

***PLEASE NOTE: Since the Glendale City Council does not take formal action at the Workshops, Workshop minutes are not approved by the City Council.**



**MINUTES OF THE
GLENDALE CITY COUNCIL SPECIAL BUDGET WORKSHOP SESSION
Council Chambers
5850 West Glendale Avenue
March 27, 2013
9:00 a.m.**

PRESENT: Mayor Jerry P. Weiers, Vice Mayor Yvonne J. Knaack and Councilmembers Norma Alvarez, Ian Hugh, Manuel D. Martinez, Gary D. Sherwood, and Samuel U. Chavira

ALSO PRESENT: Richard Bowers, Acting City Manager; Jamsheed Mehta, Interim Assistant City Manager; Nicholas DiPiazza, Chief Deputy City Attorney; and Pamela Hanna, City Clerk

WORKSHOP SESSION

1. 1st BUDGET WORKSHOP

PRESENTED BY: Sherry Schurhammer, Executive Director, Financial Services

The purpose of this City Council Report is to present the draft Fiscal Year (FY) 2013-14 operating budget. An overview of the draft FY 2013-14 budget for the General Fund (GF) will be presented as part of this report because it is the city's largest operating fund. This report also provides Council an opportunity to review the proposed cost of all city services provided by city departments based on the draft FY 2013-14 budget. This is for Council information only.

Mr. Mehta discussed the five objectives in preparation of adoption of the new budget for the next fiscal year. He said the general fund is expected to have a deficit in the coming years and this needs council's attention.

Ms. Schurhammer spoke about summary overview of the draft FY14 budget. She said the information provided is based on estimates from the most current information available. Those numbers will change as new and better information becomes available. She said the focus is on the general fund because it is the city's largest operating fund and supports the largest number of services provided to the community. She said the cost of service review covers all funds. Two

public input meetings are scheduled for next week. The public will have an opportunity to ask questions. She said decisions can be delayed until the April 16th meeting, but the decisions need to be made on that April 16th date.

Councilmember Sherwood asked when the CIP information would be available. Ms. Schurhammer said it should be available by the end of next week. The first slide presented by Ms. Schurhammer showed figures with and without the team. She said they believe the revenue will come in just over \$2 million less than what the adopted budget indicates. The expenditure figure of \$127.4 million includes the \$2.5 million in unbudgeted general fund expenses that the prior council added to the current fiscal year. These included transfers to the workers' comp fund, risk management trust fund, the water services fund and an issue dealing with premium benefits. Ms. Schurhammer said if the \$17 million had been paid, the fund balance would have been -\$3.4 million, which is an ongoing structural operating deficit. This is not sustainable over the long run and is not in line with council's budget strategy to rebuild the fund balance. She said this issue became clear near the end of last summer, after they completed the last fiscal year and saw the actual ending fund balance. Due to this, the arena management agreement was renegotiated.

Councilmember Martinez asked if part of the money went to pay unbudgeted expenses. Ms. Schurhammer said the \$2.5 million in unbudgeted expenses were expenses not included in the adopted general fund budget. They were expenses that came up as a result of the workshop discussion about the internal audit report that was done on the risk management and workers' compensation funds. She added that Council directed those funds be repaid and they were repaid out of the general fund.

Ms. Schurhammer then discussed the budget figures that did not include paying the arena management fee of \$17 million. In this case, the fund balance grows from \$6.9 million to \$13.6 million. That \$13.6 million will get the city to about a 9 percent contingency and Council's policy is to have a 10 percent contingency.

Councilmember Sherwood asked if the \$2.3 million was part of the numbers Ms. Schurhammer just discussed. Ms. Schurhammer said it was.

Ms. Schurhammer said she previously advised Council there were some pending operating expenses that were not in the FY13 budget. These are expenses that will exceed the budget plan previously laid out. These expenses total \$2.2 million. She said drawing down the fund balance is not recommended for these expenses and they will bring some alternatives forward to council at the next meeting.

Councilmember Chavira asked about the city of Phoenix's bond rating and asked why Glendale needed a 10 percent contingency when Phoenix only had a 5 percent contingency. She said Glendale bond rating ranges between A1 and A3, which is medium investment grade. Councilmember Chavira asked further questions about the municipal bond rating. Ms. Schurhammer said they did not get a rating upgrade with that and they got ratings with negative outlooks. Councilmember Chavira asked if refinancing was an option. Ms. Schurhammer said

refinancing might be an option in the future, but the city has refinanced everything they could just this last December. Councilmember Chavira said it didn't seem to make sense to him after looking at all the figures in the budget book. Ms. Schurhammer also discussed the salary savings for employees that have left the organization, resulting in salary savings of only about \$500,000 to \$600,000.

Councilmember Martinez asked about refinancing and if the city has done this on a regular basis when conditions are good. Ms. Schurhammer said bonds have been restructured over time when the conditions were right.

Councilmember Sherwood asked about the \$2.5 million figure. Ms. Schurhammer said it was \$2.5 million more than the adopted budget.

Councilmember Chavira asked what would the net savings be in FY14 including the turnover rate. Ms. Schurhammer said they were showing \$3.5 million in reductions, which is almost entirely vacancies. There was further discussion about the number of employees, the savings for each employee and frozen positions with no salary connected to them.

Ms. Schurhammer then discussed general fund preliminary balancing projections, which included the draft numbers for FY14 and also included the \$2.2 million in additional general fund expenses. If the council adopts the additional \$2.2 million in expenses, the fund balance will be only 7.5 percent, compared to almost 9 percent without that expense. She said there are several things that are eating into the \$17 million arena management fee. The city is expecting a shortfall of \$2.2 million, there were prior council approved expenses of \$2.5 million that were not part of the adopted budget and there is another \$2.2 million in the additional expenses which were previously discussed.

Councilmember Alvarez asked about the \$2.5 million. Ms. Schurhammer said it reflects the amounts approved by council to repay the water sewer fund and the risk management trust fund. Those expenses were not included in the budget and were above and beyond what they had planned on.

Ms. Schurhammer then spoke about the draft FY14 figures. There were additional expenses for premium costs for employees, costs associated with the MOUs which were adopted by the previous council, retirement contribution rate increases for the employer for all three retirement funds. She said the draft FY14 numbers show an ongoing structural deficit as expenditures continue to be more than revenue. She said the prior council agreed to use the healthy fund balance, along with reductions, to help cushion the impact until the economy started to recover.

Councilmember Chavira asked how many positions were transferred from the general fund to other funds, such as the enterprise fund. Ms. Schurhammer said she did not know of any positions moved as Councilmember Chavira described. She said there were employees that moved into vacant positions in enterprise funds to do enterprise fund work.

Ms. Schurhammer then discussed general fund transfers and said the largest part is for MPC bonds. She said this debt has been issued over the last 10 or 11 years. MPC debt was issued to construct the arena, to pay for a portion of the public safety training facility, the media and convention center parking garage. She said this debt is scheduled to be paid in the 2030s.

Vice Mayor Knaack asked Ms. Schurhammer what the MPC debt was last year. Mr. Bolton said the MPC debt for FY13 was \$13.4 million. Ms. Schurhammer said for FY13, in the adopted budget, before revenue offsets, the debt was \$30 million. For FY14, before restructuring done in December, the city would have paid \$37.7 million total before revenue offsets. With the restructuring, it changed to \$29.4 million, and with the revenue offset, the total is approximately \$21 million.

Councilmember Martinez asked if the total debt service last year was \$86 million. Ms. Schurhammer said the debt service payment for FY13 in the adopted budget, across all funds, was \$77 million.

Councilmember Alvarez asked if there was a partnership with the media center and the parking. Ms. Schurhammer said there was offsetting revenue from the hotel and that money is being collected. Ms. Schurhammer said there was a dispute by Hammons about the rental payment, so negotiations were going on to resolve the billing dispute. She said the dispute was over the meaning of the words. Her understanding was the issue had been resolved and they were now paying.

Councilmember Hugh asked if they were including the cost of the parking at Westgate. Ms. Schurhammer said that amount was not part of this discussion because that is a new cost.

Ms. Schurhammer said the next largest amount of money was the arena management fee, which was \$6.5, which includes \$500,000 for capital replacement. Next are operations costs in terms of arena events and stadium expenses. This \$3.1 is the amount the general fund pays after taking into account the partial reimbursement revenue received from those facilities for the public safety services that are provided. Ms. Schurhammer then discussed repayment of the NHL interfund loans. This reflects the annual amount the general fund is expected to pay until those interfund loans are retired. She said before the end of the fiscal year, they might be moving forward with a lease leaseback. That would allow the city to repay the funds from which they borrowed the money and repay them up front.

Councilmember Alvarez asked how much was the total amount of funds to be repaid. Ms. Schurhammer said the total amount borrowed from the other funds is \$45 million. She said if they were successful in the lease leaseback arrangement, those funds would be paid in full.

Ms. Schurhammer next discussed the general fund five year forecast, beginning with FY14 and ending with FY 18. She said if there are only \$3.5 million in reductions, the city will continue with the ongoing structural deficit. The city will continue to spend more each year than it collects in revenue. The fund balance will continue to get worse until FY18, with the sales tax rate adjustment. The ongoing structural deficit exists even with the sales tax because there is a

negative fund balance. By FY18, if the sales tax stayed in place, the city would be \$1 million short of ongoing revenues covering ongoing expenses. Additional reductions are going to be required above the \$3.5 million.

Ms. Schurhammer it has been council's policy to maintain a 10 percent fund balance for many years. According to rating agencies, the general fund balance is an indicator of the overall health of the city. A healthy general fund reserve shows that the city not only has reserves, but is prepared to deal with emergencies as they arrive. The prior council adopted a strategy to rebuild general fund reserves. The bond investors and rating agencies were advised of this fact. The Moody's rating agency report said the city's general fund is substantially weaker than other cities with the same bond rating. They also said Glendale has a weaker fund balance than most other valley cities. The Moody's report also stated that improvement in the city's rating would rely on "substantially improved operating performance, including positive and sustainable general fund reserves." It also stated that downward adjustments in the city's rating could occur with "continued deterioration of the city's financial position." Ms. Schurhammer said any further downgrades will affect the city's ability to borrow in the future, not only for the general fund, but for all the funds.

Councilmember Martinez asked what formula was used regarding revenue growth. Ms. Schurhammer said the growth starts at 2.6 percent for growth from FY14 to FY15 and is just under 4 percent by FY18.

Councilmember Chavira asked if that accounted for the 3 percent growth from year to year. Ms. Schurhammer said it does.

Ms. Schurhammer next went over the five year forecast with additional reductions in FY15 and FY18. The other key change was the city ended up with a growing fund balance. She said although the fund balance does grow slowly, if there are a couple of unplanned expenses, the city will end up in the same situation.

Councilmember Chavira asked if these numbers included the city's assets, the departments that produce revenue like the landfill. Ms. Schurhammer said this is the general fund only and does not include the landfill, sanitation, water and sewer. She said in the current fiscal year, the enterprise funds, including transportation sales tax funds, pay about \$8 million for cost allocation. These are the services that the general fund provides that those operations would normally have to go out and purchase themselves if they were separate authorities. The enterprise funds are paying for those services and this is a common practice in cities and counties.

Councilmember Hugh asked if the projections included any pay increases for the general fund staff. Ms. Schurhammer said there was nothing for FY14. In FY15 and FY17, the inflationary adjustments were put in to cover pay adjustments and other cost increases related to fuel, electricity, and water.

Vice Mayor Knaack said her question was the inflationary costs were only listed for the two years, but costs go up every year. Ms. Schurhammer said inflationary costs could be added in other years, but it would mean larger cuts. Vice Mayor Knaack also said the arena management fee was also an estimate as well. Ms. Schurhammer said the number could change. Mr. Bolton said the \$3.8 adjustments also reflected MOU adjustments and that is why they are staggered.

Ms. Schurhammer said Councilmember Chavira was asking about the enterprise funds on the expenditure side. She said there are some operations in the city, not reflected in the general fund, but that are paid for by the enterprise fund. She said the customer service office is paid for, in part by water, sewer, sanitation and landfill, and part of it is picked up by general fund to cover the city sales tax side. She said those are employees and expenses reflected in the operating budgets for those enterprise funds.

Ms. Schurhammer next discussed the cost of service. She said the focus will look at the general fund. She said police and fire comprise 63 percent of the general fund budget. She said Parks, Recreation and Libraries, Public Works and Financial Services comprise an additional 18 percent. These five departments comprise 80 percent of the general fund. By increasing the operating budget of one department, other department operating budgets will be decreased. Even with the overall drop in general fund operating expenses, the police and fire budgets had an 11 percent increase over the same period of time. This increase is attributable to pay adjustments as well as retirement contribution rate increases.

Councilmember Chavira asked how much of the \$26 million from Prop 457 has gone toward lowering the response times that they have now. Ms. Schurhammer said the sales tax rate increase goes into the general fund, just like the old sales tax revenue number does. She said it is used to support general fund operations. She was unsure how the \$23 million expected this year from the sales tax would be allocated among all the general fund departments. She said it just counted towards the bottom line. Mr. Mehta said what portion of the additional 7/10 would have gone to public safety. He said it is in the same proportion as the general fund operating budget is reflected. So, it is 63 percent of that is what would go unless there was a change in direction or policy.

Vice Mayor Knaack said Prop 457 did not increase the tax, it just kept it. The tax was increased by the majority of the council. She said the sales tax was to benefit all the departments, public safety just gets a big portion of that.

Ms. Schurhammer next discussed cost of services for Community and Economic Development. She went over the services provided, the number of employees and which funds the employees were paid out of as well as costs associated with salary and benefits, non-salary expenses and internal service premiums.

Mr. Brian Friedman, Executive Director, Community and Economic Development, talked about the different divisions within Community and Economic Development. He proposed an 8 percent decrease for FY14.

Councilmember Martinez asked how many employees for this fiscal year. Mr. Friedman said there were 39.75 employees for FY13 present, going to 36.75.

Mr. Friedman said this fiscal year over 33,000 inspections have already been completed, compared to just over 16,000 at the same time last fiscal year. Planning's revenues have exceeded last year's total collections and they have the largest number of clients and prospective clients than they have had in many years. He pointed out a couple of errors that were found in the documents.

Councilmember Martinez asked how they are going to keep up if the number of inspections and requests keep increasing. Mr. Friedman said they are doing about 18 inspections per day per inspector in the department and each area is doing everything they can. He said if things get too busy, they will return to council to ask for additional resources, but feels this is the right step in light of what the city faces.

Vice Mayor Knaack asked with the Super Bowl coming in two years, what they were going to do. Mr. Friedman said \$10,000 was set aside this year for the Super Bowl and will continue to network with the various organizations to get the word out about all Glendale has to offer.

Councilmember Alvarez asked what amount was in the VIP program. Mr. Friedman said this fiscal year, the total is approximately \$150,000 and \$39,000 or \$49,000 was approved to assist in the Centerline District next year.

Councilmember Sherwood was concerned about the costs of development and the need for more staff during the upcoming big events.

Vice Mayor Knaack commented that their plan review times were the lowest in the valley, and they are doing a very good job with the limited resources that they have. Mr. Friedman said most of his staff were seasoned, long-term employees who were very good at what they do.

Councilmember Hugh asked if there were funds available in the budget for incentives for new development. Mr. Friedman said they have no funds. He said there are several major projects on the horizon and if additional funds are necessary to attract these new businesses, they will return to council to discuss the opportunity to attract that additional capital investment to Glendale.

Ms. Schurhammer next discussed the Parks, Recreation and Library Department. They have over 100 employees and their budget is almost \$15 million.

Mr. Erik Strunk, Parks, Recreation and Library Services, said the department consists of four major parts, Library and Arts, Parks and Right of Way Maintenance, Recreation Services, and Department Administration. They are proposing that staffing levels remain the same for FY13/14. The Library and Arts department are responsible for running the three city libraries. They do job training and run education programs. The Public Arts Program administers the arts program with arts related events and is responsible for the maintenance of the art pieces the city owns. The Parks and Rights of Way department is responsible for the maintenance and upkeep

of all the parks and sports complexes and the streets and landscaping in the rights of way. Recreation Services oversees all the recreational programming, including the aquatics centers, the adult center and the after school programs. The Administration is responsible for budgeting, the CIP and providing direction for the department.

Councilmember Sherwood asked how many open positions they have. Mr. Strunk said they are currently recruiting for three positions right now and the rest are through retirement or attrition and will not be filled.

Vice Mayor Knaack said the Arts program is funded through CIP, but the FTEs come out of the general fund. Mr. Strunk said 50 percent of the salary has been paid out of the general fund and 50 percent out of the Arts fund. His budget asks to shift the remaining 50 percent into the Arts fund. Vice Mayor Knaack asked about cost recovery and making everything sustainable. She said she didn't see these programs becoming 100 percent sustainable. She said she has seen the effect of the fee increases on some of the programs. She asked if Mr. Strunk has done any cost analysis on the lost revenue due to the fee increases. Mr. Strunk said they are continuing to review the effects of the fee increase through this year. He said the fee increase has affected different programs in different ways. The Adult Center has shown a decrease, but Rose Lane Pool has shown an increase. Vice Mayor Knaack said they need to keep an eye on the cost recovery and balance that with the facilities being used.

Councilmember Martinez asked if the community center was open five days a week and what was the staffing at that facility. Mr. Strunk said the community center is open Monday through Friday. The morning hours are for seniors and the afternoon hours are for youth programs. He said this facility does not have city staff assigned to it. He said the YWCA is the non-profit that provides the senior portion of the programming and the Glendale Youth Project provides the afternoon programs for the children.

Councilmember Alvarez asked about the fees to use Rose Lane Pool. Mr. Strunk said the aquatics fees range from free for toddlers to \$6.00 for adults depending on whether you are a resident of Glendale or not. After a question from Mayor Weiers about what constitutes a senior, Mr. Strunk said ages 55 plus is considered a senior.

Councilmember Hugh asked if the department planned to keep all three of the libraries open. Mr. Strunk said under the proposed budget provided, all the libraries were expected to remain open at the same levels they are today.

Ms. Schurhammer next introduced Ms. Frisoni, Executive Director, Communications. Ms. Frisoni said there were 9 divisions in the Communications Department. They operate the special events division, the Convention and Visitor's Bureau. They manage the city's website and operate the television station. The 9 divisions are the Civic Center, Public Information staff, a graphic design division, administration, audio/visual, web, Glendale 11, the Convention and Visitor's Bureau and special events. There are 28 FTEs, with 21.5 funded from the general fund. She said they are proposing a reduction of 1.5 staff members and some operational money out of

the Civic Center. Ms. Frisoni said they are a revenue generating department and the special revenue funds generated go back to the department to relieve the general fund.

Vice Mayor Knaack asked about the CVB bed tax and the 2.5 employees. Ms. Frisoni said the bed tax has two components, the 3.4 percent which existed before council raised the bed tax rate. The 1.6 percent was just recently added. There are legal requirements that a portion of the 3.4 percent go to pay for tourism activities in the city. She said those bed tax dollars were originally going to the general fund and then to the tourism department through the general fund. She said that 3.4 percent revenue is now going straight to the tourism division and funding all the functions of that division, including staffing and operational costs. This will cover almost the complete cost of the tourism division. She said there may be about a \$38,000 general fund transfer, depending on how revenue comes in that might have to assist that office, She said this means the CVB and the tourism division will be almost entirely supported by bed tax revenue generated in Glendale. Vice Mayor Knaack said she was very happy with the result.

Vice Mayor Knaack asked Ms. Frisoni to address the news that there will be no Jazz & Blues Festival. Ms. Frisoni commented it was published in the Arizona Republic that there would be a Jazz & Blues Festival, which was incorrect. They are working with the Arizona Republic and other media outlets to do a story about the cancelation of the festival and to get the word out about it.

Vice Mayor Knaack asked about the progress made to decrease costs with Channel 11. Ms. Frisoni said staffing at Channel 11 has been almost cut in half. She said they currently have only 4.5 employees. She said they have shifted focus from the television station to online content. The online content is viewed by about 6 million people per year. She said this shift in focus has allowed the smaller staff to do more work with less by placing everything online in shorter form than half hour television programs. They also rent their media studio space to outside clients.

Mayor Weiers asked about figures for expo hall and studio rentals. Ms. Frisoni said over the last year, \$350,000 in revenue has come into the general fund each year for studio and expo hall rentals.

Councilmember Hugh asked if any of the bed tax moneys were being planned for the Super Bowl. Ms. Frisoni said it is their only source of funding to work any mega events.

Councilmember Sherwood asked about the 1.6 portion of the bed tax. Ms. Frisoni said this money goes toward additional marketing initiatives. She said this will be one of the ways to pay for Super Bowl related activities.

Mr. Sam McAllen, Interim Executive Director, Neighborhood and Human Services, said this department consisted of the Community Action Program, Community Housing, Community Revitalization and the Code Compliance. These departments provide support and emergency assistance, safe housing, CDBG programs and code enforcement. He said \$24.9 million of their budget is grant funded and 6 percent is general fund. He said they are relocating their

Community Action Program to City Hall for cost savings. Changes are being made to their programs for a savings of \$599,919.

Vice Mayor Knaack asked where they were losing an FTE. Mr. McAllen said it was a Code Compliance Inspector position that is currently vacant. He said they will be hiring one person to assist with Code inspections in three zip codes.

Councilmember Martinez asked what happened to the 4.5 positions that are not in the proposed new budget. Mr. McAllen said 3 general fund positions are currently vacant. He said the other 1.5 positions are grant funded and they don't have the funding at this time.

Councilmember Alvarez asked about the Code Compliance Department not responding to complaints or not responding to issues they might see while out in the field. Mr. McAllen said that residents contact the Code Compliant Department to initiate a violation. He said for the current year, 40 percent of the cases initiated have been proactive. He said when they are out in the field, they look at adjacent properties for violations and those are addressed. Mr. McAllen said they have had a dramatic reduction in the number of inspectors, which decreases the proactive activity they are doing right now. He said they have applied for the CDBG funds for the one inspector position. This inspector will be a proactive position which will work in 85301, 85302 and 85303 zip codes. Councilmember Alvarez said citizens who call in sometimes have lengthy wait times. Mr. McAllen said they have also lost 1.5 administrative staff positions, but they are still taking phone calls and web complaints. He said that is how they are primarily addressing complaints. He discussed the neighborhood clean-up program and the tool lending program to assist the public to clean up their neighborhood. Councilmember Alvarez asked if inspectors were assigned to certain neighborhoods. Mr. McAllen said there were inspectors assigned to specific areas for complaints and proactive enforcement as well as one commercial inspector and one residential rental inspector.

Mr. Stuart Kent, Executive Director, Public Works, which includes Field Operations and Engineering, addressed the Council. He said \$31 million of the almost \$40 million budget is not in the general fund. He said for the enterprise funds, the landfill and sanitation collect fees directly from their customers. Mr. Kent went over the costs of the different departments in his division. He said the FY14 budget includes the elimination of 10 positions in Public Works. He said 6 of the 10 are from the general fund and are all currently vacant. The remaining 4 positions are in the enterprise funds or fleet management operations, which are all vacant. He said outsourcing custodial staff is not in this proposal, so there are no layoffs proposed.

Vice Mayor Knaack asked a question about there not being any employees assigned to graffiti removal. Mr. Kent said the graffiti program is moving to HURF. The 2 staff positions will still be doing graffiti removal on same schedule they currently doing it. Ms. Schurhammer said that other cities do it this way as well.

Councilmember Hugh asked about street repair and replacement. Mr. Kent said street repair and maintenance is not changing as part of this plan. He said there is \$2 million from the GO tax that

they will be using and items will be brought forward to council showing how that money will be spent.

Mr. Craig Johnson, Executive Director of Water Services, which includes Utilities and Environmental Services, provided information to Council. He described the several divisions of the department, to include Administration, the water treatment plants, Water Usage and Customer Service. He provided information about the water systems and pretreatment program. He said the budget is about \$44 million with 204 FTEs. Two FTE positions will be eliminated in the FY14 budget, both of which are vacant. He said revenue is estimated to hold steady for FY14. Expenses are below expectation for the current year and next year, so there will be no rate increase for FY14. They are trying to hold down expenses by doing contract work in house and utilizing an optimization program with cooperative agreements whenever they can. He said the Citizens Task Force on Water and Sewer was very successful and gave the members of the task force a good understanding of how their operations work. One of the recommendations made was that the city continues with an advisory commission and Mr. Johnson said he was bringing that forward for review and looked forward to the opportunity.

Councilmember Martinez asked about the security position contract. Mr. Johnson said they were contracting out that position and said they are saving about \$60,000 by doing this. He said the firm they are using is the same firm the city uses in other areas and they are familiar with the city and its operations.

Councilmember Alvarez asked how many contract employees Mr. Johnson had in his department. Mr. Johnson said they had part time and temporary employees that works for the department as needed, and they are not included in the 202 employees listed.

Councilmember Sherwood asked about how revenue is projected for FY14. Mr. Johnson said the revenue is holding steady and he is not forecasting increases in revenue. He has also built in a 3 percent increase in expenses so he can get a feel for what rate increases might be necessary in the future. He said the conservation program is working and he is excited about it. Councilmember Sherwood said he got to see the conservation program at work during his time on the task force and said it was a good program.

Vice Mayor Knaack said water is a very important issue and she said Water Services has done a good job of putting off a rate increase for a long time. She complimented the conservation efforts. She said because of conservation efforts, the valley does not use any more water than it did in 1957.

Ms. Cathy Colbath, Interim Executive Director, Transportation Services addressed the Council. The department has 76 FTEs. The Transportation Department is made up of areas regarding traffic safety, transit, planning and programs and the airport. She said they manage the 25 year GO Program. They provide staffing several commissions and have a lot of citizen input. She provided information about the various programs and services the Transportation Department offers.

Councilmember Martinez asked how the Transportation budget shows they are gaining one position. Ms. Colbath said they lost 3 positions, so they are not gaining any positions.

Councilmember Chavira commented on how Transportation has approached the bus stop issue. He appreciated the efforts to get the bus stops out there so it is easier for people to use public transportation.

Councilmember Sherwood asked if Northern Parkway operations have always been budgeted. Ms. Colbath said that Northern Parkway has been in the planning stage for a long time and has now moved to the implementation phase. She said the costs are programmed in and has been planned for a number of years, but is not sure when the costs are going to begin. She said if the portion of the road is completed before the end of the year, there may be some costs allocated for this year.

Ms. Schurhammer clarified a question about when Council would receive the Capital Improvement Program information. She said that information would be delivered by Friday.

Mayor Weiers called for a lunch break and for the meeting to resume at 1:00 p.m.

Mayor Weiers called the meeting back to order.

Ms. Schurhammer discussed the Internal Services Departments, the first of which is Financial Services, which has 63 FTEs. Four positions will be eliminated, which include one vacant position and the outsourcing of the collection department. She went over the various duties for the Financial Services department, which included billing for the water, sewer and sanitation. They process liquor licenses, sales tax licenses and business professional licenses. Staff in this department also produces the CAFR every year. This department also has the Purchasing department which includes writing RFPs and invitations for bids and change orders and contract amendments. Citywide payroll and accounts payable also fall under this department. They also assist all the other city departments on accessing financial data. Things such as the arena management fee are also captured by this department.

Councilmember Martinez asked about the FTEs in the customer service department. Ms. Schurhammer said out of the 12 positions, 9 positions answer the phones, although not all 9 work every day. Minimum call volume is about 10,000 per month, and these calls go up when there are rate changes. She said they are evaluating hours of operation and are reviewing call volume statistics. Councilmember Martinez asked if the drop box in front of City Hall is being used. Ms. Schurhammer said there is some use for the drop box and a bid for kiosks has been put out for bid. They are working with a vendor and are working on that issue.

Mr. Jim Brown, Interim Executive Director, Human Resources and Risk Management next addressed Council. He said in FY14, this department will have 19 FTEs. He said HR and Risk Management have seen a reduction in over one-third of its staff, and remaining staff has worked very hard to get critical work done. This department manages workers' compensation, employee

benefits administration, compensation and classification, recruitments and employee development. He said the current HR to staff ratio is 89 to 1.

Vice Mayor Knaack asked if the benefits package has been brought to council for review. Mr. Brown said as far as he knows benefits and compensation have been brought forward in at least one workshop in the last five years. Councilmember Hugh asked if the city has ever considered purchasing and sharing benefits with other organizations. Mr. Brown said that is something that has come up in the past and they will be looking at the consortium option for FY15.

Mr. Chuck Murphy, Executive Director, Technology and Innovation, addressed the Council about technology, technology replacement and telephones. He said there are a total of 28 FTEs. There will be a reduction of two vacant positions, for a total of 26 FTEs. He said the LEAN program has been a success in reducing costs associated with providing services and has saved several thousand hours in city services. The department is concerned about employee retention, the technology replacement fund and Super Bowl support.

Councilmember Sherwood asked Ms. Schurhammer if she has the numbers associated with the Super Bowl. Ms. Schurhammer said they have the numbers for the last Super Bowl and have made projections of what the next event could cost but have not worked on coming up with a firm estimate yet.

Ms. Schurhammer next spoke about non-departmental and miscellaneous grants department. She said non-departmental is the area where expenses are captured that are not attributable to any one department, such as unemployment insurance, long term disability and memberships in such organizations as the National League of Cities. There is also grant appropriations that have received grant funding.

Ms. Schurhammer also addressed the issue of the payment drop boxes that was brought up by Councilmember Martinez. She said there are no other drop boxes as they were having security issues with them.

Debora Black, Interim Police Chief, addressed Council regarding the Police Department. She said the general fund accounts for 70.3 percent of the budget and the public safety sales tax or special revenue fund accounts for 20.4 percent of the total. The balance of the operating funds includes RICO, stadium, arena event funds, regional training center funds and grants. She said the FY14 budget supports 405 sworn positions and 126.5 civilian positions, for a total of 531.5 FTEs. Ten vacant civilian positions will be eliminated and the salary savings will be used to balance the budget this year. Also proposed is the elimination of 33 unfunded sworn positions from the general fund and public safety sales tax. There are requests for placement for 4 full time officers to serve as school resource officers in four Glendale high schools. The salary and benefits costs would be shared, with the schools paying 75 percent and the city paying 25 percent.

Councilmember Sherwood asked if Chief Black was utilizing funds from the public safety sales tax already. Chief Black said they were authorized to use the fund balance for overtime expenses, but she was unsure if those funds would be needed due to salary savings.

Councilmember Chavira thanked Chief Black for the recent Grandel arrests.

Councilmember Martinez asked if there were any school resource officers working right now. Chief Black said the department has no school resource officers at this time. She said there were two middle schools and two high schools that did use the school resource officers in an off duty capacity at this time and they are paid directly by the school. Councilmember Martinez asked if any of these officers were providing DARE program services. Chief Black said that was an arrangement between the schools and the off duty officers. She is not aware of any requests such as this. After a question from Councilmember Martinez, Chief Black said that 33 of the positions to be eliminated were never funded to begin with.

Councilmember Alvarez was concerned about cutting the 46 sworn positions. Chief Black said 33 of those positions were never funded, so they never had them to begin with. She said many of the 10 civilian positions have been vacant for the entire year. She said these cuts will not impact the safety of the officers or the community. She said the other three positions were related to the Emergency Management department which has been transferred to the Fire Department. These personnel changes were made last year, and this is just a clean-up of this transfer by transferring the funds. Chief Black said 405 sworn officers is a sufficient number for a city of this size. Councilmember Alvarez said the number of officers has been going down since 2009 and she is concerned about funding for staffing levels. Chief Black said in her next presentation in the coming days, there will be an analysis of staffing levels.

Vice Mayor Knaack asked if there were volunteers doing some of the work of the civilians. Chief Black said volunteers supplement the work of staff. She said they hoped to staff their motorist assist and citizen on patrol sections with more volunteers.

Councilmember Sherwood said he is glad the school districts are taking on the challenge of funding police officers in their schools. Chief Black said she is working with the schools most dependent on the DARE program to find a solution to the loss of the DARE officers. They have dedicated the former DARE officers to work directly with the schools on school safety and truancy plans.

Councilmember Hugh asked if the Police Department is fully staffed. Chief Black said they have vacancies in both sworn and civilian positions. She said they are working with HR to open lateral transfers continuously to fill some of the positions. She said a good blend of lateral officers and new recruits will help fill some of the open positions.

Chief Mark Burdick discussed Fire Services and its core functions of fire prevention, community education, fire suppression, emergency medical services, advanced and basic life support, and special operations and crisis response. There are 238 sworn and 39 civilian positions currently. There are 13 vacant FTEs with 8 sworn positions. He said 5 positions will be leaving the

organization this fiscal year. Through their partnerships with Southwest Ambulance and Air Evac and the fees charged through the Fire Marshall's Office, they were able to bring in \$2.9 million worth of revenue back to the department. He said they also utilize over 100 volunteers for 29,000 hours last year. His fire inspection staff will be reduced as one of their fire inspectors is moving on to a new job outside the city. He said they are moving some of the salary costs for the employees that are leaving to funds that need support and that demand is reduced for next year.

Councilmember Chavira asked why Fire was number 4 on the list of city services. He said usually Police and Fire were usually listed as number 1 and 2. Ms. Schurhammer said the numbers Councilmember Chavira was referring to were the departmental summary across all funds. She said it was probably common in other cities as well that water and sewer services were funded at a higher level than the Fire Department. She said in the general fund, Police and Fire are listed as 1 and 2. Ms. Schurhammer said 80 percent of the funding that Police and Fire receive is out of the general fund, so those departments would be 1 and 2 in the general fund. When you compare departments across all funds, the enterprise funds are included and water, sewer and landfill have user revenues that they collect.

Councilmember Chavira asked Chief Burdick if he felt they were adequately staffed based on the growth of the city and the needs of the firefighters. Chief Burdick said he couldn't say they were adequately staffed at this time. He said they were able to reduce their budget in the areas he has control over. He said call volume has increased and staffing levels have not kept up with attrition. He said they are trying to adapt strategies to deal with the increasing call volume.

Councilmember Hugh asked what he planned to do about the unfunded positions. Chief Burdick said the intent was to wait until the economy improves and the revenue is there to fund the positions. He said there is no cost to the positions; they are just on the books. Ms. Schurhammer said the unfunded positions for FY14 are being proposed for elimination. They are vacant positions, which have been vacant for 3 or 4 years and they have been unfunded. Chief Burdick said they are going to eliminate those positions.

Councilmember Martinez said the council has considered public safety its number one priority. He hoped public safety continues to be a priority and when the economy improved, they hoped to improve staffing levels.

Judge Elizabeth Finn spoke about the City Court and their functions of collection and enforcement of financial obligations, interpreters, protective orders, records, data entry, administration, jail court and security. She said because it takes so long to change the court structure, they made their changes in 2012 to get ready for FY14. Judge Finn said court salary and benefits for FY14 is \$2.7 million. She said included in the non-salary figures are 7 public defenders, a fee paid to the Supreme Court for the case management system, jail court, and pro tem judges. She said restructuring their court calendar allowed them to save money on use of pro tem judges. Judge Finn discussed the monies collected.

Vice Mayor Knaack commented that the court is down one employee. Judge Finn said she is in the process of losing 6 employees. She said other cities are recovering and they are hiring the trained employees from Glendale. She said she has been working with Human Resources about the staffing issues.

Ms. Schurhammer next discussed appointed and elected officials. The Mayor's Office has only 3 employees and is entirely funded in general fund. She said the Council Office has 13 FTEs, including staff for the councilmembers. She said this is funded entirely by the general fund also. The City Manager's Office has a total of 5 FTEs, funded entirely by the general fund. The City Attorney's Office has 25 FTEs and is funded entirely by general fund. The staffing numbers also includes the Prosecutor's Office.

Vice Mayor Knaack asked Mr. DiPiazza about the 2 positions that were in the FY12 budget, but not in the FY14 budget. Mr. DiPiazza said those positions were the Executive Assistant to the City Attorney and the other position was an attorney's position in the civil department that became vacant this year. He said they have now initiated action to fill the attorney's vacancy.

Ms. Schurhammer said the City Clerk Department has 6 FTEs. Intergovernmental Programs has 3 FTEs and is funded by the general fund and Internal Audit has 2.5 FTEs and is also funded by the general fund.

Ms. Schurhammer said she hoped the slides and presentations have indicated the seriousness of the financial challenges the city faces. The ongoing structural operating deficit is a serious problem. Even though the problems have been touched on, there is still a large deficit. She said only difficult options are left to restore general fund reserves. She said there is nothing left but difficult choices to deal with these problems.

Councilmember Sherwood asked if the cuts in today's presentation were reflected in the charts Ms. Schurhammer provided earlier. She said for FY14, they were represented.

Councilmember Martinez asked if the information and cuts presented would get the budget where it needs to be to keep the city on track. Ms. Schurhammer said if only the changes that were presented are approved, there will be a fund balance, but it will be lowered by about \$8 million next year. The fund balance would end somewhere below \$5 million. She said it would be fiscally responsible for the city to improve the reserves and the financial situation.

Vice Mayor Knaack said the \$25,000 in her budget should go back to the general fund as well as 60 percent of her professional monies in her district budget. Ms. Schurhammer said she would work with staff to accomplish this.

CITY MANAGER'S REPORT

Mr. Mehta had nothing to report.

COUNCIL ITEMS OF SPECIAL INTEREST

Councilmember Sherwood had no items other than they needed to proceed with getting a new city attorney.

Councilmember Alvarez asked if council had a chance to read the PITA contract and meet with them. She also would like to have a discussion with the Tohono O'Odham nation to discuss what is going on.

Councilmember Martinez asked if it was appropriate for the city to meet with the Tohono O'Odham nation since the city is currently in litigation with them. Mr. DiPiazza said it would be a decision Council would have to make. He said if attorneys are not involved and it is party to party, the discussion can be held. He said with pending litigation, there are risks in doing this at this time. Councilmember Martinez wanted staff to review with the Council the amount it was costing for the contributions to the pension plans. He would like to see where the city stands and can these contributions be sustained.

Councilmember Chavira agreed with Councilmember Alvarez in having a conversation with the Tohono O'Odham nation. He said this would bring some clarity and transparency to this issue and a great opportunity for open dialogue.

Vice Mayor Knaack asked what dialogue with the Tohono O'Odham nation would be about. She doesn't think the dialogue should happen right now until the court makes a decision. If they do have a dialogue, then all sides should be represented. She also said if the city had made the tough decisions four years ago, the city wouldn't be in the financial situation it is today. She said Council should start thinking about pensions and benefits for future employees. She said it is time to start facing these issues.

Mayor Weiers said although the choices Council must make are going to be difficult, at least they have choices. He hopes the council is courageous to make the decisions that should have been made a long time ago.

ADJOURNMENT

The meeting was adjourned 2:30 p.m.