

**\*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  
CITY OF GLENDALE  
CITY COUNCIL BUDGET WORKSHOP  
April 11, 2006  
8:30 a.m.**

**PRESENT:** Mayor Elaine M. Scruggs, Vice Mayor Thomas R. Eggleston, and Councilmembers Joyce V. Clark, Steven E. Frate, David M. Goulet, H. Phillip Lieberman, and Manuel D. Martinez

**ALSO PRESENT:** Ed Beasley, City Manager; Pam Kavanaugh, Assistant City Manager; Craig Tindall, Deputy City Attorney Jon Paladini; and Pamela Hanna, City Clerk

**1. FISCAL YEAR 2006-07 BUDGET: 5<sup>TH</sup> AND FINAL WORKSHOP**

Staff presenting this item: Ms. Sherry M. Schurhammer, Management and Budget Director and Mr. Arthur Lynch, Deputy City Manager.

This is a request for the City Council to decide whether to fund the recommended Fiscal Year (FY) 2006-07 operating budget, which includes all supplemental requests that have been presented during the past four budget workshops, and are also published in the Council budget workbook that was distributed to the Council on March 2, 2006.

In addition, this is a request for the Council to decide whether to approve the Preliminary FY 2007-16 Capital Improvement Plan (CIP). The preliminary FY 2007-16 CIP includes the pay-as-you-go (PAYGO) program.

The council was provided with memos that address issues that the Council raised during the past four budget workshops. Specifically, the memos were written responses on the following issues:

- o Neighborhood traffic mitigation, -
- o Traffic signal warrant and construction program,
- o Civic Center maintenance reserve,
- o Acceleration of landscape improvements in high impact areas,
- o And mega events budget discussion follow up.

The budget 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.

This is the fifth and final workshop on the recommended operating and capital budgets for FY 2006-07.

The fourth budget workshop occurred on April 4, 2006. The topics addressed at that workshop were the budget requests for the following departments or subject areas: Administrative Services; Management and Budget; Economic Development; Rebates and Incentives; Finance; Lease Payments; Information Technology; City Auditor's Office; City Manager's Office; Community Action Program; Human Resources budget requests, with the exception of the total compensation supplementals which will be addressed at the April 11 budget workshop; Employee Groups; Intergovernmental Programs; Marketing and Communications; Civic Center; and Utilities. Also presented was the preliminary FY 2007-16 CIP, which includes the PAYGO program and supplemental requests related to the operation and maintenance of capital projects coming on line in FY 2006-07.

The third budget workshop occurred on March 28, 2006. The issues addressed at that workshop were the budget requests for the following departments or subject areas: Community Development Administration, Building Safety, Code Compliance, Engineering, Planning, Transportation, Public Works Administration, Environmental Resources, and Field Operations.

The second budget workshop occurred on March 21, 2006. The issues addressed at that workshop were the budget requests for the following departments or subject areas: Police, Fire, Homeland Security, City Attorney, City Clerk, City Court, City Council Office, Office of the Mayor, Mega Events, Community Information & Service Administration, Community Partnerships, Neighborhood Grants, Residential Infill Housing, Library & Arts, Parks & Recreation, and Non-Departmental.

The preliminary capital improvement program report was distributed to the Mayor and Council on March 15, 2006.

The first budget workshop occurred on March 14, 2006. The issues addressed at that workshop were the FY 2005-06 second quarter report on General Fund (GF) revenues and expenditures and the FY 2006-07 GF revenue projection, as well as the Police Department staffing study.

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 the Council, residents, and businesses with a means to evaluate the city's financial stability.

All budget workshops are open to the public and are posted publicly per state requirements.

Staff is requesting direction on the recommended operating and capital budgets, which includes all city departments, as well as the preliminary FY 2007-16 CIP.

### Total Compensation

Staff presenting information: Ms. Alma Carmicle, Human Resources and Risk Management Director; Ms. Cathy McIntyre, Senior Resource Analyst; Ms. Lupe Sierra, Deputy Human Resources Director; and Ms. Kellie Reed, Police Officer.

Other presenters: Amy Gerado, The Segal Company

Ms. Carmicle said six years ago the city faced numerous challenges in the area of recruitment and retention. She stated the city's pay system was 20 years old and inconsistent with the relevant market place, resulting in the loss of a number of employees in key strategic areas. She explained they had difficulty finding qualified employees for the Planning, Economic Development, Utilities, and Building Safety Departments. She said for many years Glendale did not face competition from valley cities, but, suddenly, smaller cities began paying more and offering expanded benefits. Ms. Carmicle stated the Council gave approval in 2000 to conduct a comprehensive study and staff subsequently hired Watson Wyatt. She said they conducted focus groups and created a task force made up of outside experts from small, medium and large private sector companies. She stated the task force looked at the study and the city's processes before making its recommendations. She said they then created a Total Compensation Task Force made up of employees from various areas of the organization. She reported in 2006/07 the city would fully endorse the seven recommendations that came as a result of the study. She noted Watson Wyatt conducted a Total Rewards study in 2005 in cooperation with the American Compensation Association and found 7 out of 10 employers report having a total compensation plan, but many are struggling with the implementation and delivery of those plans. She stated Glendale should be proud that their plan would be fully implemented by the end of the 2006/07, attributing their success to the Council providing Human Resources and employees a forum to explain what they need to do their jobs in an effective and efficient manner. She said part of their success can also be attributed to the city's employees who are engaged and committed to the process and the city's leadership team who provides the support they need.

Ms. Carmicle recognized employees who served on the Total Compensation Task Force for the last two to three years, noting they represent a wide cross-section of the organization.

Ms. Kelly Reed, a City of Glendale Police Officer and a member of the Total Compensation Task Force, said it has been wonderful to serve on the task force, learning the complexities of the city's comprehensive benefits package. She stated everyone understands the importance of healthcare and it was nice to be able to report to the city's employees that they held the line on any premium increases. She thanked the Mayor and Council for allowing the employees to be involved.

Ms. Carmicle reviewed the city's Total Compensation Model, stating the model continues to work for the city and has been very helpful, particularly in the areas of recruitment and retention. She pointed out employees receive a statement at the end of the year showing their total compensation.

In terms of retention and turnover, Mr. Carmicle explained a 1% turnover rate can represent over \$1.25 million in savings to the city. She said the city's staffing ratio improved slightly, but its ranking did not change. She stated, while she does not believe there is cause for alarm, staff will come to Council next year asking to conduct a comprehensive staffing study.

Mayor Scruggs asked how much value she should place on a comparison to other cities since each city is different in terms of development and the services they offer. She pointed out Mesa has a higher staffing ratio, but is on the verge of declaring bankruptcy. Ms. Carmicle agreed it is not an apples to apples comparison since not all cities are full service cities. She explained they look at how many employees per 1,000 in population the city should have and how many employees each department should have according to the professional standards for those departments. She reiterated she is not alarmed in terms of the city's ranking, stating she is concerned, however, by the ratio in terms of population and professional standards.

Ms. Amy Gerado, The Segal Company, said Segal is a leading independent firm of benefit, compensation and human resources consultants. She stated they have been providing consulting services to Glendale for many years and she has been asked to speak about trends in healthcare. She said employers have come to the realization that they cannot continue to absorb year over year cost increases and continue to compete effectively in the current market environment. She stated employers are starting to focus efforts in three areas; watching their healthcare spending and utilization patterns closely, health and productivity management; and consumer driven healthcare. She noted some employers believe that the majority of health benefits will be delivered through some form of consumer driven healthcare over the next five years. She said employers are identifying key utilization components within their plans that can be

communicated or designed to engage employees in making more cost-efficient decisions. She stated employers are focusing on the fact that health is a key contributor to business performance, explaining unhealthy employees not only affect the health plan, but other benefit plans, absenteeism, worker's compensation benefits, and their work performance as well. She explained education and plan design are key in engaging employees to help manage plan costs more effectively. She said quality is also key to gaining employee acceptance of programs, noting research shows Americans are willing to shoulder more of the cost of their health benefits when given control over their own choices. She said The Segal Company hopes to continue to work with city staff to make recommendations on plan design considerations. She stated they want to encourage employees to act like consumers when it comes to their healthcare by providing them with meaningful options, easily accessible information, and tools that help them make the right decisions for themselves and their families. She stated it is the city's responsibility to educate and provide their employees with the right benefit designs and a quality program that will allow employees to make those right decisions.

Councilmember Martinez asked if the trend is for employees to bear more of the burden of increased healthcare costs. Ms. Gerado said the trend is for employers to engage employees to help them make good decisions by encouraging them to act as consumers when managing their health. She said there is a trend to further engage employees through cost sharing, noting that has proven to help in managing costs.

Vice Mayor Eggleston asked Ms. Gerado to explain what she means by consumer driven healthcare. Ms. Gerado said consumer driven healthcare is focused on the George Bush program of delivering healthcare, having higher deductible health plans with health savings accounts attached and building plan designs that have slightly higher deductibles and co-pays. She noted many employers today offer options within their plans and allow employees to decide which plan design best fits their family's needs.

Councilmember Clark asked if the trends are moving toward greater co-pays and deductibles on the part of employees. Ms. Gerado responded yes.

Councilmember Lieberman said he heard staff say last week that they are not asking for supplements on their healthcare package. Ms. Carmicle confirmed there is no increase to the employee benefits plan this year, either to the city or the employees. She explained consumerism does not necessarily mean that employees will automatically receive increases in their deductibles and co-pays. She said the concept promotes employees becoming consumers of their healthcare so they can make better choices that result in lower rates for everyone.

Councilmember Goulet asked Ms. Gerado if the trend of establishing health savings plans is likely to increase. Ms. Gerado said they are seeing a trend in employers offering that kind of benefit as an option in their plans, but public sector employers are not moving to that as their only option. Councilmember Goulet asked if offering a variety of health plan options actually results in higher costs given the time required in managing the different options. Ms. Gerado stated, regardless of the direction in which they proceed, they need to evaluate the cost of staff time required to manage the programs as well as the efficiency with which the designs deliver healthcare to the city. Ms. Carmicle noted the city's health savings account is currently a voluntary option.

### *Medical Plan*

Ms. Lupe Sierra, Deputy Human Resources Director, said the Medical Plan renewal being presented is very positive and they have been very encouraged by the performance of the benefit plan this year. She attributed the plan's positive results, in part, to the city negotiating a significant reduction in administration fees from Blue Cross Blue Shield. She said for FY 2006-07 Blue Cross Blue Shield agreed to reduce their administrative fees by 16.6% and, based on current enrollment, the reduction equates to over \$300,000 in savings for the next plan year. She said, however, she attributes the positive performance primarily to increased consumerism by employees. She stated they have implemented several plan design changes intended to motivate employees and retirees to be better, more informed consumers. She said they also made changes to the employer/employee cost sharing, increasing awareness of what it takes to maintain a quality health program. She stated they have also taken advantage of every available forum the city has to educate consumers on the economic components associated with their benefits. She reported the city has had very high participation in wellness activities, noting Glendale has the highest utilization rate of all of Blue Cross Blue Shield's groups. She commented some of the stop smoking related programs offered by the city have been conducted free of charge through a partnership with the Maricopa County Health Department.

Ms. Sierra said when they looked at trends in their data they saw that emergency rooms were highly utilized, visited as often if not more often than doctors offices. She said the city took steps to promote the use of urgent care centers and, as a result, the use of such centers increased 41% over the past year. She said in situations where employees visit the emergency room, data shows that half of the time they are admitted to the hospital indicating it was a valid use of the emergency room. She stated the city has been fortunate to have fewer catastrophic claims, those that cost over \$35,000 in claims for the year. She explained Blue Cross Blue Shield case managers work with seriously ill or injured employees and retirees to control the costs of the claims and make good choices. She said in comparison to last year the city has seen a 28% reduction in inpatient hospital claims and the length of stay for those admitted to the hospital shortened from 4.1 days to 3.0 days.

## *Dental Plan*

Ms. Sierra stated last year the city conducted a request for proposal and changed the dental plan. She said they anticipated that moving to a more flexible PPO dental plan that had a much larger network of providers would likely increase claims costs so they negotiated a contract with Delta Dental in which they agreed not to increase the cost of the plan by more than 6.5% for FY 2006-07. She said Delta Dental did require the 6.5% increase; however, saving in the medical plan enabled staff to recommend that the city forego any increase. She noted the pre-pay dental plan, life insurance plan and vision plan have no associated increases for next year.

Vice Mayor Eggleston asked if the \$4.9 million for Medical/Dental/Vision/Life plans represents the city's total investment. Ms. Sierra clarified the \$4.9 million pertains to the market adjustments for compensation.

Councilmember Clark asked how they arrived at \$4.9 million when they do not know how many employees will receive merit increases or the size of those increases. She also asked what happens to the additional funds if the total of merit increases comes in at less than \$4.9 million. Ms. Carmicle explained staff projects increases based on the city's merit system program, noting they projected an across the board 5% increase for every employee for the upcoming year. She said, however, the program is administered on a performance rate basis, explaining employees can receive an increase of up to 6% based on their performance. She noted every year there are a certain number of employees who do not receive an increase at all as well as a number of employees who receive a lower increase because their performance is rated as needing improvement. Councilmember Clark asked if an employee could receive a 6% merit increase as well as a 1% cost of living adjustment. Ms. Carmicle said the additional 1% would be considered a market adjustment, but that will depend on where the employee falls within their range. She said younger employees who have just started their careers are the ones most likely to receive a 7% increase.

With regard to the retirement system, Councilmember Lieberman asked what happen to cause the employer portion to increase. Ms. Carmicle said the state requires that employers match the contributions made by employees. Councilmember Lieberman asked if all cities have the same rate. Ms. Sierra explained the Arizona State Retirement System conducts an actuarial study every year to determine the funding levels they need to establish in order to pay benefits and guarantee future benefits to plan participants. She said whatever rate they determine appropriate is shared equally by the employer and employee. In terms of elected officials and public safety, she said the state legislature sets the rate for the employee and the employer rates are done by actuarial study for each individual employer.

Vice Mayor Eggleston noted the retirement fund took a terrible hit in 2001/2002, asking if that is why the municipalities all realized a rate increase. Ms. Sierra responded yes, explaining not only are they recovering from the hit they took in the stock market in 2001 and 2002, there are a record number of retirees starting to withdraw benefits and existing retirees are living longer and drawing benefits for a longer period.

Councilmember Martinez asked what percentage of those eligible for a merit increase actually receive one. Ms. Sierra said, as a result of decisions made by the Council last year, over 75% of the city's employees have room to grow in their salary ranges. She noted over 60% of the city's employees had maxed out their salary ranges when they first brought the study to Council several years ago.

With regard to the Elected Officials Retirement Plan, Councilmember Clark said the actual employer contribution was about 19% but the percentage given in the Council's book was 25%. Ms. Carmicle said the actual rate of 20.5% increased to 25% based on the actuarial study.

Mayor Scruggs asked for more information on the Police, Fire and Elected Officials Retirement Fund increases. Ms. Sierra explained the state legislature establishes the employee contribution rate, which for elected officials is 7% of their salary and for Public Safety is 7.65%. She said they then conduct an actuarial study to determine what each individual city's cost would be for the employer's portion. She said, for example, for FY 2005-06 the employee contribution for Fire is 7.65 and for FY 2006-07 will remain at 7.65. She stated, however, the employer contribution for FY 2005-06 was 9.92% but for FY 2006-07 will increase to 14.07%. Mayor Scruggs asked why those percentages differ for each of the cities. Ms. Sierra stated they determine the funding levels needed from each participating employer based on the number of employees and the future retirees they are likely to have.

Councilmember Goulet asked if the salary ranges are intended to cover an employee's 20-year career with the city. He also asked if an employee maxing out their salary range increases the likelihood of turnover. Ms. Carmicle said professionals look at it from the standpoint that the employee is already highly compensated since they are receiving the maximum of their range. She stated, however, there is a problem with turnover because employees like to receive performance increases. She noted a number of organizations have started providing a merit outside of the range increase, meaning the range does not increase but the employee is still eligible for an increase. Councilmember Goulet asked if the city is looking at inducements other than merit increases to help retain those employees who have reached the limit of their salary ranges. Ms. Carmicle said taking a total compensation approach has helped since salary is only one part of an employee's compensation package. She said the quality of an employee's work life, their supervision, and access to education assistance

are all seen as having value. She said those who reach the top of their range but want to continue to earn more are encouraged to look for other positions within the city that might provide them with that opportunity. Councilmember Goulet asked if potential applicants are coming to the city because of some of the benefits it offers. Ms. Carmicle said the city's education assistance program is always a topic of consideration for applicants.

Mayor Scruggs asked if the city is funding any bonuses. Ms. Carmicle said a bonus incentive program for department heads was recommended last year, but the City Manager decided he wanted the program expanded to include all employees. She stated a pilot program was implemented last year, funded through salary savings. She said they would work with the Budget department to see if salary savings are available to allow the pilot program to continue for another year. Mayor Scruggs asked if any of the \$4.9 million set aside for merit increases that goes unused would go into the bonus program. Ms. Carmicle responded yes.

Councilmember Martinez referred to Page 503, pointing out there was a considerable increase in Long Term Disability and Unemployment costs; however, the rates remained the same. Ms. Carmicle explained Unemployment Insurance is set by the state and takes into account the reasons why an employee left the organization and whether or not the employee is eligible to receive unemployment benefits. She stated Long Term Disability applies only to Public Safety; therefore only a small population uses the benefit. Councilmember Martinez said, while he understands the costs will fluctuate based on usage, he wants to know why the same budget figure is used year after year. Ms. Schurhammer clarified the \$23,000 figure represents the base budget, explaining they cover overages in years where the cost of claims exceed the base budget through savings elsewhere. She said they are waiting to come forward with a supplemental until they have a few years of history to see if it is a short-term or long-term pattern. She pointed out, while there were higher claims in some years, there have been lower claims in recent years.

Councilmember Martinez said as a Council they advocate citizen involvement, stating that encouragement extends to city employees as well. He complimented staff and members of the Task Force on doing a terrific job.

#### Police and Fire Sworn Officer Compensation

Staff presenting information: Mr. Steven Conrad, Police Chief; Mr. Mark Burdick, Fire Chief; Mr. Tom Cole, Fire Captain; and Ms. Jackie Cole, Police Officer.

Fire Chief Burdick explained over the past year they have undertaken a series of steps that resulted in the Memorandum of Understanding (MOU) that will soon come before Council. He explained the Organizational Cooperative Process (OCP) is a method whereby labor and management work together throughout the

year to try to resolve most of their issues before it becomes a contractual implication at the table. He said they have used the OCP over the years, but formalized the process over the past year. He said the MOU is in its final stages and the budget implications will be presented today.

Chief Conrad said, being new to the city and the OCP, he has been very pleased with what he has found. He stated labor relations in the environment from which he came were adversarial while Glendale's Police Department enjoys a cooperative relationship. He said he meets weekly with members of the Glendale Police Officers Coalition, the coalition of officers involved in negotiating the draft MOU, to talk about operational issues. He said the MOU has not yet been ratified by their police officers, but he believes it lays out a strong foundation for a positive and productive relationship. He assured the Council they have planned appropriately to address the economic impact of the MOU and will be in a position to finance the MOU if it is ratified as written.

### *Fire*

Captain Tom Cole said he is a trustee with the Fire Fighters Association Local 493 and proud to be before the Council to discuss the budgetary impact of their first negotiated agreement with the city. He explained the OCP is the cornerstone of the relationship. He said allowing labor to sit in on the process of running the fire department is a benefit to the labor group and acts as a mentorship program for those who aspire to take a leadership role in the future. He reviewed the budgetary impacts of the MOU, stating they believe the negotiations were fair and the proposed package is fair to the fire fighters, the Fire Department and to citizens. He explained the salary step adjustments preserves their structured pay plan and the retirement system increases and 1% market adjustment for deferred compensation represent an investment in the future for the employee group. He stated they truly respect and appreciate management's support of the state retirement system. He said the department's salaries are market competitive and he appreciates the opportunity to participate on the Total Compensation Task Force. He noted per the city ordinance they do not have the opportunity to negotiate healthcare benefits, but as part of the employee group invited to the Total Compensation Task Force they feel they were given an opportunity to participate and learn about the city's contract negotiations with healthcare providers. He said the one-time Engineer adjustment puts a small segment of their employee group on an even keel with the rest of the employee group. He explained the 1,000 hours of release time allows their leadership to continue their involvement in community service projects.

Councilmember Lieberman asked Captain Cole to expound on his explanation of the 1,000 hours of release time. Captain Cole explained the Fire Department has a constant manned system; therefore employees have to man certain positions 24 hours a day, 365 days a year. He said, in the event they are at

minimum staffing levels, someone has to cover for employees who work on community service projects, such as a Habitat for Humanity project or the annual toy drive. He said the 1,000 hours acts as a bank of hours they can use to cover those events.

Councilmember Clark asked if the city provides release time for all city employees who work on community service events. Mr. Beasley explained the city has had a policy in effect for the past four years that allows employees to tap into the bank of release hours. He said a separate bank of hours was established for the Police and Fire Departments because of the tremendous amount of outreach those officers do annually. He pointed out specific criteria have to be met for an employee to be eligible for release hours. Captain Cole stated they have an understanding with the department's leadership and the city with regard to their community involvement, explaining the Memorandum of Understanding will help formalize and document that understanding.

### *Police*

Officer Jackie Cole of the Glendale Police Department stated she is the Vice President of the Glendale Law Enforcement Association and sits on the Board of the Glendale Police Officers Coalition. She thanked the Mayor and Council, City Manager Ed Beasley, Assistant City Manager Pam Kavanaugh and city staff as well as the Fire and Police Departments, stating they have each served an integral role in the process. She said the Police Department's role in the OCP has mirrored that of the Fire Department and, similar to Fire, their employees appreciate the continuation of their Step Adjustment Plan. She said they also appreciate the State Retirement System increases and the 1% deferred compensation, noting those benefits will be invaluable to their recruitment efforts and retention of the department's current employees. She explained their K-9 Hazardous Duty Pay pertains to four of the department's K-9 officers, stating they will now receive hazardous duty pay for the Tactical Operation Unit calls to which they are required to respond. With regard to the standby pay, Officer Cole explained that, currently, only one of the two Homicide or Sex Crime Detectives currently required to respond to such calls receives standby pay. She said under the MOU the second detective responding would also receive standby pay. She stated the Field Training Officer and Sergeant pay listed represents the memorialization of something that has been in practice for many years. She said they too are requesting the 1,000 hours release time to allow them to continue and expand their involvement in community service projects. She stated the MOU will serve as a strong foundation for good labor/management relationships within the department and with the city now and in the future.

Mayor Scruggs asked if the ongoing figures for the pay adjustments and benefits are included in the \$4.9 million for salary increases and \$1.9 million for retirement plan increases. Ms. Schurhammer responded yes.

## **Budget Follow-Up**

Staff presenting information: Mr. Art Lynch, Deputy City Manager; Ms. Sherry Schurhammer, Budget and Management Director; and Mr. Ken Reedy, Deputy City Manager.

Mr. Lynch said staff presented the operating and capital components that make up the city's entire financial resource plan. He stressed that a number of employees put numerous hours into the preparation of the plan and the Council has dedicated numerous hours to reviewing and analyzing the information provided. He stated the plan is intended to be a living, dynamic document and staff will pass along changes or updates to Council as expeditiously as possible. He said, for example, staff will be recommending the elimination of the whitewater park, downtown hotel and main police facility capital projects shown in the last five years of the preliminary capital plan.

With regard to the main police facility capital project, Councilmember Clark said \$500,000 would be budgeted this year for a needs assessment. She asked why the project is being dropped completely when they know the needs assessment will generate some kind of project at some point down the road. Mr. Lynch explained the project was put in the 2012-2016 timeframe. He said the needs assessment will identify the resources and needs more precisely and, once that work is done, the capital project can be added back to the capital plan with a more defined scope of work and estimated cost.

Councilmember Lieberman said the eliminated capital projects would have no impact on the current budget since all were scheduled for the last five years of the capital plan. Mr. Lynch agreed.

Vice Mayor Eggleston pointed out some of the items in the capital plan were the result of the voter-approved bond authorization election of several years ago. He said priorities have a tendency to change, resulting in some projects being removed from the CIP. Mr. Lynch agreed, stating some of the projects in the CIP are reflective of the desires expressed by the citizens bond committee back in 1999.

Mayor Scruggs said the city purchased the former Larry Miller building Dealership and adjoining properties with the express intent of turning the existing structure into a new main police facility in conjunction with the construction of a new city court building on the adjacent property. She stated money has been identified in the capital plan to build the new court complex and to provide the Fire Department with new administration facilities, but no money has been identified for a new main police facility to be done at the same time. She said staff is recommending the elimination of the rather extraordinary cost of \$88 million shown in the last five years of the capital plan.

Mayor Scruggs went on to say that it was her understanding that the court and police facilities needed to be located adjacent to one another for purposes of transporting prisoners. She said the city purchased the land and the plan for building the court building is still on schedule. She asked how the city would be able to build into the budget a substantial amount of money for a new main police facility once the needs assessment is completed. Mr. Lynch said the amount needed would be identified and prioritized into future capital plans once the needs assessment is completed.

Mayor Scruggs expressed concern that the CIP does not accurately reflect the city's future plans. She pointed out the city court building is scheduled for completion in FY 2008-09, but it was the Council's understanding that the police facility would be done in conjunction with the city court building. She said they are not being upfront with the public if they fail to budget a substantial amount of money in FY 2008-09 for the police station. Mr. Lynch clarified his response by saying that upon conclusion of the needs assessment, staff would be able to identify accurate amounts for the police facility. He pointed out the projects would be bond funded.

Mayor Scruggs asked about the capacity limitation issue. She went on to say that if the city knows a new police headquarters building would cost \$25 million, and that it must be completed in FY 2008-09, then would not the city need to come up with \$25 million less in other projects in the same 6% bond category in order to add the project to the first five years of the plan. She asked how the city can keep the citizens' expectations in line when a funding placeholder for the police building is not identified in FY 2008-09 of the proposed CIP.

Mr. Lynch said the city has the capacity to sell the bonds in FY 2008-09 for the court building based on the city's conservative capital plan. Mayor Scruggs asked for confirmation that staff has run the numbers and knows there is room within in the state's debt limitation to insert a project of the proposed size of a new police facility without exceeding the city's 6% bond limitation or increasing the city's property taxes. Mr. Lynch confirmed the city's bond capacity is sufficient at this point to fund the project.

Councilmember Clark said the Council would be more comfortable if it saw a placeholder number of some amount in FY 2007-08 and FY 2008-09 to demonstrate the city's commitment to building the police facility. She said the bond committee would be looking at what the city has established in the CIP for future years and there will be no reference to the police facility if it is simply dropped from the CIP.

Mayor Scruggs agreed the city is committed to the facility. However, she does not understand how the city can fund a project of that size in the 6% bond category if it is not included in the plan. She expressed concern that the court building is proceeding and will essentially move one mile away from the current

police administration building. Mr. Beasley explained that staff recognizes Council's desire to accelerate the main police facility capital project and will ensure there is adequate 6% capacity to do so. He said the \$88 million figure included in the last five years of the proposed capital plan is not accurate. Mayor Scruggs said the court was always identified as costing about \$25 million, but noted that Council has yet to see a number for a new police administrative facility. Mr. Beasley agreed the citizens need to know that the city will have new court and police facilities, but the city has not yet finished the planning process to clearly identify whether there would be dual uses in one area or if the police facility would be a separate use in an already existing structure. He stated planned capital projects may have to be moved within the capital plan if there is inadequate bonding capacity to proceed with what Council feels is a higher priority project.

Councilmember Martinez asked for confirmation that the city has the necessary bond capacity and is not relying on the upcoming bond committee to forward the issue to the voters. Mr. Lynch said capacity is available for the police facility. He stated staff would provide the funding schedule for the capital plan. Councilmember Martinez said he has heard that a new police administrative facility may not be in the Larry Miller Toyota building. Mayor Scruggs said that she had not heard that in the past, it seems to be the idea coming out of their budget workshops. Mr. Lynch said he is not aware of any finalized plans for moving the location, noting that the siting of the facility is something that he hopes to address as part of the study.

Councilmember Frate asked when the needs assessment will be available. Mr. Lynch answered this fall. Councilmember Frate said he understands how priorities change and said Council would have a better understanding of budget priorities the sooner the assessment is completed.

Councilmember Clark said Council was able to add the EOC to the FY 2005-06 capital plan in part by delaying some components of the West Area Regional Park. She said she hopes the West Area Park will not be delayed further when the timing and funding of a new police administration facility is evaluated.

Councilmember Lieberman noted he pointed out during a previous budget workshop that there was no funding for the police building other than in extended years. He stated he was told at that time that a needs assessment would be conducted. He said he was told by Mr. Lynch earlier today that the needs assessment is being conducted and that money would be available in FY 2007-08 and 2008-09 for a police department building. He stated, being a practical person, he realizes using the Larry Miller Toyota building for new police headquarters would require extensive and costly renovations whereas the Fire Department could be accommodated with little renovation. He said the disadvantage, of course, would be that prisoners would have to be transported to

the court. He asked when the Council would see a final report on the needs assessment and Mr. Beasley said this fall.

Ms. Schurhammer said the Council has at its discretion \$500,538 in ongoing and \$508,417 in one-time funding. With regard to Council's decision to accelerate the hiring of civilian staff in the Police Department, she reported staff has already moved ahead with the recruitment of civilians and anticipates completing this work by June. Under mega events, Ms. Schurhammer referenced a memo included in the day's agenda packet that states the acceleration of landscape improvements in high impact areas has been initiated. She said Council received another memo in the agenda packet that addresses the other mega-event related questions that were asked at the March 21 budget workshop. Council provided direction to proceed with the FY 2006-07 mega-event related supplementals as presented during the budget workshops.

Mayor Scruggs asked if Council supports accelerating the hiring of civilian employees to allow sworn officers to resume their field duties. The Council indicated they do.

Mayor Scruggs asked Council if they support moving forward with funding for the mega events as presented in the recommended budget from staff. The Council indicated they do.

Mr. Reedy addressed a question raised at a previous budget workshop about building maintenance. He explained that the Field Operations Department has commissioned a study of the city's 106 buildings. He stated staff would return to Council in the fall with the results of the study.

Councilmember Clark asked about the study's scope of work. Mr. Reedy said the condition assessment study will look at the structural components of the city's many buildings, including critical components like air conditioning, plumbing and electric, flooring, and wall coverings. Councilmember Clark asked if the 106 buildings to be evaluated include the Civic Center and the new annex. Mr. Reedy indicated it does. Councilmember Clark noted one of the memos Council received in the day's agenda packet concerns the civic center maintenance reserve and how it will be used to address issues related to painting and flooring. She asked if those improvements would be addressed independently or as part of the overall building maintenance assessment. Mr. Reedy said those improvements are separated out from the longer term study because the Civic Center has some short term needs that need to be addressed in FY 2006-07.

Mayor Scruggs pointed out the city has always had a policy of keeping the Civic Center as its own cost center to be able to track the facility's income and expenses. She said she would be uncomfortable putting it in a position of competing for a general pool of money since the condition of that building is directly related to the revenue that it generates. Mr. Reedy said the intention is

to do an evaluation of each building to ensure there is a clear understanding of each building's needs. He said the thinking is that the city would have different building maintenance reserves for different areas to ensure the needs of the various structures are being met from a business standpoint, as well as in terms of structural issues. Mayor Scruggs emphasized the importance of putting the Civic Center on a more frequent repair/renovation/improvement schedule than other facilities that do not bring income to the city. Mr. Reedy said the Civic Center is one of several examples of a building that has its own individual needs. He stated the first step is to do a baseline assessment of each structure and then work with each department to identify specific business needs from a building maintenance standpoint.

Councilmember Clark said it makes sense to integrate all of the buildings under one department, as long as allowances are made for variations in function. She pointed out the Civic Center will not be the only building that involves a cost recovery component once the convention center comes online. Mr. Lynch said Council has the option of putting money directly into the Civic Center's budget for maintenance issues if necessary.

Mayor Scruggs said staff spent a lot of time going to facilities that would be in competition with the Civic Center when the Civic Center was first being planned. She stated decisions were then made with regard to how the Civic Center would be furnished and the rates that would be charged based on the evaluations of those other facilities. She said the Foothills Recreation and Aquatic Center will open in a few months, noting it and the future West Area Community Center also would have to compete for consumers' dollars. She stated it would be inappropriate to put those two recreation centers in the same category as the city's other recreation facilities if the plan is to compete with other privately run facilities. She emphasized that the city needs to take a totally different building maintenance approach for facilities that seek revenue recovery. Mr. Reedy agreed. He emphasized the need to evaluate each facility's business model to ensure each of those facilities have sufficient funding to meet their intended use. He said the demands placed on the buildings also differ and provided an example of buildings with a lot of foot traffic would require more frequent carpet replacement.

Vice Mayor Eggleston agreed some facilities have to be thought of differently than others.

Vice Mayor Eggleston asked Ms. Frisoni about the event management program server. Julie Frisoni, Communications Director, explained the server is the proprietary program that runs and coordinates all aspects of event production. Vice Mayor Eggleston asked if the lighting at the Civic Center needs to be improved. Ms. Frisoni stated \$15,000 was budgeted this year for spot and performance lighting. She said she would need to have lighting experts look closely at the facility to determine whether additional lighting improvements are

necessary. Vice Mayor Eggleston expressed his opinion that lighting improvements are needed, particularly in the west side garden area. Ms. Frisoni noted improvements to the west side garden area will start in May.

Councilmember Frate asked if parallel parking in the Civic Center parking lot has been considered. Ms. Frisoni said they have not looked at that option as yet.

Mayor Scruggs asked if all of the projects listed fit into the original request. Ms. Frisoni responded yes. Mayor Scruggs asked if the improvements would leave the Civic Center with a zero balance. Ms. Frisoni said there has not been a maintenance reserve for the Civic Center and over its 6.5-year history it has received approximately \$50,000 for maintenance. She said the original \$100,000 request for this year will cover just those items outlined in her memo. She stated that she hoped the Civic Center would have a pool of money that would build up year to year to cover future maintenance costs. She said, however, anything above and beyond those items listed in the memo will have to be brought back to Council under a separate request. Mayor Scruggs stated when the city was building the Civic Center the direction was given to establish a maintenance reserve fund. She said for a number of reasons the fund was not established. She suggested the Council earmark an additional \$50,000 for FY 2006-07 and \$100,000 for the establishment of a maintenance reserve fund specifically for the big maintenance expenses projected for FY 2009-10.

Mayor Scruggs passed on compliments she heard concerning last Friday's fundraising event, stating people were overwhelmed by the quality of the facility. She commented that the people who attended that event are now potential customers.

Councilmember Lieberman pointed out the city is supplementing the Civic Center about \$200,000 per year.

Councilmember Clark agreed they should set aside \$100,000 to establish a maintenance fund for costly improvements expected in 2009-10. She stated, however, she is not sure about earmarking another \$50,000 for FY 2006-07 since Ms. Frisoni indicated staff's request for \$100,000 will meet this year's needs.

Mayor Scruggs asked what staff would do to address an unexpected but visible problem given the fact that they would have only \$3,000 left in their budget. Ms. Frisoni said they would have to look at other money they might have available in their budget. She said staff believes the requested \$100,000 will cover the facility's known needs, but does not take into account unexpected problems or damage to the Civic Center. She assured the Council that an additional \$50,000 would be put to good use, noting that the Civic Center's technology is outdated and does not meet the expectations of its clientele. Mayor Scruggs stated the Civic Center never received high marks in terms of technology.

Vice Mayor Eggleston said the sound system also could be improved. Ms. Frisoni noted the sound system was identified for funding this year, however, the items are on backorder. Vice Mayor Eggleston said he supports the idea of setting aside an additional \$50,000 for this year as well as additional funds for future maintenance.

Councilmember Clark said \$50,000 is a relatively small amount of money, but she is concerned that the funds would be spent on improvements that she would prefer to see built into next year's budget. She pointed out \$50,000 would not cover a major catastrophe, noting that staff would need to make a contingency request to cover the cost of an emergency.

Mayor Scruggs asked Ms. Schurhammer to keep the item on the list until Council heard all of the presentations.

## **Traffic**

Staff presenting information: Mr. Jamsheed Mehta, Transportation Director.

Councilmember Frate referred to a memo the Council received from Mr. Mehta, stating it says several signals are not warranted at this time. With regard to the intersection of 59<sup>th</sup> Avenue and Camino de la Compana, an office complex has broken ground, making it difficult for residents of the nearby neighborhood to get out of their community, since the warrant study was conducted. He stated he would like to see a signal at that intersection accelerated. He pointed out the intersection improvement at 67<sup>th</sup> Avenue and Bell, which calls for a designated right turn, will actually increase traffic flows on 67<sup>th</sup> Avenue, making it more difficult for people trying to go south out of Camino de la Compana or north out of the office condominiums.

Mr. Mehta said staff conducted a nationally accepted warrant study at 67<sup>th</sup> Avenue and Camino de la Compana and at this time the intersection does not meet the warrants for signalization. He stated once the site across the street from the office condominiums is fully developed it will create enough traffic volume to trigger the warrant. Councilmember Frate expressed his opinion the warrant has already been triggered by the office condominiums. Mr. Mehta said they can work closely with the development that is occurring to see if the traffic it is expected to generate will trigger the warrant.

Mayor Scruggs said the issue is whether or not they want to put more money into traffic signalization rather than promoting a particular intersection for signalization. She stated the city created issues on 59<sup>th</sup> Avenue, north of Union Hills, by installing too many traffic lights. She asked if the intersection referenced by Councilmember Frate is far enough from Bell Road to meet the national standards for a traffic signal. Mr. Mehta stated there is no particular minimum separation, but effective traffic engineering standards do come into play. He

pointed out his memo to Council identifies eight intersections where signals are warranted, but they do not have adequate funding to install those signals. He noted a majority of those signals are at the quarter-mile streets or less. He suggested there are other alternatives for alleviating the traffic problems, such as adjusting the signal timing on the system for that street. Mayor Scruggs stated one of the city's biggest problems is the inability to make left hand turns, particularly on 67<sup>th</sup> Avenue. She said, however, she does not know that installing a signal immediately after Bell Road is the answer. Mr. Mehta stated staff is proposing \$60,000 per year for data collection for a third of the city, which then will be modeled. He expressed his opinion that the issue can be addressed on a system-wide basis by looking at the existing signals to ensure there are adequate traffic gaps.

Councilmember Martinez offered his support of the signal proposed by Councilmember Frate, noting the intersection used to be in his district. He said he attended a meeting his second year in office where residents were told a signal would be warranted as soon as development begins across the street.

Councilmember Clark said Bethany Home Road and 79<sup>th</sup> Avenue is split into west and east, with the east direction identified as a warranted intersection. She asked if that means only the east bound direction would have a traffic light. Mr. Mehta explained that 79<sup>th</sup> Avenue is offset, with 2 "T" intersections separated by about 200 yards. Councilmember Clark said the city is scheduled to move Bethany Home Road further south at some point, which will change the whole dynamic of the road. She asked if the issue would be revisited once the road has been moved. Mr. Mehta stated the city should wait for the results from the newly completed signal on the east side. Councilmember Clark asked why the light is not yet operational and asked Mr. Mehta to look at Bethany Home Road from 75<sup>th</sup> to 83<sup>rd</sup> again once the road has been moved.

Mayor Scruggs said she is not comfortable giving direction at this time to put traffic signals at certain locations. She asked if money is available for a traffic signal at Camino de la Compana if another warrant study is conducted and one proves to be warranted at that location. Mr. Mehta said his department's signal construction program is a rather ambitious list that will exhaust all of the budgeted resources, including DIF funds, in FY 2006-07. Mayor Scruggs asked about the amount needed to install and operate a signal. Mr. Mehta said a traffic signal designed and installed by an outside contractor would cost \$185,000. If the city did the work, the signal would cost about \$135,000 to \$140,000.

Mayor Scruggs suggested Council add \$185,000 for a signal, if warranted, at 67<sup>th</sup> Avenue and Camino de la Compana to the list of items to consider at the end of the budget process.

Councilmember Martinez asked if the developer might pay for part of the signal. Mr. Mehta said they would certainly look at that, depending on traffic flow projections attributable to that development. Mayor Scruggs said the city did not negotiate any kind of agreement with the developer for a traffic signal. Mr. Mehta said if that is the case then the opportunity to have the developer participate has probably been lost. Councilmember Frate noted he was told the recommendation would be to have the developer install the light when Phase II of the project begins. He said his intention was to use some of the one-time funds available to address the signal.

Mayor Scruggs referred to the warranted but unfunded list in the Transportation Department's memo that was included in the agenda packet for today's workshop, stating some of the intersections are particularly difficult. She asked if a traffic signal would be needed if an acceptable alternative solution cannot be found. Mr. Mehta explained that a new signal is the only alternative if they determine changes in signal timings do not address the problem. Mayor Scruggs asked where the money would go if the Council sets aside \$185,000 for an additional signal at Camino de la Compana, and it is determined that another solution will not work for one of those intersections already identified as warranting a signal. She also asked if the City of Glendale has control over the signals at the Loop 101. She pointed out 75<sup>th</sup> Avenue and Adobe intersection has an extremely high volume of traffic due to the two locations that draw thousands of visitors, stating the signal at the Loop 101 offers no relief. Mr. Mehta said the signals at the ramps to the Loop 101 are ADOT signals, but the city could work with ADOT to adjust the timing if it is determined doing so would alleviate some of the problems.

Councilmember Martinez said the Mayor brought up a valid point that, while Camino de la Compana may meet the warrants, other intersections have already done so. He asked if the city has a policy that says those intersections that already meet the warrants would be done before others that have not yet met them. Mr. Mehta said it would be best to address those that have already met the warrants first.

Councilmember Clark brought up the issue of speeding in neighborhoods. She asked what alternative mitigation devices are being implemented in lieu of speed humps. Mr. Mehta said speed tables and radar are being used in some areas. Councilmember Clark stated those are pilot projects, not an ongoing policy. Mr. Mehta agreed, stating, however, other devices could be used if speed tables are found to be ineffective. Councilmember Clark expressed her opinion that modified speed humps are useless. She also said she has not yet heard of a good alternative solution. She asked when the results of the pilot projects would be available. Mr. Mehta stated the results for the radar projects will be available in May and for the speed tables in September. He stated other options include traffic circles and chokers. Councilmember Clark pointed out those alternatives are far more expensive. She stated she has never been a fan of chokers

because she does not want to limit on-street parking. She asked if there are any new measures on the horizon that might better address the problem. Mr. Mehta said the only other options at this point are to use a combination of the measures already used throughout the city and increased police enforcement, noting that the Police Department plans to implement neighborhood resource units over the next year. Councilmember Clark said the problem is ongoing and one of the most common complaints she receives. Mr. Mehta said his department would continue to look at options implemented in other cities, keeping in mind anything contemplated for primary response routes would have to be approved by the Fire Department.

Councilmember Goulet said the issue of speed humps was brought up in recent neighborhood meetings and in an effort to propose new ideas he suggested the idea of using signage on the street or a series of raised rumble bars to increase awareness of the driver's speed. Mr. Mehta said speed cushions, which are rubberized asphalt bumps, were tested although it is doubtful they will hold up well in the heat.

Councilmember Martinez referred to page 2 of the Transportation Department's memo, which says the neighborhood traffic count is initiated by residents as the first step of the mitigation process. He said it was his understanding that the city's policy changed and traffic counts are not undertaken until the Fire Chief determines doing so is necessary. Mr. Mehta clarified that traffic counts are taken as soon as they are informed by residents that a problem exists. Councilmember Martinez said he is aware of situations where traffic counts indicate mitigation is warranted, but the Fire Department expressed reservations about speed humps as a mitigation device. Mr. Mehta said traffic mitigation studies include feedback from Police and Fire. Chief Burdick said the Fire Department has provided a map that identifies the primary response routes where they would object to speed humps.

Councilmember Martinez expressed his opinion that they need to put at least \$50,000 in one-time money into the speed mitigation program, regardless of the mitigation measures used.

Mayor Scruggs stated there is \$508,417 available in one-time funds. She noted that Council has discussed possible uses of those funds as follows:

- \$50,000 for additional traffic mitigation,
- \$185,000 for one additional traffic signal, and
- \$50,000 for additional funding for unexpected building maintenance issues and/or technology upgrades at the Civic Center.

She asked the Council if there is support for any or all of those recommendations.

Councilmember Frate suggested they fund another traffic signal with the remaining one-time funding.

Mayor Scruggs stated the Council will accept the budget as proposed, adding \$50,000 for additional traffic mitigation, \$370,000 for two additional traffic signals to be identified by the Transportation Department, and \$50,000 for additional funding for unexpected building maintenance issues and/or technology upgrades at the Civic Center.

Mayor Scruggs said the suggestion was made to set aside \$100,000 in available ongoing funds to establish a Civic Center building maintenance reserve. The Council indicated their support of the suggestion.

### Utility Rates

Staff presenting information: Mr. Ken Reedy, Deputy City Manager.

Mr. Reedy stated the Utilities Department provides water and sewer services to all of their customers on a daily basis. He said the services they offer are highly regulated and the quality of the city's water is very high, noting water from the city's taps is as safe as any bottled water available. He said last week they reviewed the Utilities Department's operating costs and capital improvement needs, which include supplementals related to growth, maintenance of related infrastructure, security recommendations, and regulatory requirements. He stated several other supplementals increase the money in existing line-items to allow them to maintain their current level of service, pointing out escalating materials costs affect the cost of providing and maintaining the city's infrastructure. He stated staff's recommendation is to raise both water and sewer rates 8% effective July 1, 2006 and an additional 8% on January 1, 2007. He said adopting the new rate structure will help ensure the Utilities Department has the necessary financial resources to provide the highest level of water and sewer services to its customers.

Councilmember Martinez asked how the city's rates compare to other cities. Mr. Reedy said the increased rates would make Glendale 5<sup>th</sup> in the Valley assuming no other cities are in the process of adjusting their rates as well. Councilmember Martinez asked if Glendale's ranking would change when the rates are again increased in January 2007. Mr. Reedy said he believes all of the cities will be implementing rate increases on a fairly constant basis. Councilmember Martinez said, based on the research that has been done by city staff and the consultants, he will support the recommended rate increases.

Vice Mayor Eggleston asked if the \$7.56 increase represents the July or July and January increases. Mr. Reedy said it represents both the July and January increases. Vice Mayor Eggleston asked if staff is recommending that they start the increases in July because they need the additional revenue immediately. Mr.

Reedy responded yes, stating an option was offered that called for increases in October and March, but those increases would have been slightly higher.

Councilmember Fate agreed other cities would increase their rates as well. He stated Glendale has always provided high quality drinking water and it is something they must continue to do. He pointed out people will be able to lessen the impact of the increases through conservation; although that is not the intention behind the increase. He asked how much water the city is able to produce for the price of one bottle of water. Mr. Reedy said 714 gallons. Councilmember Frate stated he supports the recommended increases because deferring the increases will only make them larger in the future.

Mayor Scruggs asked staff to display a slide outlining the specifics of the other options considered, asking if the original recommendation called for the 8% increases to continue over the next several years. Mr. Reedy said their current study shows rate increases will be necessary in the future, but their recommendation is to do the one-year increase and return each year thereafter with an evaluation of current costs. He explained Alternative 2 called for water and sewer rate increases of 9% in October 2006, 9% in March 2007, and 9% in October 2007 as well as a 5% increase in March 2008 for Water and a 7% increase in March 2008 for sewer. He stated Alternative 3 called for a one-time water and sewer rate increase of 15% in October, followed by another 15% one-time increase in October 2007, and a 10% increase in sewer and 12% increase in water in October 2008. Mayor Scruggs pointed out Alternative 3 is the least expensive option from the consumer's standpoint.

Councilmember Clark said the city has no option but to increase the water and sewer rates, but Alternative 1 calls for a 16% increase in water and sewer in July with another compounded 16% increase in January 2007. Mr. Reedy agreed, pointing out, however, it also delays the impact of the first half of the rate increase for six months. Councilmember Clark said Alternative 1 results in an increase of \$7.86 per month while Alternative 3 results in an increase of \$6.57 per month. Mr. Reedy stated both alternatives have roughly the same effect on city revenue, but Alternative 1 provides for immediate revenue. Councilmember Clark said she is inclined to go with Alternative 3. Mr. Reedy stated all three of the alternatives will meet the department's needs, explaining their goal was to have the least impact to the customer.

Mayor Scruggs stated Alternative 3 ends up being less expensive for customers, but a 15% increase sounds much worse. She said the Council talked extensively during the Utilities Workshop about a comprehensive outreach program that will create awareness of why the rates are increasing. She stated Alternative 3 would provide staff with additional time to conduct the outreach campaign. She said, as terrible as a 15% increase sounds, she is leaning toward Alternative 3 since the cost to the resident will be less and there will be more time to do outreach. She stated she will be looking to staff to provide very extensive, yet

easy to understand explanations to the residents. She commented, while people will be upset about a 15% increase, they will go crazy if they see their rates increase every six months.

Councilmember Martinez said he can support it as well.

Mr. Reedy reiterated all three rate structures meet the department's needs.

Vice Mayor Eggleston pointed out the city makes no money on the utilities, stating the rates charged represent the city's cost to deliver the service. He agreed people will be more accepting of a larger one-time increase than multiple smaller increases. He pointed out the future increases identified by staff are based on projections and may or may not actually come to fruition.

Councilmember Clark said she has always leaned toward Alternative 3, noting the savings between it and Alternative 1 will be even greater for those who use more than the average of 13,000 gallons per month. She expressed her opinion Alternative 3 best serves the city's consumers.

Councilmember Frate said, while he initially supported Alternative 1, he could support Alternative 3 because it will provide more time to educate residents about the rationale behind the increase.

Mayor Scruggs said in a previous meeting Councilmember Clark asked if there is any way the city can avoid raising its rates and Mr. Reedy emphatically responded no. She said they now need to make their case to the rate payers.

Mayor Scruggs voiced Council's majority support for Alternative 3.

Councilmember Clark said the public education component needs to clarify that the increase is not solely related to growth, stating they need to let residents know that the city is developing an ongoing maintenance and replacement program for older portions of the system. She said in a post 9-11 atmosphere the city has to implement security upgrades and the city continues to get unfunded federal mandates concerning treatment requirements.

## ADJOURNMENT

The meeting was adjourned at 12:20 p.m.