSION

A vote may be held to call an Executive Session for a future date.

REPORTS AND BUDGET UPDATES BY THE CITY MANAGER

This item is scheduled to allow the City Manager to provide brief informational reports on topics of interest to the City Council. The City Council may discuss these reports but no action will be taken.

INFORMATION AND DISCUSSION (ITEMS 1-2)

1 General Fund 2025-26 Preliminary Budget Status and Multi-Year Forecast - Citywide

Mayor Gallego introduced the item stating that recent actions by the State Legislature pose challenges to the upcoming General Fund in Fiscal Year (FY) 2025-2026 and the Forecast going forward. She explained reductions in General Fund and voter approved funding sources will have indirect impacts to public services provided by the City. She also spoke about additional actions being considered by the State Legislature, which would have a negative budgetary impact on the City.

City Manager Jeffrey Barton introduced the Multi-Year Forecast, and noted it is a critical part of balancing the budget forecast. He noted that the forecast this year is even more important due to the actions taken by the State Legislature, and said the City is faced with tough choices of trying to meet the growing demand for public services with the constraints placed on the City. He also added that the portion of the Transaction Privilege Tax (TPT) revenue allocated to the General Fund has stayed the same since 1986, while the services provided by the City has expanded greatly since then.

Budget and Research Director Amber Williamson explained the Multi-Year Forecast provides a framework for adopting a balanced budget and inform decisions on providing City services. She stated the General Fund Budget Forecast is composed of forecasting various components of resources and expenditures, assuming there will be no changes in future fees or sources of revenue while taking the impacts from SB 1131 (Residential Rental Sales Tax) and SB 1828 (State Shared Income Tax) into account.

Councilwoman Pastor asked what makes up Local Sales and Excise Taxes.

Ms. Williamson answered the Local Sales and Excise Taxes primarily include the TPT and use taxes. She presented the 2025-2026 General Fund Preliminary Status, which estimates a \$36 million estimated deficit, and the Multi-Year Forecast, which projects a greater deficit in 2026-2027 and a deficit in 2027-2028 as well. She spoke about several budget considerations such as a need for more resources to lower Fire Emergency Service response times, efforts to help unsheltered individuals, maintaining competitiveness of the employee salary and benefits, and operating costs associated with the General Obligation (GO) Bond Program. She presented the history and impact of the potential TPT rate increase to the 2025-2026 General Fund Preliminary Status and the Multi-year Forecast, which would lead to a baseline surplus of \$19 million in 2025-2026, and \$49 million in 2026-2027. She outlined the next steps for the budget adoption process.

Councilman Galindo-Elvira noted the conversion of 32 firefighter positions funded by the SAFER (Staffing for Adequate Fire and Emergency Response) grant, which will be expiring soon, to the General Fund and that adding Fire Stations will improve the health and quality of life for City firefighters. He also stated homelessness is a complex issue and the City is taking this issue head-on while other cities are not stepping up the same way.

Councilwoman Guardado asked when the Councilmembers will see the list of potential cuts.

Mr. Barton replied Councilmembers will receive a list of potential cuts before the Trial Budget on March 18.

Councilwoman Guardado noted it was critical to maintain services that help working class families in the City. She inquired if the City was proposing to cut services for working class families.

Mr. Barton responded any cuts in the Trial Budget will not impair services being provided by the City and most of the savings would come from a reduction in contractual and commodity spending.

Councilwoman Guardado asked if employee turnover has been reduced since the completion and implementation of the Class and Comp Study.

Mr. Barton replied that the study had a significant impact on reducing the vacancy rate.

Ms. Williamson added the vacancy rate had reduced from 17 percent to 11 percent as a result of the adjustments based on the Class and Comp Study. She stated although the reduced vacancy rate indicates a more effective attraction and retention of employees at the City, this also creates pressure on the City's budget.

Councilwoman Guardado asked how much of the American Rescue Plan Act (ARPA) funding had been used to subsidize the City's budget.

Mr. Barton answered the City has been aggressive in spending ARPA funding and there were reallocations of unspent funding last year for ongoing programs and services.

Councilwoman Guardado asked what the deficit to the City would be once all the ARPA funding was spent.

Mr. Barton replied that ARPA funding was mostly utilized to cover one-time costs, but there are ongoing operating costs that follow, such as the shelters provided by the Office of Homeless Solutions, which is estimated to be \$25 million per year going forward.

Councilwoman Guardado commended City employees for doing more for residents over the years than other cities and stressed the importance of increasing the TPT rate to ensure the City continues to provide critical services to the residents.

Councilwoman Hodge Washington asked if the City can pull from any TPT revenue outside of the 1.2 percent dedicated to the General Fund for

other uses.

Ms. Williamson answered other portions of the TPT revenue are voter approved taxes for specific purposes and should not be used for other purposes.

Councilwoman Hodge Washington stated she was impressed by the efficiency of the City to provide more services with less staff per capita.

Mr. Barton acknowledged this was the result of the current and former Mayor and Council making nimble decisions to provide services to a rapidly growing population with limited resources.

Councilwoman Hodge Washington emphasized the expected deficits to the General Fund Budget are due to State Legislature's actions, not the City being mismanaged. She asked what would happen if the Council does not increase the TPT rate.

Ms. Williamson answered if there was not an increase in revenue, there would need to be a reduction in programs and services.

Councilwoman Hodge Washington inquired if that meant potentially eliminating filled employee positions that are in place to implement the programs and services.

Ms. Williamson explained that not increasing the TPT rate would prompt the City to potentially eliminate filled positions.

Councilwoman Hodge Washington stated she looked forward to working with her colleagues and making the best decisions for the residents. She asked if the staff recommendation was to implement a TPT rate increase to 2.8 percent.

Ms. Williamson confirmed the recommendation from staff was to increase the TPT rate to 2.8 percent.

Councilwoman Hodge Washington emphasized the passing of the GO Bond demonstrates that voters prioritize and appreciate City services.

Councilwoman Stark stressed the budget forecast was not caused by the City but reductions to taxes that the City heavily relies on due to the State Legislature's actions. She expressed her desire to maintain services to the residents and support staff.

Councilman Robinson said he had spoken with community members who are supportive of the TPT rate increase. He asked if the TPT rate increase is enough to resolve the City's deficit, and whether the City should consider further increasing the rate.

Mr. Barton answered while there will still be a demand for more resources, the proposed budget will have a dramatic impact on services, especially providing additional resources to the Fire Department's ability to reducing response time.

Councilman Robinson said the City must work to ensure the Fire Department is adequately staffed.

Vice Mayor O'Brien asked if the budget includes additional staffing associated with new fire stations.

Mr. Barton replied while excise tax proceeds will be used to finance capital expenses for additional fire apparatus and additional fire units, ongoing operating costs will be funded by the proposed general fund.

Vice Mayor O'Brien inquired if the Fire Department had projections on how the additions to fire apparatus, fire units, fire stations and staffing would impact response times.

Mr. Barton explained phase one of the additions is expected to reduce the Emergency Medical Services (EMS) response times.

Vice Mayor O'Brien asked how the budget projections incorporated anticipated population growth in the City.

Mr. Barton responded the GO Bond program includes two more fire stations being added in District 1, which will partly mitigate the growing

demand for emergency services.

Fire Chief Mike Duran added the Fire Department uses 20-year growth projections for both population and anticipated call volume to forecast needed resources for effective response time.

Vice Mayor O'Brien stressed the City has made improvements to the Fire Department and it is important to continue to do so. She highlighted that the number of employees per capita is a third less than it was in 1980, and said this showcases the efficiency of the City. She asked how the Council responded to the 2008 recession to balance the City's budget.

Mr. Barton answered the City made significant cuts, including compensation cuts, furloughs, and implemented a temporary food tax.

Vice Mayor O'Brien emphasized the importance of ensuring the City is not cutting any services. She asked if the vacancy rate was 17 percent before Class and Comp.

Ms. Williamson replied Class and Comp helped reduce the vacancy rate from 17 percent to 11 percent.

Vice Mayor O'Brien questioned what the effect of the reduced vacancy rate is on efficiency of the City.

Ms. Williamson answered filled positions help deliver services to the residents and spoke to the importance of maintaining competitiveness to attract and retain talent at the City.

Vice Mayor O'Brien asked if the proposed bill in the State Legislature to decrease state income tax to 2 percent is included in the forecast.

Ms. Williamson explained the forecast does not include any proposed legislation.

Vice Mayor O'Brien expressed the potential TPT increase will have a minimal impact for residents.

The Mayor called on residents who signed up to speak on the item.

Mari Yepez expressed support for the TPT increase as City services allows her son to participate in organized sports.

Jason Henley expressed support for increasing tax revenue through the TPT increase to support the City's workforce, which is the foundation in the City's success in maintaining critical infrastructure.

Andrea Ramirez expressed her concern regarding the City's need to balance its budget and that many vital programs may be cut as a result. She urged the Council to consider maintaining or even expanding programs through the tax increase.

Timothy Jenkins expressed his concerns regarding budget shortfalls and the negative impacts to various programs such as the gated alley program, speed hump program, and the shade tree program, which significantly contributed to creating safer neighborhoods.

Teresa Hill expressed her support for the increase in taxes to recover funding lost due to action from the State Legislature. She urged the State Legislature to be more considerate of people that need services and thanked the Council for putting residents first.

Elizabeth Aguilar asked the Council to focus on families struggling with inflation and continue to provide services that enhance communities and expressed support for the TPT increase.

Rebecca Jenkins stated programs such as the gated alley program, speed hump program, and shade tree program should be continued as they are necessary and effective.

Mayor Gallego asked about what the implications of the House of Representatives Ways and Means Committee's consideration of repealing tax exemptions to municipal bonds provided by the Tax Cuts and Jobs Act of 2017 to the City especially within the context of GO Bond.

Mr. Barton explained that taking away tax-exempt status for municipal bonds would lead to significant consequences and noted a substantial

tax would have to be paid for bonds being issued.

Mayor Gallego stressed the importance of recognizing the negative consequences of the elimination of tax-exempt status on bonds would be not only to the City, but also to Salt River Project, Central Arizona Project, and construction that occur nationwide. She thanked staff for their efforts and community members for their input in the budget process and recognized homelessness as a priority for the City.

Councilwoman Pastor asked what happened in 2022 regarding state shared income tax.

Ms. Williamson answered in 2022, Governor Ducey introduced a flat income tax, which significantly reduced tax revenue for the City and the State. She noted it will have a \$125 million impact over the next two fiscal years to the City.

Councilwoman Pastor inquired how the elimination of residential rental tax will impact the City.

Ms. Williamson explained that the ongoing annual impact on the General Fund is approximately \$50 million and approximately \$90 million when accounting for losses in voter approved specialty. She said the City fund will ultimately see a \$320 million loss to FY 2027-2028.

Councilwoman Pastor asked if those losses will have an impact on public safety.

Ms. Williamson answered the losses have an impact on both the General Fund and the Public Safety Specialty Fund.

Councilwoman Pastor questioned whether not increasing the TPT rate would impact GO Bond projects.

Ms. Williamson responded while the GO Bond program itself will not be impacted, operating costs of the GO Bond program will be affected as those are funded by the General Fund.

Councilwoman Pastor asked whether the ongoing GO Bond Program costs would prompt consideration of additional sources of revenue.

Ms. Williamson answered the City would have to find ways to either add additional sources of revenue or find areas to cut in order to adopt a balanced budget.

Councilwoman Pastor inquired if the portion of the TPT revenue allocated to the General Fund has been 1.2 percent since 1986.

Ms. Williamson affirmed that it was correct.

Councilwoman Pastor asked if the proposed supplementals related to firefighter positions that are funded by the SAFER Grant and operating cost of shelters established using ARPA funding are going to have to be funded by the general fund going forward.

Ms. Williamson explained the supplementals are proposed additions to the General Fund.

Councilwoman Pastor asked if the supplementals will be funded.

Ms. Williamson answered it would be funded by the increased TPT rate, if approved by Council.

Councilwoman Pastor requested staff explain the excise tax.

Ms. Williamson advised excise taxes include City sales tax, as well as state shared sales tax, income tax and vehicle license tax.

Councilwoman Pastor asked what the excise tax is being used for.

Ms. Williamson answered state shared tax revenue is being allocated to the General Fund, while City sales tax revenue gets allocated to the General Fund as well as other voter-approved specialty funds.

Councilwoman Pastor inquired what potential State bills will have negative budgetary consequences for the City.

Mr. Barton said he would work with Office of Government Relations staff to incorporate impacts of potential bills into informational packets for the upcoming Trial Budget presentation on March 18.

Councilwoman Pastor emphasized the importance of incorporating potential bills so the public can better understand the impact on the City.

Councilwoman Hodge Washington asked how the current changes at the federal government impact the City's funding sources like Community Development Block Grant (CDBG).

Mr. Barton replied the changes at the federal government is another risk to account for and there is uncertainty on how the City can be affected.

Councilwoman Hodge Washington inquired whether staff had considered the budgetary impact of Propositions that were voted on in 2024, such as Proposition 312, to the City of Phoenix.

Ms. Williamson answered the forecast does not include impacts due to propositions as there is uncertainty on how it would affect the City.

Councilwoman Hodge Washington said that while the City is striving to provide more services to residents, the State Legislature continues to add budgetary pressure on the capacity to provide those services. She asked if the Council is limited to what has been posted in terms of actions to mitigate the impact of the State Legislature.

Mr. Barton answered as it pertains to the sales tax notice, the City cannot exceed what has already been posted.

Councilwoman Hodge Washington inquired if the City needs to go through another tax increase when faced with greater pressure from the Federal Government and State Legislature.

Mr. Barton replied yes.

Mayor Gallego stated defederalization of the government is underway, which is something the City must consider going forward.

Councilman Galindo-Elvira remarked that the presentation demonstrates City staff is doing its part in ensuring all measures have been taken to be more fiscally responsible and urged fellow Councilmembers to support the TPT rate increase.

2 Wildland Urban Interface Fire Preparedness - Citywide

Mayor Gallego introduced the item which had significant demand from the community on the City's preparedness to deal with wildfires.

Assistant City Manager Lori Bays stated the presentation will provide important information regarding emergency preparedness at the City of Phoenix.

Executive Assistant Fire Chief Tim Kreis explained the City of Phoenix collaborates with municipalities in Arizona and globally to share best practices. He stated in 2019, there was a community risk reduction effort in response to growth of vegetation due to the increase in precipitation in 2018 and 2019, and presented ways communities can be better prepared for brush fires. He stated the Fire Department has an assessment of where the Wildland Urban Interface (WUI) exist, so that when there is a fire in these areas, the WUI deployment plan is activated and there is a surge in department resources allocated to a WUI incident. He acknowledged WUI challenges continue to evolve and there is a perpetual WUI management cycle to continue to train and prepare for wildfires.

Water Services Department (WSD) Director Troy Hayes stated WSD's water treatment production has established redundancy, providing resiliency to the system. He explained WSD conducted a comprehensive review of fire hydrant maintenance in 2021 and have diligently tested and ensured compliance with fire codes to maintain over 99 percent of fire hydrants to be operational.

Office of Emergency Management (OEM) Director Brian Lee emphasized emergency preparedness requires effective planning and

preparedness, resource coordination and operational response, and communication across various departments and agencies. He stated planning and preparedness refers to establishing a Hazard Mitigation Plan, which identifies hazards, and develops strategies for mitigation of the hazards. He explained if an emergency breaks out, OEM activates the Emergency Operations Center and coordinates traffic, evacuation, and sheltering of displaced individuals. He added OEM also coordinates effective and unified communications and messaging among agencies and to the public.

Mayor Gallego stated historically 60 percent of wildfires in the area have been caused by humans and there are many people that have a role in managing wildfires.

Councilman Robinson expressed appreciation of the partnership of internal and external stakeholders, which is critical in response to wildfires.

Councilman Galindo-Elvira asked what happens when there is a collapse in wireless communication.

Commander Lee answered there is built-in redundancy in place and multiple platforms that can be utilized such as social media, but the bigger concern is provision of unified messaging to the right people at the right time.

Councilman Galindo-Elvira inquired if the chemical retardant used for wildfire is harmful to firefighters.

Chief Kreis answered no.

Councilwoman Hodge Washington asked if there is any inspection being conducted for WUI identified areas for excessive vegetation.

Chief Kreis explained if firefighters discover any potential risk, it will be communicated to the appropriate personnel or agency so that fuel reduction is carried out.

Councilwoman Hodge Washington inquired if there are any maintenance

requirements for parties occupying WUI identified areas.

Chief Kreis answered that the Fire Department works closely with APS and SRP as well as the State Fire Department regarding inspections of their facilities and coordinate efforts to mitigate firefighter risks.

Councilwoman Hodge Washington stated one of the frustrations with the recent wildfire in Southern California was the water issue and asked if appropriate water pressure is being maintained at the City.

Mr. Hayes explained the fire hydrant systems are designed to achieve 20 Pounds per Square Inch (PSI), which is considered safe pressure that firefighters can use in response to fire incidents.

Councilwoman Pastor inquired what the status is on fire hydrant maintenance.

Mr. Hayes answered in 2022, there was a backlog of fire hydrants needing to be maintained, which has been resolved. He added there is currently less than 1 percent of fire hydrants that cannot be used, also noting that GPS information on operational fire hydrants is shared with the Fire Department.

Councilman Galindo-Elvira asked what the protocol is for a wildfire similar to the recent one in Southern California.

Mr. Lee explained the Fire Department usually assumes primary response to fires, ensures that all members of the City leadership, Mayor and Council are notified, and departments that need to be involved will be coordinated by the Fire Department.

Vice Mayor O'Brien inquired how the City works with surrounding municipalities.

Chief Kreis answered the City works together with surrounding municipalities through the automatic aid system, which makes all 30 participating municipalities a large Fire Department using the same training, procedures, and dispatch systems.

ADJOURN

There being no further business to come before the Council, Mayor Gallego declared the meeting adjourned at 5:17 p.m.