



GLENDALE CITY COUNCIL WORKSHOP SESSION
Council Chambers – Workshop Room
5850 West Glendale Avenue
April 03, 2007
8:30 a.m.

WORKSHOP SESSION

1. [FY 2007-08 BUDGET: 2ND WORKSHOP](#)
2. [UPDATED UTILITIES RATES ANALYSIS](#)

CITY MANAGER'S REPORT

This report allows the City Manager to update the City Council about issues raised by the public during Business from the Floor at previous Council meetings or to provide Council with a response to inquiries raised at previous meetings by Council members. The City Council may only acknowledge the contents to this report and is prohibited by state law from discussing or acting on any of the items presented by the City Manager since they are not itemized on the Council Workshop Agenda.

COUNCIL COMMENTS AND SUGGESTIONS

EXECUTIVE SESSION

1. LEGAL MATTERS
 - A. The City Council will meet with the City Attorney for legal advice, discussion and consultation regarding the city's position in pending and contemplated litigation, including settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. §§38-431.03 (A)(3)(4)).

Upon a public majority vote of a quorum of the City Council, the Council may hold an executive session, which will not be open to the public, regarding any item listed on the agenda but only for the following purposes:

- (i) **discussion or consideration of personnel matters (A.R.S. §38-431.03 (A)(1));**

- (ii) discussion or consideration of records exempt by law from public inspection (A.R.S. §38-431.03 (A)(2));
- (iii) discussion or consultation for legal advice with the city's attorneys (A.R.S. §38-431.03 (A)(3));
- (iv) discussion or consultation with the city's attorneys regarding the city's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation, or in settlement discussions conducted in order to avoid or resolve litigation (A.R.S. §38-431.03 (A)(4));
- (v) discussion or consultation with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations with employee organizations (A.R.S. §38-431.03 (A)(5)); or
- (vi) discussing or consulting with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property (A.R.S. §38-431.03 (A)(7)).

Confidentiality Requirements Pursuant to A.R.S. §38-431.03 (C)(D): Any person receiving executive session information pursuant to A.R.S. §38-431.02 shall not disclose that information except to the Attorney General or County Attorney by agreement of the City Council, or as otherwise ordered by a court of competent jurisdiction.



CITY OF GLENDALE

Council Communication

Workshop Agenda

04/03/2007

Item No. 1

TO: Honorable Mayor and City Council

FROM: Ed Beasley, City Manager

PRESENTED BY: Art Lynch, Deputy City Manager for Administrative Services
Sherry M. Schurhammer, Management & Budget Director

SUBJECT: **FY 2007-08 BUDGET: 2ND WORKSHOP**

Purpose

- This is a request for City Council to review the recommended FY 2007-08 budget requests for the following departments, work groups, and programs:
 - Follow up from the March 27 budget workshop
 - Landfill/Sanitation supplementals
 - Transportation supplementals
 - Other funds supplementals
 - Utility rates
 - Utilities supplementals
 - Preliminary capital improvement program, including the property tax rate
 - Stadium activities supplementals

Council Strategic Goals or Key Objectives Addressed

- This item incorporates the Council's strategic goals and key objectives while ensuring the city's financial stability by presenting realistic analyses about the provision of city services and future revenue expectations.

Background

- The material to be discussed is included in the budget workbook in the following tabs:
 - Enterprise/Other
 - CIP
 - Stadium Activities

- The utilities rate material will be presented in a separate council communication.
- At the March 27, 2007, budget workshop, Council requested follow-up on questions related to the public safety sales tax related to the second budget scenario presented to Council. Specifically, Council asked
 1. What are the current limitations on the use of the public safety sales tax?
 2. Under scenario 2, what are the proposed uses for the public safety sales tax?
 3. Will the uses be limited to the current uses allowed?
 4. How long will the public safety sales tax fund address the needs of the police and fire departments?

The answers to these questions are provided below.

1. What are the current limitations on the use of the public safety sales tax?

The allocation of public safety sales tax funds was specified in the voter-initiated proposition, with 2/3^{rds} allocated to police and 1/3rd allocated to fire. The purpose of the public safety sales tax was stated as:

Reducing response times and protecting neighborhoods by implementing community-based policing, combating gangs and violent crime, and providing backup for officers in dangerous situations; and improving fire protection and EMS by reducing response times.

Currently there are 33 police positions (23 officers, six (6) detention officers, and four (4) police communications specialists) and 18 fire positions (14 firefighters and four (4) fire engineers charged to the public safety sales tax funds. These designated sales tax funds also cover the costs of equipment purchases like radios, shields, laser speed devices, service guns, ammunition, and supplies for specialty teams

2. Under scenario 2, what are the proposed uses for the public safety sales tax?

The proposed uses are the same as the current uses, including the current allocation of 2/3^{rds} for police and 1/3rd for fire.

3. Will the uses be limited to the current uses allowed?

Yes. Only the police and fire departments would be allocated funds generated by the public safety sales tax. Other departments, even those related to public safety like the prosecutor's office and the city court, would not be allocated any public safety sales tax funds.

4. How long will the public safety sales tax fund address the needs of the police and fire departments?

It is anticipated that the proposed 4/10^{ths} of one cent increase to the existing public safety sales tax would allow for implementation of the Police and Fire needs assessments, as presented in January 2007, over a 3-4 year period. The General Fund would still be used to fund some items for these two departments, such as base budget operating cost increases.

- The FY 2008-2017 preliminary Capital Improvement Plan (CIP) is included in this budget workbook for your review, consideration and direction. The preliminary CIP reflects Council’s vision for a commitment to public safety, quality economic development, high quality services for the community, and a vibrant city center.
- The preliminary plan is financially balanced. This means it complies with the state’s constitutional debt limits and balances the use of incoming revenue streams with the use of fund balances. The financial projections used to develop the CIP are conservative and are based on our best prediction of future bond sales, interest rates, assessed valuation and other relevant variables.
- The preliminary CIP incorporates a secondary property tax rate decrease of \$0.0756, from the current \$1.4275 to \$1.3519. For FY 2007-08, the lower secondary property tax rate is expected to generate \$24.7 million. When combined with the \$0.0244 decrease recommended for the primary property tax rate, Glendale property owners would realize a full \$0.10 decrease in the city’s overall property tax rate, from \$1.72 to \$1.62. The \$0.0756 decrease in the secondary property tax rate allows the city to absorb significant increases in land and construction costs for existing projects in the current 5-year plan.
- Multiple jurisdictions levy property taxes. For example, school districts, counties, community college districts, and special purpose districts like Maricopa County’s health care district and the flood control district, levy property taxes in Maricopa County. Based on information provided by the Maricopa County Treasurer’s Office, city government, on average, reflects only 11% of a property owner’s tax bill. The following chart reflects the use of overall property taxes in Maricopa County:

Use of Property Tax 2006

Special Districts	7%
Community College	10%
County	11%
Cities	11%
Schools	61%
Total	100%

- Every year departments review existing projects in the current plan to ensure they are still viable projects that meet Council goals and objectives, revised departmental master plans and the changing needs of the citizens. Projects that do not meet those goals are deleted.
- Every year departments update estimated costs for all capital projects in the plan based on current market conditions such as current construction costs for materials like structural steel, copper and brass, cement, and paving asphalt. Price escalation has been the norm in the construction industry with double-digit increases over the last three years. For example:
 - structural steel prices climbed 15% in 2006;

- copper and brass costs increased 81%;
 - wallboard prices went up almost 19%;
 - paving asphalt jumped almost 28% in 2006; and
 - cement prices have increased at a 12.4% annual rate for the past two years.
- For the first five years of the existing plan, FY 2007 thru FY 2011, capital costs for general obligation bond-funded projects increased by \$49M:
 - \$19M Public Safety
 - \$13M Flood Control
 - \$11M Streets/Parking
 - \$5M Parks
 - \$1M Library
 - The largest increases included:
 - Public Safety Training Facility (\$7.5M);
 - City Court (\$7M);
 - Fire Administration Relocation (\$2.3M);
 - Bethany Home Outfall Channel (\$6.1M);
 - Bethany Home, 75th-67th Avenues (\$3.2M); and
 - The Downtown Parking Garage (\$9M-\$11M).
 - Arizona's State Constitution limits the total outstanding principal on most G.O. bonds to 6% of the city's total assessed valuation. The 6% category includes library, cultural/historic, government facilities and economic development. Voter approved Proposition 104 moves public safety, streets/parking and transportation facilities into the 20% category with parks, open space & trails and flood control.
 - Over the past three years the city's secondary assessed valuation increased an average of 8%. For FY 2007-08 the city will realize a 33% increase in secondary assessed valuation. The increases are the result of both the rise in property values as well as continued growth in new construction activity. The city will continue to see growth due to new development throughout the city.

FY	Secondary Assessed Valuation	% of Growth
2005	\$1,144,550,017	6%
2006	\$1,269,568,147	11%
2007	\$1,370,989,076	8%
2008	\$1,827,019,187	33%

- The FY 2007-08 property tax bill residents receive reflect the 2005 real estate market, and the FY 2008-09 property tax bill residents receive will reflect the 2006 real estate market, as illustrated below.

June 2007

Jurisdictions set tax rate for FY 2007-08 based on 2006 assessed valuation notices which reflects the 2005 real estate market.
↓
June 2008
Jurisdictions set tax rate for FY 2008-09 based on 2007 assessed valuation notices which reflects the 2006 real estate market.

- As you review the plan, please note the following points:
 - New projects are identified with a double asterisk --**-- in the project’s title. New projects in the General Obligation (G.O.) Bond category have been added to the last five years of the plan with the exception of Pavement Management. Projects funded with development impact fees, intergovernmental agreements, grants and special revenues (water, sewer, sanitation, landfill and transportation) have been added based on availability of new funding in the first five years.
 - All projects have a project number. Project numbers with the letter “T” reflect temporary numbers. These projects will have a permanent number assigned for the final budget document if funding exists in Year 1.
 - Pay-as-you-go (PAYGO) projects are listed on pages 341-347 of the Capital Improvement Program section of the budget workbook. General Fund operating dollars fund PAYGO capital projects. Therefore PAYGO projects are balanced against supplemental budget requests each year.
 - This year you’ll notice that “Technology Infrastructure” has been added to the General Fund, pay-as-you-go (PAYGO) category (pages 350-352). New IT infrastructure projects have been added to the last five years (2013-2017) of the CIP.
 - The Strategic Initiatives Group (SIG) submitted the projects in this category. SIG, with representatives from all city departments, was initiated to provide a viable, consolidated request for information technology infrastructure.
 - SIG compiled a list of information technology needs that meet three criteria: (1) Direct customer service benefits to citizens; (2) Creation of efficiencies in operations and cost savings; and (3) Technology that is crucial to operations using the current number of employees.
 - Capital improvement projects in the Enterprise funds (water & sewer, sanitation/landfill and transportation) are financially balanced and supported by

existing/proposed rate structures. There are four new projects in the Landfill fund that staff recommends be moved from FY 2013-17 to FY 2008. These projects support continued improvements and safety at the Landfill:

- MRF Facility Improvements (pg. 325)
 - Landfill Gas System Expansion (pg. 325)
 - MRF Process Line Improvements (pg. 325)
 - Landfill Entrance Signal (pg. 326)
- As mentioned previously, the 2-inch overlay portion of the Pavement Management Program is included in years 1-5 of the Streets/Parking bond category (page 262). The \$8M for the 2-inch overlay and \$3.5M for the 1-inch portion (pgs. 442-443) will be funded by bonds backed by the designated sales tax revenue for transportation. This recommendation is supported by continued sales tax growth; the ability to leverage the sales tax growth with bonds and changes in Council priorities; and the timing of light rail.

Previous Council/Staff Actions

- The first budget workshop occurred on March 27, 2007. These budget discussions included the two budget scenarios and the supplemental requests for the Police and Fire Departments.

The Budget Workbook containing the city manager's recommended budget for FY 2007-08 was delivered to the Mayor and Council on Wednesday, March 14, 2007. It was posted on the city's webpage for citizens to view on Friday, March 23, 2007.

Community Benefit

- Glendale's budget is an important financial, planning and public communication tool. It gives residents and businesses a clear and concrete view of the city's direction for public services, operations and capital facilities and equipment. It also provides the community with a better understanding of the city's ongoing needs for stable revenue sources to fund public services, ongoing operations and capital facilities and equipment.
- The budget provides Council, residents and businesses with a means to evaluate the city's financial stability.

Public Input

- All budget workshops are open to the public and are posted publicly per state requirements.
- Future budget workshops are scheduled as follows:

- April 10, 1:30 p.m. – 5:00 p.m.
- April 17, 1:30 p.m. – 5:00 p.m. (If needed)

Policy Guidance

Today's workshop is for information only. Decisions on the proposed budget will not be requested until the final balancing workshop, scheduled for April 10, 2007.



CITY OF GLENDALE

Council Communication

Workshop Agenda

04/03/2007

Item No. 2

TO: Honorable Mayor and City Council
FROM: Ed Beasley, City Manager
PRESENTED BY: Roger S. Bailey, P.E., Utilities Director

SUBJECT: [UPDATED UTILITIES RATES ANALYSIS](#)

Purpose

- This is a request for City Council to review and provide direction on the proposed update to the water and sewer rates.

Council Strategic Goals or Key Objectives Addressed

- An annual review of the city's water and sewer rates is consistent with the Council goals of a city that is fiscally sound and that provides high quality services for its citizens.

Background

- The Utilities Department hired a consultant to conduct annual comprehensive water and sewer cost of service study. The study evaluates all current water and sewer rates, system revenue generation and full cost recovery. The consultant provides recommendations for rate structures that will meet all revenue and debt service requirements of the Utility Enterprise Fund.

Previous Council/Staff Actions

- On November 14, 2006, Council authorized Red Oak Consulting to conduct an independent assessment of the existing rates, fees, revenue generation and full cost recovery for Fiscal Year 2006/07 and provide recommendations to Council to ensure the Utilities Department continues to remain fiscally sound into the future. This study has been completed and presented on an annual basis since 2003.

- On June 13, 2006, following the legally prescribed public hearing, Council authorized the adoption of a resolution implementing water and sewer rate adjustments effective with the October 2006 utility billing.
- On May 9, 2006, Council adopted a notice of intent to increase water and sewer rates and set the public hearing for June 13, 2006.
- At the March 7, 2006 Council Workshop, consultant Black & Veatch updated the February 2, 2004 annual Water and Sewer Rate Analysis and presented their findings and recommendations.
- On October 26, 2004, following the legally prescribed public hearing, Council authorized the adoption of a resolution implementing water rate adjustments effective with the January 2005 water utility billing.
- On December 16, 2003, Council directed staff to proceed with implementation of a ten-year annual water or sewer rate increase beginning with the first increase in water rates effective with the January 2005 billing. Per Council direction, this authorization was predicated on an annual review of the utilities needs assessment and the water and sewer rates.
- On June 5, 2001, Council authorized a three-year series of sewer rate increases beginning with the November 2001 billing and ending with the February 2004 billing.

Community Benefit

- The annual review of the water and sewer rate schedules will enable the city to maintain its current level of service to existing residents as well as support future growth.
- The annual review provides Council with current information to determine the need to increase rates.

Public Input

- Prior to any formal action by Council on changing utility rates, public notice is given and public hearings are held.

Policy Guidance

Consider and provide direction on water and sewer rates.