***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 WORKSHOP
April 19, 2005
1:30 p.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, City Attorney; and Pamela Hanna, City Clerk

1. **FISCAL YEAR 2005-06 BUDGET: 6TH WORKSHOP**

This is a request for the Council to review

- The Debt Management Plan, which Ray Shuey, the Acting Chief Financial Officer, will present. The Debt Management Plan is based on the preliminary capital improvement program (CIP) report, which was distributed to the Council on February 15, 2005. As such, the Debt Management Plan does not include the hotel project planned for the sports and entertainment development in western Glendale.

- Supplemental budget requests related to the stadium development. Deputy City Managers Horatio Skeete and Art Lynch will present an overall picture of the revenues and expenses related to this project.

- Supplemental requests for the Westgate development and events related to the sports and entertainment center where the arena and the stadium are located.

- Information about the design, construction, and essential infrastructure costs of the Emergency Operations Center (EOC); the design and construction costs of Phase I (Glendale only) of the Public Safety Training Facility; and the estimated one-time and ongoing operations and maintenance (O&M) costs for the EOC and Phase I (Glendale only) of the Public Safety Training Facility.

- o Information about the options available for financing the EOC and Phase I (Glendale only) of the Public Safety Training Facility capital projects.

- o The estimated carryover for two parks bond projects included in the Council approved capital budget for FY2004-05.

The budget material to be covered is contained in the Council budget workbook and the preliminary CIP report, both of which were distributed to the Council in February of 2005. In addition, the material was distributed with the Council Communications for each of the prior five budget workshops. An overview of the Preliminary CIP, as presented in the preliminary CIP report for FY2006-15, was provided at the April 5, 2005 budget workshop.

The Council's review of the FY2005-06 budget is consistent with the Council's goal of ensuring the city's financial stability.

During FY2003-04, the budget process was modified per the Council's request. Some of the more significant modifications include the following:

- The Council now receives quarterly presentations on General Fund (GF) revenues and expenditures;

- o The Council now receives periodic presentations throughout the year on enterprise fund issues, such as sanitation collection and the landfill tipping fees.

- o The Council now reviews the proposed CIP budget at the same time as the operating budgets for next fiscal year, as evidenced by the inclusion of CIP operating and maintenance supplementals as part of the operating budget process; and

- o The Council now reviews all supplemental spending requests as part of the operating budget process.

The final balancing budget workshop is scheduled for April 26, 2005.

The 1st budget workshop with the Council occurred on March 15, 2005. This workshop covered an overview of the FY2005-06 general fund proposed budget, the recommended City Manager priority supplemental requests related to total compensation and risk management, as well as the supplemental requests for the Human Resources (HR) Department.

The 2nd budget workshop with the Council occurred on March 22, 2005. This workshop covered the Fire Department, the Police Department, Homeland Security/Special Projects, the Appointed Officials Group, the Elected Officials, and the Internal Services Group.

The 3rd budget workshop with the Council occurred on March 29, 2005. This workshop covered the departments that comprise the Public Works Group, the Community Information & Services Group (with the exception of the Parks and Recreation Department), and the Community Development Group

The 4th budget workshop with the Council occurred on April 5, 2005. This workshop covered the preliminary CIP report. However, because of time constraints, all of the material was not covered and therefore was carried over to the 5th budget workshop on April 12, 2005.

The 5th budget workshop with Council occurred on April 12, 2005. This workshop covered CIP material not completed at the 4th budget workshop, including pay-as-you-go capital projects; CIP O&M supplemental requests for the Civic Center, Economic Development Department, Field Operations Department, and the Parks Department; the Parks Department's operating budget and operating budget supplemental requests; the utilities needs assessment, utilities CIP, and utilities CIP O&M supplemental requests; and the Glendale Onboard (GO) Transportation operating and capital programs.

The Council was given the preliminary CIP report on February 15, 2005. This material was discussed at the workshop on April 5, 2005.

The Council reviewed the Fiscal Year 2005-06 GF revenue projection at the February 15, 2005, workshop.

The Council was given the FY2005-06 budget workbook on February 28, 2005 for review prior to the scheduled budget workshop discussions. This workbook contains the following information:

- the City Manager's memo on the Fiscal Year 2006 recommended operating budget (pages 1-11);
- the Fiscal Year 2005-06 General Fund budget balancing summary (page 12); and
- the ongoing and one-time supplemental requests, including those related to new capital projects coming online in Fiscal Year 2005-06, that are being recommended for funding from the General Fund, the enterprise funds, and all other funds.

The City of 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 and operations and a better understanding of the city's ongoing needs for stable revenue sources to fund public services and ongoing operations.

The budget provides the Council and residents 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.

No decisions are required at today's workshop. Decisions on the proposed budget are not needed until the Final Balancing Budget Workshop on April 26.

Ed Beasley, City Manager, said the city's CIP and Debt Management Plan are financially balanced. He explained the CIP represents the overall plan for the future, based on what is known at the time the CIP is presented. He said the plan is flexible and can be altered as Council's priorities and needs change. For example, Council has altered the CIP in the past when it asked staff to fit in some unplanned projects. Consequently, Mr. Beasley said projects in the plan can change from year to year based on Council's direction for new and planned projects. While the CIP represents a 10-year plan, Mr. Beasley said Council appropriates funding only for the first year of the CIP.

Ms. Sherry Schurhammer, Management and Budget Director, began the workshop presentation by stating that Ray Shuey, Acting Chief Financial Officer, will discuss the city's existing and proposed debt paid out of the capital and operating budgets.

After that discussion, Horatio Skeete, Deputy City Manager for the Community Development Group, and Art Lynch, Deputy City Manager for Homeland Security/Special Projects, will provide an overview of the Cardinals stadium project and the operating budget supplemental requests related to this project. As part of this discussion, Mr. Skeete and Mr. Lynch will present a revenue-expenditure overview of the stadium project.

Also included in this part of the discussion will be the operating budget supplemental requests related to the Westgate development. As part of this discussion, Mr. Lynch will provide information about the city's debt service obligations related to the Glendale Arena, and the anticipated city revenues expected from the Westgate development that are slated to cover the debt service obligations.

Next on today's agenda is a discussion about the operating budget supplemental requests related to preparation for future national sports events scheduled to occur at the Glendale Arena and the Cardinals stadium.

Ms. Schurhammer concluded by saying that today's workshop would end with a discussion about the follow up questions that Council asked regarding the April 5 budget workshop presentation on the capital improvement program related to the Emergency Operations Center (EOC) and the West Valley Regional Public Safety Training Facility.

Debt Management Plan

Mr. Shuey explained the city's Debt Management Plan (DMP) helps ensure financial resources are available to accomplish the goals identified in the capital improvement plan. He said the plan also enables the city to maintain strong bond ratings by providing pertinent financial information to keep the rating agencies current on the city's financial status. He stated the DMP is financially balanced and that all of the debt listed in the document meets existing bond covenants.

Mr. Shuey reviewed a chart depicting the current allocation of outstanding city debt and other obligations, noting that approximately 33%, or $177.95 million, of outstanding debt is through the city's Municipal Property Corporation (MPC). He said MPC debt is repaid with excise tax receipts such as city tax revenues and state-shared revenues.

Councilmember Lieberman requested larger charts at future presentations.

Mr. Shuey said MPC debt service obligations will experience a decline in FY2008-09 because the debt service payments related to the construction of City Hall will end. He stated that most of the other debt services obligations for MPC bonds is related to the construction of the Glendale Arena, noting that the debt service payments are matched to estimated revenues coming in from the arena over the future years.

Mr. Shuey reviewed the overall note and lease debt service obligations for the city, stating that they were incurred for various city facilities in the downtown area and equipment acquired through leases. He provided examples of the General Fund component of the lease and note debt service obligations, pointing out that they include the acquisition of the land for the Northern Crossing development, the acquisition of the Hickman egg ranch property, the construction of sound walls along the Loop 101, and the purchase of communications equipment for public safety. He said the debt service payments remain stable over the next five years, with the majority of the payment going toward principal because of the historically low interest rates the city was able to obtain when the leases were developed. He explained the principal portion represents the amount the city would have paid for capital outlay had the items not been financed through lease and note obligations.

Vice Mayor Eggleston asked whether the lease debt service payments end in 2010. Mr. Shuey responded no, explaining the payment schedules vary for the different leases, with most ending in the 2012 to 2015 timeframe.

Councilmember Lieberman noted the city would have new lease and note obligations as the existing ones are repaid. Mr. Shuey said that is true, assuming the city continues to use that form of financing.

Mr. Shuey reviewed a chart of existing and proposed General Obligation (G.O.) bond debt service, explaining this type of debt is repaid through secondary property tax revenue. He said the figures assume the total property tax rate remains at its current level of $1.72 per $100 of assessed valuation.

Mr. Shuey reviewed a chart of existing and proposed water and sewer system revenue bond debt service, stating that payment of the debt service obligations comes from fees charged to system customers based on costs generated to provide services.

Mr. Shuey reviewed a chart of existing and proposed Highway User Revenue (HURF) bond debt service, stating that payment of the debt service comes from HURF revenues – the gasoline tax – as provided by the state. He noted the city's policy limits planned annual debt service on this type of debt to 45% of HURF revenues.

Councilmember Lieberman asked about the city's current total debt obligation. Mr. Shuey said $531.2 million, reiterating that MPC debt makes up the largest component at $128 million.

Vice Mayor Eggleston asked what is meant by the term "lease". Mr. Shuey explained the city enters into capital leases which means the city is lease/purchasing major equipment or major facilities and once the final payment is made the city owns the equipment or facility outright. He said, in the past, the city has chosen to lease so it can match the cost of providing the facilities or equipment against revenue flows.

Councilmember Lieberman asked about the city's debt limit. Mr. Shuey said the limit varies by the type of debt, explaining that G.O. bonds are restricted by the Arizona state constitution, whereas the cap for HURF bonds is based on the actual HURF revenue collected and state compliance requirements. He stated the city would not issue bonds if the caps would be violated. He said the Finance Department closely tracks the city's debt service obligations to ensure the city is continuously in compliance with the various state and city requirements and the bond covenants. He noted the city provides annual disclosure reports to the bond rating and bond holder communities.

Councilmember Clark asked if the G.O. bonds cover both the 6% and 20% categories. Mr. Shuey responded yes. Councilmember Clark said the total G.O. bond debt is approximately $158 million. Mr. Shuey agreed.

Councilmember Martinez asked about the city's remaining G.O. bond capacity. Mr. Shuey explained the ability to issue a particular type of bond is based on the covenants the city enters into and city policies. In the case of G.O. bonds, the amount of debt the city can issue is directly related to the city's property tax rate. He assured Councilmember Martinez that the budget is currently balanced and is based on a combined property tax rate of $1.72.

Councilmember Martinez asked if the city has reached its bonding limit in any of the categories, particularly for capital work related to the sewer system. Mr. Shuey stated that bonds for this type of work are not issued as G.O. bonds, but rather as water and sewer revenue bonds. As such, the issuance of this kind of debt is restricted to very specific uses, as authorized by the voters, as well as the city's ability to generate sufficient water and sewer revenue to address the repayment obligations.

Ms. Schurhammer noted that the city is maxed out on its ability to make debt service payments for G.O. bond debt, explaining that the amount the city has to pay for debt service slightly exceeds the amount the city actually receives in secondary property tax revenue. She said the difference will be made up over the next couple years with development impact fee (DIF) revenues. However, she noted that DIF revenues are not considered by the bond community to be an ongoing source of revenue like secondary property tax revenue.

Mayor Scruggs asked if this means that the property tax rate would have to be increased if the city were to issue more debt service than currently planned. Ms. Schurhammer said yes. Mayor Scruggs noted that the city would have had to make major adjustments to HURF bond funded projects if the recently proposed legislation at the Arizona State Legislature had not been withdrawn. She commented that the revenues based on water, sewer and sanitation rates are precisely projected, leaving little capacity to add additional projects in those areas.

Councilmember Clark asked if there is any remaining MPC capacity. Mr. Shuey said there are various categories of MPC bonds, each with their own requirements, terms and coverage tests. He stated the city has not reached capacity on those bonds, especially in the case where a new project funded through MPC bonds would bring new ongoing revenue to the city.

Councilmember Clark asked if there is any capacity left in the lease-purchase financing area. Mr. Shuey explained that lease-purchase financings are typically tied to specific equipment and repaid through General Fund ongoing revenues such as city sales tax receipts and state-shared revenue receipts. In other words, lease-purchase financings have an impact on the city's operating budget in the General Fund, as well as the enterprise funds for equipment specifically for enterprise fund operations.

Councilmember Lieberman asked if a lease-purchase agreement was used for the Northern Crossing project. Mr. Shuey responded yes. Councilmember Lieberman asked if there is any interest advantage in terms of leasing versus borrowing funds through other financing mechanisms. Mr. Shuey said it depends on the amount of equipment and facilities included in the offering. He said bonds or obligation financing typically results in a lower rate because it is offered to the general bond community and is offered on a larger sale. Councilmember Lieberman pointed out interest rates have increased 1.75% over the past six months and asked if the city has realized a similar increase in interest rates. Mr. Shuey said the current 10- year AA G.O. bond rate is

3.85% and the 15-year rate is 4.18%, while the 10-year revenue bond rate is 3.88% and the 15-year rate is 4.2%.

Mayor Scruggs clarified that the city's lease-purchase transactions do not involve equipment that will go back to the leasing company, as is the case with car leases that individuals can obtain. Mr. Shuey agreed, stating the city owns the equipment at the end of the lease-purchase term.

Mayor Scruggs asked about the source of revenue used to pay the debt service obligations for MPC bonds. Mr. Shuey said the majority of the outstanding MPC bonds are for the Glendale Arena and revenues generated by the Glendale Arena are dedicated for payment of the debt service on these bonds.

Mayor Scruggs asked how the $531.2 million in total outstanding debt carried by the City of Glendale compares to other peer cities. Mr. Shuey said it would be necessary to look at the projects each community was doing and the revenue coming back from each of those projects to do a fair comparison.

Councilmember Frate asked if the chart shows the improvement bonds for the Arrowhead Mall. Mr. Shuey explained the bonds were refinanced with MPC bonds last year to take advantage of considerably lower rates and advantageous refunding terms. He said the bonds are included in the MPC debt service figures in the DMP and are referred to as Excise Tax Revenue Bonds Series 2004A. He noted the last annual payment for this project is scheduled for FY2013-14.

Mayor Scruggs asked how improvement districts are reflected in the DMP. Mr. Shuey said debt service related to improvement districts represents $109,000 of the overall total.

Councilmember Clark suggested, in the future, staff enumerate under which category large bonds are located.

Mr. Skeete began the discussion about operating budget supplemental requests related to the stadium development with an overview of the revenues and expenses related to this project. Mr. Skeete explained a slide titled "Stadium Project Overview." This slide showed estimated expenses to date of $2.8 million, with an appropriation of almost $1.9 million for FY2005-06 for total estimated expenses of almost $4.7 million by the end of FY2005-06. He stated the original agreement with the Arizona Sports and Tourism Authority (AZSTA) called for almost $1.2 million in permit revenue. He said an additional $286,000 is anticipated for reimbursement of legal fees incurred to date. He said the city also signed an amendment to the original agreement between the city and the AZSTA in September 2004 that obligates the AZSTA to pay the city an additional $500,000 to cover city permit inspection costs; this revenue would be due once the Certificate of Occupancy is issued. Mr. Skeete stated that the city has entered into additional negotiations with the Arizona Cardinals football team and the AZSTA for an additional $2 million to cover more of the city's inspection costs through the end of construction, which is expected to occur in FY2007-08. Mr. Skeete said the AZSTA has agreed to consider the city's request for an additional $2 million. Bottom line, the difference between total expected expenditures and anticipated revenues for the stadium construction project is expected to be $704,000, which the city would have to cover with other city revenue sources.

Councilmember Lieberman asked about the cost of the infrastructure improvements. Mr. Skeete said the street and utility improvements are not specifically tied to the stadium project and therefore these costs have always been considered the city's responsibility. He said the cooling district would not be done. Instead, the AZSTA would pursue the development of its own cooling system. In response to Councilmember Lieberman's follow up question about a community facilities district (CFD) issuing bonds, Mr. Skeete stated that the CFD option would not be pursued and that the responsibility for the initial $35 million bond issuance for infrastructure at the stadium was transferred to the AZSTA per the September 2004 amendment to the original agreement between the city and the AZSTA.

Councilmember Clark stated the Bethany Home Road interchange and Maryland Avenue overpass capital projects are driven by the stadium's presence and should be considered new costs to the capital program despite the fact that the Arizona Department of Transportation (ADOT) plans to reimburse the city for a portion of the cost. She asked if the infrastructure being constructed is larger than it would have been had the stadium not been located in the area. Mr. Skeete responded no. Mr. Lynch said the infrastructure is being built to the size necessary to meet commercial needs. Councilmember Clark expressed her opinion that the costs are new costs associated with the stadium coming to Glendale. Mr. Skeete said the infrastructure improvements were already included in the city's plan, but were advanced with the signing of the agreement.

Mayor Scruggs commented on the Bethany Home Road interchange project. She said this project was not in the plans for the county's dedicated transportation sales tax or ADOT; it was only in the city's capital plan. She said Dana Tranberg, Deputy Director of Intergovernmental Programs, provided her with meeting minutes going back to 1996 related to regional discussions about freeway projects. She said Williams Air Force base did not want a freeway interchange in 1985, when the original plan for the county's dedicated transportation sales tax was developed. However, once the City of Mesa took over the facility, Mesa argued that a freeway interchange should be included in the plan for the county's dedicated transportation sales tax.

She said Mesa's situation closely mirrored Glendale's situation at Bethany Home Road. An interchange at Bethany Home Road was not planned because the Paradise Valley Freeway project was on the books for ADOT. Subsequently, ADOT scrapped the Paradise Valley Freeway project. As a result, an east-west access point to and from the Loop 101 is needed. She stated that the Maricopa Association of Governments (MAG) which determines how the county's dedicated transportation sales tax will be allocated, had no plans to pay Glendale for the Bethany Home Road interchange until she argued the case and obtained enough votes from the MAG Regional Council. She stated the plan had to be accelerated because of the stadium, noting the south half of the intersection is in the existing half-cent sales tax and the north half is in the new tax that will come in 2006.

Councilmember Lieberman asked if the wastewater line from the stadium will go to the Sub Regional Operating Group's (SROG) treatment facility in the west valley or be pumped back to the city's West Area Water Reclamation Facility (WAWRF). Ken Reedy, Deputy City Manager for the Public Works Group, said the stadium and the Glendale Arena are served by the 95th Avenue sewer line, which means the city can decide if the wastewater component is sent to the SROG facility or the city's WAWRF.

Councilmember Clark thanked the Mayor for her advocacy on the Bethany Home Road interchange at MAG. She said, however, she does not believe the interchange would have been needed for a number of years if the Glendale Arena and stadium were not being constructed.

Ms. Schurhammer explained the operating budget supplemental requests related to the stadium project that Council approved for the FY2004-05 budget were approved on a one-time basis, therefore the supplementals requests for FY2005-06 will look familiar. She said there is a base budget in fund 92 (the stadium fund) of just under $240,000 for the Pendergast land lease that Council approved at the October 26, 2004, evening meeting. She said there is no carryover request. Operating budget supplemental requests for one-time funding total approximately $1.6 million and are specifically related to inspection services related to building safety, engineering and fire. She noted the funds would not be spent unless the workload requires the expense.

Councilmember Lieberman said the base budget shows the second year's payment on the Pendergast land lease, and that the cost of the lease will continue to increase every year. Mr. Skeete agreed.

Ms. Schurhammer stated the $974,478 request for the Building Safety Department is for 11 inspectors that are on contract, noting the positions will go away once the contract ends. She said the Engineering Department's request is for $500,000 to cover the cost of contractual inspection services, and the $164,058 is for the Fire Department's costs related to two contractual inspectors.

Vice Mayor Eggleston asked if the costs would be offset, in part, by inspection fee revenue. Mr. Skeete said the costs would be offset, in part, by revenue from the AZSTA, and additional revenue from the AZSTA is under negotiation.

Westgate Development and Events Related to the Sports and Entertainment Center Where the Arena and the Stadium are Located

Mr. Lynch began this discussion with an overview of the debt service obligations related to the Glendale Arena and the revenue that is expected to cover those debt service obligations. He referred to the slide titled "MPC Bond Issue for Glendale Arena: Sources & Use of Funds for Debt Service."

Mr. Lynch explained that the focus of the development agreement with the Ellman Companies anticipated a three to five year timeframe for redevelopment of the Northern Crossing project, and seven to ten year timeframe for the destination development that encompasses Westgate and the Glendale Arena. He stated the city has been conservative in its planning and the annual debt service requirements have been met to date. He reported the city is now three years and four months into the Northern Crossing project and all parcels have been developed except for one remaining lot that is currently under negotiation with a potential developer. Revenues from the Northern Crossing development are not included in the revenue figures shown on the slide titled "MPC Bond Issue for Glendale Arena: Sources & Use of Funds for Debt Service."

Mr. Lynch said the city used a conservative approach when estimating revenues to pay the debt service obligations on the Glendale Arena because of slower economic times that prevailed at the time the development agreement was written. This background explains why the estimated development time was extended to seven to ten years for the Westgate project. He said, after three years, he continues to have positive estimates with regard to the Westgate development. Mr. Lynch said that everything shown above the yellow line in the slide is projected revenue that is expected to remain in the General Fund. He noted the analysis shown on the slide includes penalty provisions and additional revenue streams that could be utilized in anticipation of slowdowns. Anticipated revenue from the National Hockey League's scheduled All-Star game in January 2006 is not included in the revenue projections. He said, when looking at the total cash flow of the project, it is clear the city is better off having done the project, noting the project has spurred other unique developments, including hotels and conference centers.

Councilmember Lieberman asked about the level of retail development assumed in the projected revenue. Mr. Lynch explained that projection assumed 560,000 square feet for FY2005-06. Councilmember Lieberman asked about the anticipated level of retail development in FY2015-16. Mr. Lynch said the revenue projections reflect1.2 million square feet of development. Mayor Scruggs said she thought the development agreement called for 1.6 million square feet in 10 years. Mr. Lynch said a conservative approach was used in developing the revenue projections.

Councilmember Clark asked why the "developer guarantee" payment is included as revenue in FY2004-05 when an audit cannot be completed until FY2005-06. Mr. Lynch said his projections reflect when the obligation is due, at the end of FY2004-05, even though the developer has 30 days to pay, which means the payment might not come in until July 2005. Councilmember Clark said the city still has to cover the debt service payment until the city receives the developer guarantee payment. Mr. Lynch said sufficient funds to cover the debt service payment are available in the revenue stabilization fund.

Councilmember Clark noted that the retail development at Westgate was scheduled to open in the fall of 2005 but has been delayed at least until the spring of 2006. She asked if the FY2006-07 projected revenue figures assume the Westgate retail development will occur on schedule. Mr. Lynch said the projections are conservative. He noted the expected retail development will occur during FY2006-07. Councilmember Clark stated the revenue stabilization fund was established by borrowing money to offset revenues they hoped would come but did not come with the Westgate project.

Mayor Scruggs said she has seen a number of interests gearing up to criticize Glendale for getting involved in the Glendale Arena and Westgate project. She emphasized the importance of assuring city employees that the city is strong and that the decision, while bold, was a good one. She said elected officials are often criticized for lacking leadership and courage to do the visionary things that need to be done, yet when things do not pan out exactly as planned they are criticized as being naive. She referenced a February 13, 2005, newspaper article that discussed an August 1991 announcement by the City of Tempe and Arizona State University (ASU) about plans for a lake in the middle of the desert and the waterfront developments that would bring millions of dollars in revenue. She said the Tempe City Council approved the plan to build more than 3 million square feet of commercial space on 71 acres along the future lake and flour mill site. She stated the plan included restoring the mill's silo tower, two 16-story office towers and a 500-room hotel on ASU's property; three 8-story buildings on Tempe's parcel; and niche shops and bistro style restaurants around the base of the silo on the flour mill site. Between 1992 and 2004 the development company sold or gave up development rights to the entire 71 acres and the much-touted Peabody Hotel failed to pan out when the developer was unable to obtain financing for the project. She said the article talked about ASU's inability to develop the land has cost tax payers about $5 million and the public has had to pick up about $3 million in lake operation and maintenance expenses since November 1999. She said ASU has paid an additional $2 million to lawyers and consultants as it struggled to get development going. She said Tempe has transferred millions of dollars into the reserve fund that pays for lake operations since 1999, and the fund is projected to run out by 2008.

Mayor Scruggs said Glendale is in a much better position, noting that the Northern Crossing site would not have been redeveloped had Glendale not entered into the Glendale Arena agreement. She said Glendale has also attracted a number of new business interests and revenue is being generated. She emphasized the City of Glendale's foresight in establishing a requirement that the developer build and open a certain amount of retail square footage by a set date, with a penalty imposed if the requirement is not met. She noted the Bass Pro project in Mesa will not be built until 2010 and the city is giving away 75% of the sales tax on all automobiles purchased at dealerships in Mesa. She stated Glendale has a beautiful facility that is attracting nationwide, if not worldwide, acclaim. She stated the Glendale Arena and Westgate project is far superior to the bland production housing originally envisioned for the land. Mayor Scruggs noted that the City of Phoenix is using taxpayer dollars to expand the Phoenix Civic Center and build the TGen and ASU Research Center. She said it requires nerve, strength, and fortitude to go forward with visionary projects and she will continue to assert that Glendale made the right decision regarding the Glendale Arena and Westgate. She said the city is fiscally strong and sound and is being helped by the project.

Councilmember Clark clarified that her questions and comments should not be construed as opposition to the project. She said she is tired of being cast in the role of being against a project simply because she exercises her duty as a Councilmember to ask questions. She stated her objective is to get facts out into the open, explaining there have been problems with the Westgate project since its inception. She said the public is entitled to know that issues do exist. She stated that she is certain Mr. Hammond's hotel project will come in on time and on budget, and that the stadium will perform as expected. Nevertheless, she is extremely disappointed in the performance of the Westgate project. She said the project has forced the city to borrow additional funds and she has the right to bring that to light without being characterized as opposed to the project

Vice Mayor Eggleston asked if the city would be borrowing additional funds. Mr. Lynch said no, explaining that the city borrowed funds to establish the revenue stabilization fund. He stated the revenue stabilization fund is an approach used elsewhere in the country and is a normal part of the planning process for projects of this magnitude.

Councilmember Martinez inquired about the amount of revenues generated to date. Mr. Lynch said revenues have been generated from arena operations and activities. Despite the hockey strike, the city continues to receive sales tax revenue from other activities occurring at the arena, noting that sales tax revenue totaled over $1 million in FY2003-04. He said the city also receives revenue from parking and rent. He said the city anticipated a development timetable of seven to ten years, pointing out the project is only four months into the fourth year.

Councilmember Martinez stated that the former Manistee property (Northern Crossing development) would still be undeveloped had the city not tied the redevelopment of this site to the Glendale Arena and Westgate projects. He said he has no regrets with regard to Council's decision to proceed with the project. He stated, at times, questions come across as though the person is looking for some underhanded or hidden reason why a project is not progressing as planned. He agreed the project has been good for the city.

Councilmember Clark asked if part of the $1 million in revenue for FY2003-04 that Mr. Lynch referenced was construction sales tax revenue. Mr. Lynch responded yes. Councilmember Clark said construction is basically completed and revenue totaling about $1.7 million is now being earned from parking, concessions and concerts. Mr. Lynch agreed. Councilmember Clark said staff's original presentation about the arena called for the city's indebtedness to total $180 million plus interest that would accrue over a 30-year period. Mr. Lynch responded yes. Councilmember Clark said she does not recall any mention of a revenue stabilization fund. Mr. Lynch said the revenue stabilization fund was included in staff's presentation as well as the official statements for the bond sale related to the Glendale Arena.

Councilmember Lieberman stated he also voted in favor of the project. He explained the city borrowed funds to establish the revenue stabilization fund to ensure it could make the first few debt service payments without placing an undue strain on the city's budget. He stated the city collects $2.25 per ticket for parking fees and 1.8% of ticket sales, noting the U2 concert generated a sizeable amount of revenue. He said the city also receives $43,000 per month for rent, totaling $500,000 per year. He stated the retail project is not going as fast as was hoped, but that is expected to change within the next 30 days. He stated 800,000 square feet of retail development was promised on June 26, 2004 and, to date, no retail square footage has been built. He noted the city is entitled to collect a penalty from the developer for his failure to produce as promised.

Councilmember Frate stated the need to look at the overall picture, noting thousands of people have been employed. He stated activity is occurring at Westgate, including two parking garages for two four-story buildings. He commented on the number of people who mention to him that the value of their homes has doubled. He said the project created much-needed jobs during a difficult time.

Councilmember Clark clarified she is not saying it is a bad project. She stated, however, she has every right to be concerned about the present situation. She said the city is on the hook for a lot of money and is dependent upon Ellman developing retail around the arena. She stated staff has done an excellent job in its conservative projections and making sure the project stays the course. She stated the announcement of the hotel project was one of the best things that could have happened, suggesting it would help kick-start additional retail development in Westgate.

Mayor Scruggs expressed her opinion that the city will see significant development at Westgate within five years. While she is concerned, she said she refuses to alarm the constituency when the city's chief financial officer tells her things are proceeding as planned.

Councilmember Goulet commented he recently went to Washington and found people were familiar with Glendale because of the arena project. He suggested the arena would be one of the best facilities of its kind in the western United States. He said the city continues to provide required services, but one of the most important and difficult things a Council tries to do is create a unique identity. He said the city's partners should also be commended for being willing to come to Glendale and to work with the city. He attributed some of the development successes in downtown Glendale to the

Glendale Arena and Westgate project. He pointed out he was often criticized when Council first considered building the Civic Center, stating the success of that facility speaks for itself.

Mayor Scruggs agreed the downtown loft project came because the developer saw that the Council was willing to step forward and take on difficult projects.

Ms. Schurhammer continued the presentation, reviewing operating budget supplemental requests related to the Westgate development. She said they are similar to the stadium-related supplemental requests in that they are primarily related to inspection services to be provided by building safety, engineering and fire and they are requests for one-time funding. She stated the supplementals approved in the current fiscal year's budget were one-time only, meaning that they lapse at the end of the fiscal year. She explained the one-time supplementals for next fiscal year total approximately $2.1 million and are specifically for inspection services to be provided by building safety, engineering and fire, as well as various expenses related to legal services, economic analyses and fiscal studies for development around the Westgate site. She said the funds would not be spent unless construction activity workload warrants the expense.

Mayor Scruggs asked if any amount programmed for the current fiscal year was left unspent. Ms. Schurhammer said any funds left unspent by the end of the year will go back into the General Fund fund balance. Mayor Scruggs said it appears there should be money left over given the slower than anticipated construction. Ms. Schurhammer said revenues from permit fees and inspection fees are expected to offset the costs incurred by building safety, engineering and fire for inspection services at the Westgate development.

In response to Councilmember Lieberman's question, Ms. Schurhammer explained the supplemental requests for building safety inspectors and engineering contractual service are for one-time funding and total approximately $1.45 million. She said one-time supplementals for fire inspectors total $120,120 and a one-time supplemental of $475,000 for the city attorney's budget is intended to cover various expenses related to legal services, economic analyses, and fiscal studies needed to facilitate development around the sports and entertainment facilities under construction in west Glendale.

Councilmember Lieberman asked if there is any reimbursement on the $475,000 supplemental request for legal fees. He also asked for an explanation of how that amount was established. Mr. Craig Tindall, Glendale City Attorney, said that the amount was a projection of the amount needed and that about half of the FY2004-05 funding was spent as of December 2004, which is approximately half of the fiscal year. He pointed out the request does cover outside legal counsel but also consultants fees related to various special projects.

Ms. Schurhammer continued her budget presentation by introducing the operating budget supplemental requests related to national events scheduled to occur at the sports facilities in west Glendale. She said the one-time supplemental requests total $556,800 and are related to planning for the Super Bowl and the NHL All-Star game. She noted the $471,800 request for the NHL All Star game was not included in the balancing figures presented to Council at the March 15 budget workshop. Therefore, Council would need to allocate funds from the identified one-time GF surplus of $1.9 million to cover this request.

Mr. Beasley noted the supplemental request could also be funded out of the separate fund set up for national events that Council created. Ms. Schurhammer agreed. She said if Council decides to fund the request with one-time GF dollars, any unused funds at the end of FY2005-06 will accrue to the GF fund balance.

Mayor Scruggs asked why the $85,000 supplemental request for the Super Bowl was not taken out of the $3 million set aside for national events like the Super Bowl and Fiesta Bowl. Ms. Schurhammer said the funds could be taken out of the reserve. Mayor Scruggs asked about the booth required by the NFL the year prior to hosting the Super Bowl. Julie Frisoni, Communications Director, explained the city is required to have a booth for two years prior to hosting the Super Bowl.

Mayor Scruggs pointed out the request calls for $65,000 for travel and essentials and $20,000 for the booth, not marketing. She asked if the request includes travel expenses for the trips staff will make throughout the year to coordinate with the various departments. Ms. Frisoni responded yes. She explained the total supplemental is for $85,000, with $65,000 for travel expenses and $20,000 for the booth and marketing materials for the booth.

Vice Mayor Eggleston asked if $20,000 is for the construction of a booth. Ms. Frisoni said the city would construct the booth according to NFL specifications. She said the city, including the tourism office, would be able to use the booth for trade shows and other events in the future.

Councilmember Lieberman stated he does not want to take the supplemental request out of the reserve for national events like the Super Bowl and Fiesta Bowl because the reserve might be needed to cover unexpected cost increases.

The meeting recessed for a short break.

<u>Emergency Operations Center (EOC) and Phase I (Glendale only) of the West Valley Regional Public Safety Training Facility</u>

Ms. Schurhammer began this part of the presentation by noting that Council asked staff to follow up on a number of questions concerning the EOC and West Valley Regional Public Safety Training Facility when they were initially discussed at the April 5, 2005, budget workshop. She said Council also asked staff to provide a full cost estimate and financing options for these two facilities, as well as clarify the amount of carryover for park bond projects.

Mr. Lynch stated that the estimated cost of the EOC, the minimum amount of infrastructure facilities, and phase I of the training facility is approximately $30.7 million, with $20.5 million occurring in FY2005-06 and the remainder in FY2006-07. He explained that the EOC component accounts for $8.1 million of the estimated total cost shown on the slide, and the minimum infrastructure facilities account for $10 million. Phase I of the training facility accounts for $12.6 million of the total estimated cost and will be built to support only Glendale's minimum training needs for public safety. He stated the operating costs for the EOC component are calculated to be $200,000 in FY2006-07 and reflect six months of operating and maintenance expenses. For FY2007-08, operating and maintenance costs are estimated to be $400,000 for a full twelve months.

Mayor Scruggs asked about the features included in phase I of the training facility. Mr. Lynch said the EOC will accommodate command center operations for federal, county, and state agencies, as well as Glendale police, fire, and information technology staff. He said the EOC will be approximately 10,780 square feet in size. Mayor Scruggs asked if the EOC would be constructed in phases. Craig Johnson, Assistant City Engineer, responded no. He explained the size of the EOC was based on the size of similar facilities in other cities.

In response to Councilmember Lieberman's questions, Fire Chief Mark Burdick said that phase I of the training facility will incorporate some elements that might be included in EOCs in other cities. For example, sleeping facilities and kitchen facilities will be included in phase I of the training facility rather than the EOC.

Councilmember Martinez asked about the number of agencies that would be involved in the EOC and whether numerous agencies can be accommodated by the EOC. Mr. Johnson said the layout includes sufficient room for state, city and federal agencies as well as police, fire, public works, information technology, transportation, and medical personnel. He stated the facility will accommodate the command center as well as two working conference rooms, a small kitchen and break area, and storage space. He noted that a press room will be included in phase I of the training facility rather than the EOC. The same is true for classroom and administrative space.

Mayor Scruggs asked if the Transportation and Information Technology Departments would have dedicated space in the EOC. Mr. Johnson responded yes. Mayor Scruggs asked about the amount of space for each functional area. Mr. Johnson said police and fire will have room for six personnel each, while utilities will have room for three personnel. He said federal, state, and county agencies have room for three personnel each.

Mr. Lynch said the Glendale EOC is designed to be similar in size to the one in Jacksonville. Mayor Scruggs asked about the facility in Sacramento. Tom Shannon, Assistant Fire Chief, stated the Sacramento facility is a state-of-the-art EOC. He assured the Mayor and Council that the proposed facility has all of the necessary components.

Mayor Scruggs stated that it would be a mistake to undersize the facility. Mr. Johnson stated that the EOC team would develop a detailed plan for the facility before the architect designs the facility.

Mayor Scruggs asked again about the elements included in phase I of the training facility. Mr. Johnson said phase I includes site improvements like parking, earthwork, and outdoor lighting; infrastructure like water, sewer, and electrical facilities; outdoor training areas; a firing range; a driving track; and training props for the Fire Department like a drill tower and burn rooms. Mayor Scruggs asked if the dormitories, kitchen facilities, and pressroom would be built as part of phase I of the training facility. Mr. Johnson responded yes.

Councilmember Clark asked what would be constructed as part of phase II. Mr. Johnson explained that phase II would include a simulated village, a K-9 training area, and support structures for public safety's command van.

Councilmember Lieberman asked if phase I would include construction of an access road off of Glendale Avenue or Northern Avenue. Mr. Johnson said the road would be from Glendale Avenue. Councilmember Lieberman said Northern Avenue will become a parkway with a direct link to the Loop 303. Mr. Johnson stated that staff could evaluate the access points as part of the design process.

Councilmember Frate asked about security for the site. Mr. Johnson said gates would be located at appropriate locations and perimeter fencing would be installed. He assured Councilmember Frate that state-of-the-art technology would be used to secure the facility.

Mr. Lynch continued with his presentation, reviewing available financing options that include MPC bonds, G.O. bonds, GF fund balance or a combination of the preceding options. He said each option offers advantages and constraints. He explained the MPC bonds have no impact on the preliminary CIP, as presented to Council, or on the city's 6% capacity limitation since secondary property tax revenue does not back MPC bonds. However, the debt service obligations would be covered by revenues used for the city's GF ongoing operating budget. He said the debt service payments would be $3.2 to $3.5 million annually, assuming a term of 15 years. He said the MPC debt could be structured in such a way that the debt service payments would not commence until the facility's construction is completed.

He stated G.O. bonds represent the traditional method of financing capital projects. G.O. bonds are backed by secondary property y tax revenue, so that revenue source would be used to cover the debt service payments. Consequently, there would be no impact on the GF operating budget if G.O. bonds are used. However, G.O. bonds impact the city's 6% capacity for bonds. To move forward the EOC and training facility to FY2005-06 and FY2006-07, other projects planned for the next few fiscal years, as shown in the preliminary CIP presented to Council, would have to be deferred to the latter years of the CIP.

Mr. Lynch said staff recommends using a combination of the financing options presented, with $14.1 million in G.O. bonds, $14.6 million in MPC bonds and $2 million from the General Fund fund balance. The use of G.O. bonds will require the deferral or alternative funding of other projects planned for the next few fiscal years, as shown in the preliminary CIP presented to Council.

Ms. Schurhammer identified planned capital projects that could be deferred or funded in an alternative manner, emphasizing that the decision to defer or alternatively fund any project lies with Council. She said the list of projects for deferral was developed in consultation with the Engineering Department and the deputy city managers. Projects for which construction contracts have been signed or for which the city has agreements with other governmental entities to provide matching funds, as with flood control projects, were eliminated as possibilities for deferral. Water, sewer, sanitation, landfill, and transportation sales tax projects were excluded because G.O. bonds are not used to fund those types of projects.

The list of projects that could be deferred or funded in an alternative manner, as shown on the slides, is as follows:

- 31-9580, 51$^{st}$ Avenue Bike Match
- 60-9021, Land for New Fire Station
- 65-T294, Stormwater Master Plan,
- 31-8558, Street Scallop
- 31-8559, Street Beautification
- 68-T301, Loop 101 Park & Ride
- 31-T270, 95$^{th}$ Avenue, Maryland to Bethany Home Road
- 60-8021, Fire Station Relocation
- 36-8948, Western Area Park

The slides indicate that some or all of the cost for the Loop 101 park and ride project and the 95$^{th}$ Avenue, Maryland to Bethany Home Road project could be shifted to the Glendale Onboard! (GO!) transportation program.

Mayor Scruggs asked about the location of the new fire station (project 60-8021). Ms. Schurhammer said the $500,000 identified for land is for a new fire station in the last five years of the plan, noting a specific location has not yet been identified.

In response to Councilmember Lieberman’s question, Chief Burdick explained that the land for the relocation of the fire station currently located at 52nd Avenue and Lamar has been purchased already. He said his staff analyzed the possibility of deferring the station relocation project and forwarded the information to the City Manager’s Office. He said the analysis identified the station relocation project as critical because it is tied closely to the improvement in response times for the southeastern portion of the city, an area with a high volume of calls.

Mayor Scruggs asked about the potential impact of shifting the two transportation projects to the GO! program. Mr. Skeete explained that the Loop 101 park and ride has not been identified for construction until the out-years. He said the 95th Avenue, Maryland to Bethany Home Road project is currently under construction and must be built as part of the city’s agreement with the AZSTA and the Cardinals. He explained the project was not included in the overall plan that the Citizens Transportation Oversight Committee (CTOC) approved, and therefore CTOC would have to make adjustments to some of the planned projects in order to accommodate the 95th Avenue project. Mayor Scruggs suggested the pedestrian bridge over the Loop 101 could be delayed a year, noting it is programmed for $3 million. Mr. Skeete said staff would analyze the different projects in the GO! transportation plan if Council indicates it would like to shift the 95th Avenue project to GO! transportation funds. Mayor Scruggs said the 95th Avenue project is critical and must be done, although it would be good if the project could be funded with GO! transportation funds.

Mayor Scruggs asked if the almost $1.2 million for the street scallop project represents the entire budget for the street scallop program for the year. Larry Broyles, City Engineer, responded yes, noting that the street scallop program is for collector streets.

Vice Mayor Eggleston expressed his opinion that the bicycle bridge and the 59th Avenue beautification project could be delayed for a year.

Mayor Scruggs asked if they need to do the pedestrian and circulation enhancements programmed for the downtown central business district this year given the construction occurring on Grand Avenue.

Mr. Skeete said that staff would prepare a list of GO! transportation projects that could be deferred, with the least impact on citizens, if Council is in general agreement with the concept of shifting some eligible projects to the GO! transportation program. He referred to pages 24-25 in the preliminary CIP report as the list of all GO! transportation projects. Mayor Scruggs pointed out the budget is supposed to be finalized next week. Mr. Skeete explained staff would return next week (April 26 budget workshop) to Council with information about each project and the Council could make the decision as to which GO! transportation projects, if any, to defer. He said staff would then forward Council’s decision to CTOC.

Councilmember Goulet asked about the Grand Avenue access enhancements. Mr. Broyles said a majority of the funds are being used for beautification improvements.

Mayor Scruggs asked if staff can look at projects planned for FY2006-07 when looking for the $14 million worth of projects to defer. Ms. Schurhammer stated that the projects staff identified for possible deferral are budgeted for FY2005-06 and FY2006-07. She said the assumption is that the property tax rate remains unchanged at $1.72 per $100 of assessed valuation and that the current split between primary and secondary revenue remains.

Mayor Scruggs stated that over $13 million is programmed in two years in the GO! transportation program for Grand Avenue projects. She said it is not likely that all of those projects could be done within two years. She said staff probably should look at shifting those projects. Mr. Skeete said all of the GO! transportation projects are likely to extend beyond the next two years, agreeing some of the projects could be shifted.

Mr. Beasley said staff would return to Council at the April 26, 2005, budget workshop, with recommendations based on Council's comments.

Mayor Scruggs asked Chief Burdick to provide information concerning the fire station relocation project. .

Councilmember Clark said it appears there are two viable funding options, MPC bonds entirely, or a combination of MPC bonds, G.O. bonds and the General Fund balance.

The Council voiced consensus to proceed with a combination of the three funding sources.

Councilmember Clark asked if staff would identify $4 million in CTOC projects to defer in order to cover the cost of the 95th Avenue, Maryland to Bethany Home Road. Mr. Skeete responded yes. Councilmember Clark asked if the list of possible CIP projects identified by staff make up the $14 million needed. Ms. Schurhammer explained the projects identified by staff are ones that could be deferred if Council so chooses. She said the combined total of all of the projects shown on the two slides is approximately $22.5 million.

<u>Parks Bond Funds — Projected Carryover</u>

Gloria Santiago-Espino, Deputy City Manager for the Community Information and Services Department, reported $3.2 million in carryover from parks capital projects, with $1.5 million left over from the Adult Center relocation project and $1.7 from the West Area Pool project. She stated $1.5 million is not enough to complete the second floor of the adult center, noting the second floor project would be submitted for FY2011-15 when the CIP budget process is undertaken next fiscal year. She stated that an additional $1.8 million is needed to complete the Foothills Recreation and Aquatic Center because construction costs have increased substantially. She said staff presented a preliminary design and updated business plan to Council in June 2004. Notification of the increased construction costs came in September 2004. Since that time, staff analyzed alternative financing options and bid add-alternates. In order to keep the project as it was presented in 2004, and to maximize cost recovery possibilities, staff requests the use of the $1.5 million from the Adult Center relocation project and $180,000 in parks zone 3 DIF funds for the construction of the Foothills Recreation and Aquatic Center. She said the Foothills project is scheduled for a groundbreaking on April 28.

Councilmember Martinez voiced his support of staff's recommendation.

Ms. Santiago-Espino explained that parks bonds were sold in 2004 for the West Area Pool project, but the project has not been able to proceed because necessary infrastructure facilities were not completed yet. Consequently, the $1.7 million referenced on the slide is available for future parks capital projects.

ADJOURNMENT

The meeting was adjourned at 5:40 p.m.