City of Glendale
Council Workshop & Executive Session Agenda

October 2, 2012 – 1:30 p.m.

Workshop meetings are telecast live at 1:30 p.m. on the first and third Tuesday of the month. Repeat broadcasts are telecast the first and third week of the month – Wednesday at 3:00 p.m., Thursday at 1:00 p.m., Friday at 8:30 a.m., Saturday at 2:00 p.m., Sunday at 9:00 a.m. and Monday at 2:00 p.m. on Glendale Channel 11.

Welcome!
We are glad you have chosen to attend this City Council workshop. We hope you enjoy listening to this informative discussion. At these "study" sessions, the Council has the opportunity to review and discuss important issues, staff projects and future Council meeting agenda items. Staff is present to answer Council questions.

Form of Government
Glendale follows a Council-Manager form of government. Legislative policy is set by the elected City Council and administered by the Council-appointed City Manager.

The City Council consists of a Mayor and six Councilmembers. The Mayor is elected every four years by voters city-wide. Councilmembers hold four-year terms with three seats decided every two years. Each of the six Councilmembers represent one of the six electoral districts and are elected by the voters of their respective districts (see map on back).

Workshop Schedule
Council workshops are held on the first and third Tuesday of each month at 1:30 p.m. in the Council Chambers of the Glendale Municipal Office Complex, 5850 W. Glendale Avenue, Room B-3, lower level. The exact dates of workshops are scheduled by the City Council at formal Council meetings. The workshop agenda is posted at least 24 hours in advance.

Agendas may be obtained after 4:00 p.m. on the Friday before a Council meeting, at the City Clerk's Office in the Municipal Complex. The agenda and supporting documents are posted to the city's Internet web site, ***www.glendaleaz.com***.

Executive Session Schedule
Council may convene in "Executive Session" to receive legal advice and discuss land acquisitions, personnel issues, and appointments to boards and commissions. As provided by state statute, this session is closed to the public.

Questions or Comments
If you have any questions or comments about workshop agenda items or your city government, please call the City Manager's Office at (623) 930-2870.

If you have a concern you would like to discuss with your District Councilmember, please call (623) 930-2249, Monday - Friday, 8:00 a.m. – 5:00 p.m.

Public Rules of Conduct
The presiding officer shall keep control of the meeting and require the speakers and audience to refrain from abusive or profane remarks, disruptive outbursts, applause, protests, or other conduct which disrupts or interferes with the orderly conduct of the business of the meeting. Personal attacks on Councilmembers, city staff, or members of the public are not allowed. Engaging in such conduct, and failing to cease such conduct upon request of the presiding officer will be grounds for removal of any disruptive person from the meeting room, at the direction of the presiding officer.

Citizen Participation
The City Council does not take official action during workshop sessions. These meetings provide Council with an opportunity to hear a presentation by staff on topics that may come before Council at a voting meeting. There is no Citizen Comments portion on the workshop agenda.

**** For special accommodations or interpreter assistance, please contact the City Manager's Office at (623) 930-2870 at least one business day prior to this meeting. TDD (623) 930-2197.**

**** Para acomodacion especial o traductor de español, por favor llame a la oficina del adminsitrador del ayuntamiento de Glendale, al (623) 930-2870 un día hábil antes de la fecha de la junta.**

Councilmembers

Norma S. Alvarez - Ocotillo District
H. Philip Lieberman - Cactus District
Manuel D. Martinez - Cholla District
Joyce V. Clark - Yucca District
Yvonne J. Knaack – Barrel District

GLENDALE

MAYOR ELAINE M. SCRUGGS

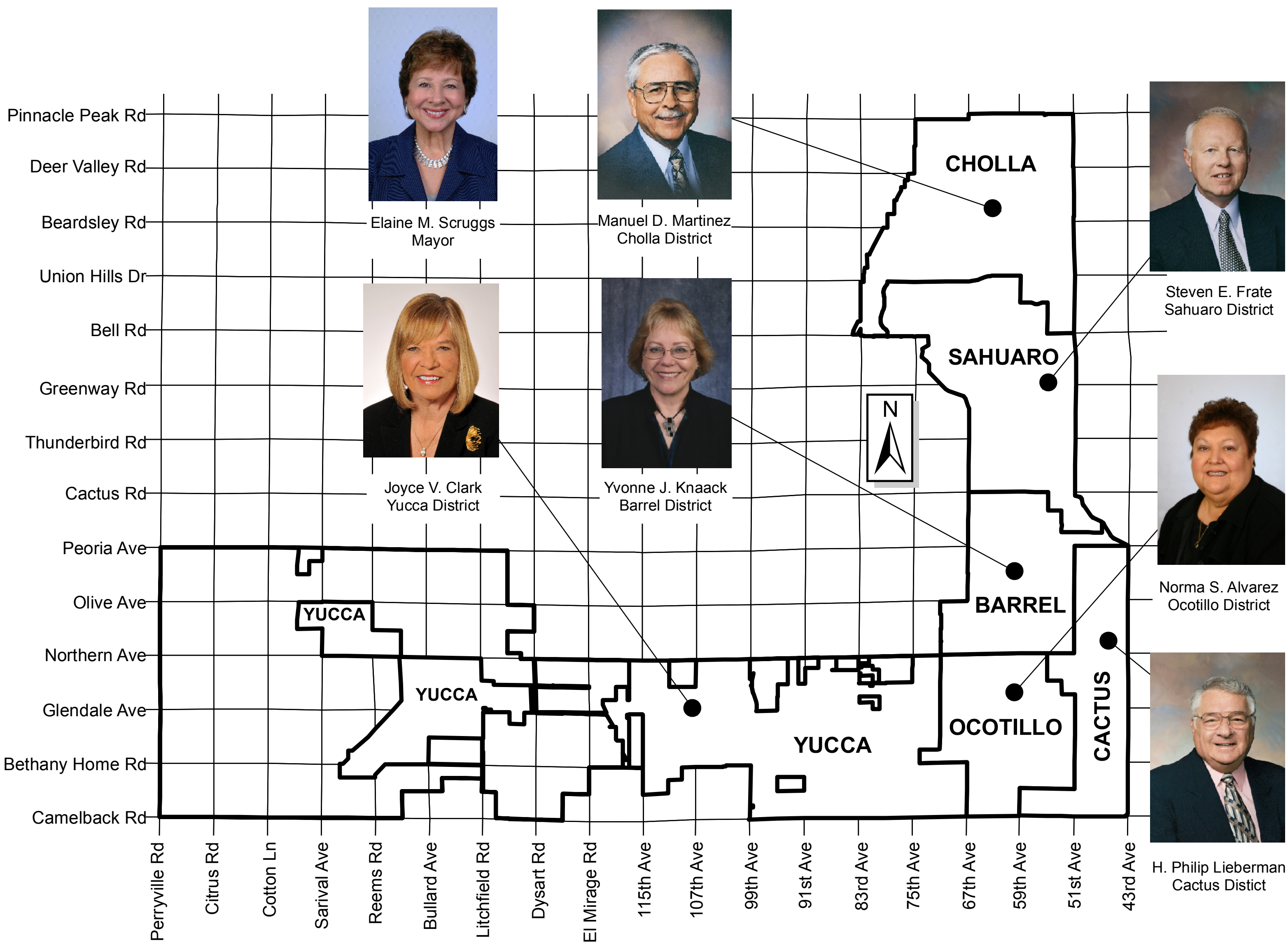
Vice Mayor Steven E. Frate - Sahuaro District

Appointed City Staff

Horatio Skeete – Acting City Manager
Craig Tindall – City Attorney
Pamela Hanna – City Clerk
Elizabeth Finn – City Judge

GLENDALE AZ

Council District Boundaries



G:\Mapping and Records\Mapping\Projects\Council Districts\Council_Map.MXD

GLENDALE

GLENDALE CITY COUNCIL WORKSHOP SESSION
Council Chambers
5850 West Glendale Avenue
October 2, 2012
1:30 p.m.

One or more members of the City Council may be unable to attend the Workshop or Executive Session Meeting in person and may participate telephonically, pursuant to A.R.S. § 38-431(4).

WORKSHOP SESSION

1. VIESTE ENERGY PROJECT UPDATE
PRESENTED BY: Stuart Kent, Executive Director, Public Works

2. LOOP 303 CORRIDOR
PRESENTED BY: Jon M. Froke, AICP, Planning Director
Craig Johnson, P.E. Executive Director, Water Services
Dave McAlindin, Assistant Director Economic Development

3. ARENA MANAGEMENT AGREEMENT MODIFICATION PROPOSAL
PRESENTED BY: Horatio Skeete, Acting City Manager

4. BUDGET PRESENTATION
PRESENTED BY: Horatio Skeete, Acting City Manager

CITY MANAGER'S REPORT

This report allows the City Manager to update the City Council. The City Council may only acknowledge the contents to this report and is prohibited by state law from discussing or acting on any of the items presented by the City Manager since they are not itemized on the Council Workshop Agenda.

EXECUTIVE SESSION

1. LEGAL MATTERS

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

2. LEGAL MATTERS – PROPERTY & CONTRACTS

A. Discussion and consultation with the City Attorney and City Manager to receive an update, consider its position and provide instruction and direction to the City Attorney and City Manager regarding Glendale's position in connection with agreements associated with the Arena and the Hockey Team, which are the subject of negotiations. (A.R.S. § 38-431.03(A)(3)(4)(7))

B. Discussion and consultation with the City Attorney and City Manager to consider its position and provide instruction and direction to the City Attorney and City Manager regarding Glendale's position in connection with possible terms of a contractual agreement relating to a renewable energy project with Vieste at the Glendale Landfill located at 11480 West Glendale Avenue, which is the subject of negotiations. (A.R.S. § 38-431.03(A)(3)(4)(7))

3. PERSONNEL MATTERS

A. The Chair of the Judicial Selection Advisory Board will be present to discuss the reappointment of Glendale City Court Judge John Burkholder. (A.R.S. § 38-431.03(A)(1))

B. Various terms have expired on boards, commissions and other bodies. The City Council will be discussing appointments involving the following boards, commissions and other bodies. (A.R.S. § 38-431.03(A)(1))

1. Arts Commission
2. Aviation Advisory Commission
3. Board of Adjustment
4. Citizens Bicycle Advisory Committee
5. Citizen Task Force on Water and Sewer
6. Citizens Transportation Oversight Commission
7. Commission on Neighborhoods
8. Commission on Persons with Disabilities
9. Community Development Advisory Committee
10. Glendale Municipal Property Corporation
11. Historic Preservation Commission
12. Industrial Development Authority
13. Judicial Selection Advisory Board
14. Library Advisory Board
15. Parks and Recreation Advisory Commission
16. Personnel Board
17. Planning Commission
18. Public Safety Personnel Retirement Board/Fire

19. Public Safety Personnel Retirement Board/Police
20. Risk Management/Workers Compensation Trust Fund Board
21. Western Loop101 Public Facilities Corporation

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

- **(i) discussion or consideration of personnel matters (A.R.S. § 38-431.03(A)(1));**
- **(ii) discussion or consideration of records exempt by law from public inspection (A.R.S. § 38-431.03(A)(2));**
- **(iii) discussion or consultation for legal advice with the city's attorneys (A.R.S. § 38-431.03(A)(3));**
- **(iv) discussion or consultation with the city's attorneys regarding the city's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation, or in settlement discussions conducted in order to avoid or resolve litigation (A.R.S. § 38-431.03(A)(4));**
- **(v) discussion or consultation with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations with employee organizations (A.R.S. § 38-431.03(A)(5)); or**
- **(vi) discussing or consulting with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property (A.R.S. § 38-431.03(A)(7)).**

Confidentiality

Arizona statute precludes any person receiving executive session information from disclosing that information except as allowed by law. A.R.S. § 38-431.03(F). Each violation of this statute is subject to a civil penalty not to exceed $500, plus court costs and attorneys' fees. This penalty is assessed against the person who violates this statute or who knowingly aids, agrees to aid or attempts to aid another person in violating this article. The city is precluded from expending any public monies to employ or retain legal counsel to provide legal services or representation to the public body or any of its officers in any legal action commenced for violation of the statute unless the City Council takes a legal action at a properly noticed open meeting to approve of such expenditure prior to incurring any such obligation or indebtedness. A.R.S. § 38-431.07(A)(B).

Items Respectfully Submitted,

Horatio Skeete

Horatio Skeete
Acting City Manager

CITY COUNCIL REPORT

Meeting Date: **10/2/2012**
Meeting Type: **Workshop**
Title: **VIESTE ENERGY PROJECT UPDATE**
Staff Contact: **Stuart Kent, Executive Director Public Works**

Purpose and Policy Guidance

Staff is seeking direction from City Council regarding the entering into an agreement with Vieste Energy LLC on the implementation of a mixed waste processing facility at the Glendale Landfill.

Background Summary

Over the past two years, Public Works staff has been working with Vieste Energy LLC on the development of a waste-to-energy facility at the Landfill. When Vieste initially approached the City with this opportunity, the focus was on the waste-to-energy facility which requires Vieste to obtain a power purchase agreement (PPA). This step is requiring more time than anticipated therefore, in an effort to capitalize on opportunities while PPA negotiations are in process, a phased-project approach is being proposed with the first phase being a mixed waste processing facility. The facility will be financed and constructed by Vieste at no cost to the City. This facility will take solid waste materials currently disposed at the Landfill, separate and sort recyclables from the waste, and return the waste back to the Landfill. The recyclable materials then will be sold on the commodity market through our Materials Recovery Facility (MRF).

Implementing a mixed waste processing facility at the Glendale Landfill provides several key opportunities for the City. (1) Vieste estimates that the process will remove a minimum of 26,000 tons of recyclable materials from the Landfill annually thereby increasing the lifespan of the Landfill. (2) The City is guaranteed an annual Recycling Management Fee of $476,000 with an annual escalator of .5%. The City will guarantee a commodity price of $.0666/pound of recyclables sold on the market. Staff conducted an analysis of the past ten years of recycling commodities sales and confirmed that the required tonnage and the rate proposed would on average yield to the positive for the City. (3) The City will also collect lease, disposal, property tax, and sales tax revenues per the current proposed agreement with Vieste as shown in the chart below. The City will incur some operational expenses related to this phase of the project in an amount of approximately $1.2 million dollars. Staff estimates the net revenue realized from phase one will be approximately $561,000 annually. The following chart shows the revenues and expenses related to this phase of the project.

CITY COUNCIL REPORT

Applicable Fund	Type	Year One
Landfill Fund	Lease Revenue	$100K
Landfill Fund	Recycling Management Fee	$476K
Landfill Fund	Landfill Disposal Revenue	$1.07M
Landfill Fund	Landfill Expense	($1.2M)
Landfill Net		446K
General Fund	Prop Tax/GF ST	$115K
Total Impact All Funds		561K

Previous Related Council Action

At the May 1, 2012 City Council Workshop, staff received direction to move forward with solidifying an agreement with Vieste Energy LLC for the implementation of a waste-to-energy facility.

Community Benefit/Public Involvement

Apart from the revenue generating opportunities for both the Landfill and General Funds, the implementation of the mixed waste processing facility will positively impact the lifespan of the Glendale Landfill by diverting approximately 26,000 tons annually.

Budget and Financial Impacts

The operating expense impacts of $1,200,000 to the Landfill enterprise fund will occur in FY 2013-14 and will be budgeted accordingly.

Capital Expense? Yes ☐ No ☒

Budgeted? Yes ☒ No ☐

Requesting Budget or Appropriation Transfer? Yes ☐ No ☒

If yes, where will the transfer be taken from?

Attachments

Staff Report

STAFF REPORT

To:	**Horatio Skeete, Acting City Manager**
From:	**Stuart Kent, Executive Director Public Works**
Item Title:	**VIESTE ENERGY PROJECT UPDATE**
Requested Council Meeting Date:	**10/2/2012**
Meeting Type:	**Workshop**

PURPOSE

The purpose of this report is to provide an update on the status of the Vieste Energy LLC waste-to-energy project involving the Glendale Landfill. The project's structure and timeline has changed over the past several months and staff requests the City Manager forward this item to a City Council Workshop for their information and direction.

BACKGROUND

Over the past two years, Public Works staff has been working with Vieste Energy LLC on the development of a waste-to-energy facility at the Landfill. When Vieste initially approached the City with this opportunity, the focus was on the waste-to-energy facility which requires Vieste to obtain a power purchase agreement (PPA) with one or more end-users capable of purchasing the 12 megawatts of power that is expected to be generated. The process to obtain the power purchase agreement is requiring more time than anticipated therefore, in an effort to capitalize on opportunities while PPA negotiations are in process, a phased-project approach is being proposed.

The first phase is the financing and construction of a mixed waste processing facility by Vieste at no cost to the City. This facility will take solid waste materials currently disposed at the Landfill, separate and sort recyclables from the waste, and return the waste back to the Landfill. The recyclable materials then will be sold on the commodity market through our Materials Recovery Facility (MRF). It is anticipated that the processing of up to 180,000 tons of refuse will yield at least 26,000 tons of recyclable material that will be sold. The city currently sells approximately 10,500 tons of recyclables, so this mixed waste processing facility will increase our recycling efforts by over 300%. The City will receive a fee for the marketing of these materials that Vieste generates and will have the opportunity to share in the revenues for additional recyclable material that may be generated.

The second phase of the project will be the waste-to-energy facility. This phase will gasify the waste brought to the facility through a proven technology process that is already in use in the United States, Canada and other countries around the world. Parts of the waste stream that can be recycled, such as metals, will be sorted and marketed separately. The remainder of the waste stream will be processed to create synthetic gas, which can be used to heat steam and power turbines that generate electricity. Once the second phase is implemented, only the metals (aluminum and ferrous metals), representing about 12,000 tons will be recycled. The second phase will benefit the City by diverting almost 50% of the current landfill tonnage received, thereby generating between 15-20 additional years of landfill life. In addition, it is anticipated that the City will either have the opportunity to purchase some of its power needs at a lower overall cost or may receive a direct share of the profit from the sale of the power.

ANALYSIS

Staff has completed a thorough analysis on the benefits and costs related to both phases of this project and recommends the City move forward with implementation. The construction of a mixed waste processing facility at the Glendale Landfill provides several opportunities for the city including revenue generation and a more sustainable Landfill operation. The agreement's financial terms are described below.

Recycling Management Fee Revenue:
Vieste estimates that the mixed waste processing facility will remove a minimum of 26,000 tons of recyclable materials from the Landfill annually and the City is guaranteed an annual Recycling Management Fee of $476,000 in year one, with an annual escalator of .5%.

Sale of Recycling Commodities Details:
The City agrees to guarantee Vieste $.0666 per pound of recyclables sold on the recycling commodities market. This rate increases gradually over the thirty year term of the agreement up to $.077 per pound. Staff conducted an analysis of the past five and ten years of recycling commodities sales. From FY03-FY07, the average value of all recyclable materials was $.0598 per pound. For FY08-FY12, the average value was $.0876 for an average over the last 10 years of $.0738. While accurately predicting commodity markets, particularly over 30 years is difficult, the dramatic expansion of use of recyclable materials in all industries has continued to create demand for product. Staff believes the City will consistently meet the floor price required to cover the floor price offered to Vieste.

Lease, Property and Sales Tax Revenue:
This project involves the building of a facility to process the materials. Vieste is solely responsible for all capital investment including construction, permitting, and securing necessary environmental approvals from regulatory agencies. Vieste will be subject to property tax for the improvements to the property, a portion of which will be returned to the City from the County and will be allocated to the General Fund. The City will also collect annual lease revenue from Vieste which starts at $100,000 in year one and will escalate each year by 2% over the 30 year term of the lease. The lease revenue is subject to the City's commercial rental tax rate per City Code and will be allocated to the General Fund.

Landfill Expense and Landfill Disposal Revenue:
As part of the agreement, the City will deliver a minimum of 120,000 tons and up to 180,000 tons to Vieste for processing annually and will pay Vieste a fee when delivering this tonnage. The fee rates are $7.50/ton (2% escalation annually) for the first 120,000 tons delivered and $5.00/ton (2% escalation annually) for the remaining 60,000 tons for a total tonnage of 180,000 tons. Assuming the City delivers the maximum 180,000 tons annually, the City will pay Vieste approximately $1.2M. In exchange, Vieste will pay the City a fee when returning the materials that could not be processed back to the Landfill. The rate will be $7.50/ton (2% escalation annually) for the first 120,000 tons and $5.00/ton (2% escalation annually) for the remaining tonnage. Assuming Vieste is able to process and generate the aforementioned 26,000 tons, they would pay the City approximately $1.07M in landfill fees.

Other Considerations:
Staff estimates the net revenue realized from phase one will be approximately $561,000 annually. Removing these recyclable materials from the Landfill will also positively impact the Landfill lifespan by diverting approximately 26,000 tons annually.

FISCAL IMPACTS

Below is a chart detailing the revenues and expenses described in the Analysis section of the report for year one of the project.

Applicable Fund	Type	Year One
Landfill Fund	Lease Revenue	$100K
Landfill Fund	Recycling Management Fee	$476K
Landfill Fund	Landfill Disposal Revenue	$1.07M
Landfill Fund	Landfill Expense	($1.2M)
Landfill Net		446K
General Fund	Prop Tax/GF ST	$115K
Total Impact All Funds		561K

CITY COUNCIL REPORT

Meeting Date: 10/2/2012

Meeting Type: **Workshop**

Title: **Loop 303 Corridor**

Staff Contact: **Jon M. Froke, AICP, Planning Director**
Craig Johnson, P.E., Executive Director, Water Services
Dave McAlindin, Assistant Director Economic Development

Purpose and Policy Guidance

This is a request for City Council to review the components of the pre-annexation efforts as well as the future provision of services and development potential of the Loop 303 Corridor and surrounding area within the Municipal Planning Area (MPA). Staff has been working with the Loop 303 Corridor Development Group who represents approximately 3,000 acres of vacant land.

Staff is seeking guidance from Council on two issues; a proposed Pre-Annexation Development Agreement (PADA), and the Agreement for Future Wastewater and Recycled Water Services to allow Global Water to provide sewer and reclaimed water on behalf of the city in the Loop 303 Corridor area.

Staff recommends that this area be annexed to allow future growth and employment opportunities for Glendale while also protecting Luke Air Force Base operations into the future.

Background Summary

City Council completed the “strip annexation” in 1978. This established the (MPA) for Glendale. This geographic area is located between Peoria Avenue, Dysart Road, Camelback Road and Perryville Road. Since 1978 Glendale has completed four significant annexations within the MPA: Luke Air Force Base in 1995, Glendale Promenade in 2005, Woolf Crossing in 2006 and Falcon Dunes Golf Course and the Dysart Drain in 2010.

City staff has been working closely with the Loop 303 Corridor Development Group regarding the potential annexation of approximately 3,000 acres of vacant land in the MPA. The following departments have been involved in the review and analysis of this area: Community & Economic Development, Police, Fire, City Attorney’s Office, Public Works, Engineering, Transportation and Water Services.

In this same geographic area two important transportation corridors are presently under construction. The Loop 303 and Northern Parkway will provide significant infrastructure and transportation options to this rapidly growing area in the West Valley. Railroad track extensions are planned as well to accommodate rail related land uses and businesses.

Per past Council direction Glendale will not provide water and sewer services west of 115th Avenue. Land located west of 115th Avenue and east of Perryville Road currently obtains its water and sewer services from other sources such as private water companies and private septic systems.

On July 15, 2005 Council adopted the current Annexation Policy, which states that viable private companies may provide water and sewer service for any annexed areas located beyond the city's existing service areas. At Council Workshop on June 3, 2008 there was a discussion on the entire strip annexation area. Council provided direction that provision of water and sewer services to the geographic area located west of 115th Avenue would be paid for by property owners in this area with no impact on existing Glendale water and sewer customers elsewhere in the city. This position was reaffirmed at Council Workshop on August 21, 2012. Council also approved a Memorandum of Understanding (MOU) on March 9, 2010 that would permit Global Water Resources, a private sewer company, to provide sewer services to the Loop 303 Corridor area.

Water services are presently provided by two existing private water companies to the Loop 303 Corridor (see Exhibit-C of the PADA); EPCOR (formally Arizona American Water) and Adaman Mutual Water Company. There is a 2.5 square mile area nearest Olive Avenue and Reems Road that is currently not within the certificated area of a private water provider also shown on Exhibit-C. The landowner group is working with EPCOR to expand their service territory to provide water service to this area. These two companies are well established and have been providing water services for a number of years.

Previous Related Council Action

Annexation of vacant land in and around the Loop 303 has been discussed by City Council since 2005. Workshops were held in 2005, 2008, 2009 and 2010. This item was reintroduced at the August 21, 2012 Council Workshop to advise Council of recent work completed by staff, to effectively prepare this area for future potential annexation and to reaffirm prior council direction.

Community Benefit/Public Involvement

Staff has spent considerable time identifying the various components and is mindful of prior Council direction. Staff has identified all of the services that will be required, reviewed the options for those services and is making recommendations that both minimize the City's risk and cost to the City if the Council chooses to move forward with the pre-annexation and associated MAG 208 Amendment. Staff requests council direction on preferences for both Police and Fire options. Staff recommends that this area be annexed to allow future growth and employment opportunities for Glendale while simultaneously protecting Luke Air Force Base operations.

CITY COUNCIL REPORT

Annexation of the Loop 303 area allows Glendale to control the land uses and development pattern in and around Luke Air Force Base. By doing so, Glendale will no longer rely on Maricopa County for land use decisions in this area. Job creation, employment opportunities and private sector investment will be realized long term in this area as Loop 303, and the Northern Parkway are developed and as rail served properties are created. Over time, the anticipated revenues derived from the new developments will offset the expected costs of the providing services to this area as described in the Economic Impact Analysis.

The Pre-Annexation Development Agreement (PADA), and the proposed MAG 208 sewer amendment to allow Global Water to provide sewer and reclaimed water on behalf of the city will be brought forward for consideration at a future Evening Meeting pending Council direction at the Workshop.

Attachments

Staff Report

Map

Agreement

Other

Map

STAFF REPORT

To:	Horatio Skeete, Acting City Manager
From:	Jon M. Froke, AICP, Planning Director Craig Johnson, P.E., Executive Director, Water Services Dave McAlindin, Assistant Director Economic Development
Item Title:	**LOOP 303 CORRIDOR**
Requested Council Meeting Date:	10/2/2012
Meeting Type:	Workshop

PURPOSE

The purpose of this report is to request the City Manager to review the Pre-Annexation Development Agreement (PADA) and the Agreement for Future Wastewater and Recycled Water Services to allow Global Water Resources to provide sewer and reclaimed water on behalf of the city in the Loop 303 Corridor area. With City Council's approval of the Wastewater Agreement, Global Water Resources will establish a Certificate of Convenience and Necessity (CC&N) with the Arizona Corporation Commission and will initiate a MAG 208 Plan Amendment, with the support of the city, to become the sewer service provider to the Loop 303 Corridor area. Global expects to complete the CC&N process and MAG 208 Amendment within one year following approval of the agreement. This decision will effectively allow for water and sewer services to be provided by a private entity whereby allowing for this area to be developed.

BACKGROUND

City Council completed the "strip annexation" in 1978. This established the MPA for Glendale. This geographic area is located between Peoria Avenue, Dysart Road, Camelback Road and Perryville Road. Since 1978, Glendale has completed four significant annexations within the MPA: Luke Air Force Base in 1995, Glendale Promenade in 2005, Woolf Crossing in 2006 and Falcon Dunes Golf Course and the Dysart Drain in 2010.

Annexation of vacant land in and around the Loop 303 has been discussed by City Council since 2005. Workshops were held in 2005, 2008, 2009 and 2010. This item was reintroduced at the August 21, 2012 Council Workshop to inform the Council of recent work completed by staff to study the request by The Loop 303 Corridor Development Group represented by Commerce Realty Associates (CRA) for future annexation.

The Arizona League of Cities and Towns defines annexation as the process by which a city or town may assume jurisdiction over unincorporated territory adjacent to its boundaries. The reasons a city or town typically annex are:

- Residents receive a higher level of municipal services
- Orderly development occurs along municipalities' boundaries
- Development is subject to municipal codes, subdivision requirements and zoning ordinances
- Increased revenue to the municipality

City staff has been working closely with the Loop 303 Corridor Development Group represented by CRA regarding the potential annexation of approximately 3,000 acres of vacant land in the MPA. The following departments have been involved in the review of this area: Community & Economic Development, Police, Fire, City Attorney's Office, Public Works, Engineering, Transportation, Environmental Resources and Water Services.

Per Council direction, Glendale will not provide water and sewer services west of 115th Avenue. Land located west of 115th Avenue and east of Perryville Road currently obtains its water and sewer services from private water/sewer companies and private septic systems.

On July 15, 2005 Council adopted the current Annexation Policy, which states that viable private companies may provide water and sewer service for any annexed areas located beyond the city's existing water and sewer service areas. At Council Workshop on June 3, 2008, there was a discussion on the entire strip annexation area. Council provided direction that provision of water and sewer services to the geographic area located west of 115th Avenue would be paid for by property owners in this area with no impact to existing Glendale water and sewer customers east of 115th Avenue. This position was reaffirmed at Council Workshop on August 21, 2012. In line with Council's past directives the Council also approved a Memorandum of Understanding (MOU) on March 9, 2010 that allows Global Water Resources, a private sewer provider, to provide sewer services to the Loop 303 Corridor area. Also in this same geographic area two important transportation corridors are presently under construction. The Loop 303 and Northern Parkway will provide significant infrastructure and transportation options to this rapidly growing area in the West Valley.

The Loop 303 Corridor represents the final major area of development in Glendale's Municipal Planning Area (MPA). The opportunity to create a significant new section of the community that will include a major employment corridor as well as retail/commercial and residential development requires careful analysis of options and a sound plan to ensure successful execution. The proposed PADA represents an opportunity for the Council to continue to protect Luke Air Force Base by controlling the land uses and the type of development that will take place in the area and ensure one of Arizona's most important economic engines is surrounded by compatible land uses in the future. The careful development of the Loop 303 Corridor also presents the Council with an area that will likely be a major future revenue generator for Glendale.

This report contains information for Council's consideration relative to the future provision of services in the Loop 303 Corridor as well as potential annexation and future development of this area.

ANALYSIS

Water and Wastewater: Water services are presently provided by two existing private water companies to the Loop 303 Corridor to allow for development: EPCOR and Adaman Mutual Water Company. There is a 2.5 square mile area nearest Olive Avenue and Reems Road that is currently not within the certificated area of a private water provider. The landowner group is working with EPCOR to expand their service territory to provide water service to this area. These two companies are well established and have been providing water services for a number of years.

The land ownership group will need to obtain an assured water supply from the Arizona Department of Water Resources (ADWR) as part of the preliminary plat application to ensure that there are adequate water resources. The city will not utilize its water resources to serve the area.

Wastewater (sewer) will be provided by Global Water Resources per the MOU that Council approved on March 9, 2010. The PADA and the associated agreement with Global Water Resources have been drafted to allow Global Water Resources to provide sewer service. Once these processes are complete, Global will commence preliminary design of the sewer infrastructure with the intent of having it shovel ready in 30 to 36 months. Concurrently, Global will also present the City with a Franchise Agreement to provide Utility Services in the area.
Staff has reviewed the Agreement for Wastewater and Reclaimed Water services and has worked with Global Water Resources to address all issues related to providing service to participating property owners. Staff believes the three private providers are viable and will provide long term service to the area.

The provision of providing water and sewer services in this area by viable private providers benefits the city in that the city's 100 year assured water supply will not be used to serve the area; there will be no city capital expenditures for water and sewer infrastructure; and revenue will be realized from the franchise fee.

Flood Control Management: At the time of development property owners will need to accommodate flood control measures on their individual properties. The Maricopa County Flood Control District is completing a large retention basin located north of Olive Avenue on the west side of Reems Road to assist with regional floodplain management. As staff evaluates this area a future request to set fees associated with flood control management will be brought forward to Council for their consideration.

Streets / Transportation: Future annexation requests will go to the section line of arterial and collector streets or to the Glendale City Limits Line. Future street standards will be contemplated for this area depending on traffic demand and other factors. Transportation and Public Works will work with Maricopa County to draft an Intergovernmental Agreement (IGA) relative to street maintenance.

Sanitation Services: Glendale will provide sanitation services through stand alone accounts as is done in other parts of the city for any residential services. For commercial service the city will compete with private refuse haulers as we do currently.

Land Uses: Glendale 2025, the City's General Plan, identifies future land uses for this area that are compatible with Luke Air Force Base and captures appropriate land uses adjacent to the Loop 303. City Staff developed a list of undesirable land uses that have been included in the draft PADA. Much of the land in this area is located within the 65ldn noise contours for Luke with the goal of continuing to protect Air Force operations.

Public Safety: Police and Fire have studied service provision options for this area as described below.

Police Service Options. Police officer and support staffing levels are driven by Calls for Service (CFS). Based on data from the Maricopa County Sheriff's Office (MCSO), which currently has jurisdiction of the area, an estimated 648 Calls for Service will be handled in 2012. At full build out, CFS levels are projected to reach 19,012 in this area.

Three possible options to provide services to the Loop 303 Annexation areas have been explored: the Glendale Police Department, MCSO contract and a service-based contract with a Police Department.

Glendale Police Option 1: Calls for the Glendale Police Department providing traditional police service consistent with other areas of the City. Service and support will be provided through increased officer and support staff. A Glendale police officer handles on average 965 calls for service (CFS) per year, therefore 19.7 patrol officers and 7 support (civilian and non-patrol sworn) positions would be required to provide police service for the area.

Actual staffing demand will depend upon the growth rate of the area as well as the pace of annexation. Providing police services with City resources allows more flexibility to increase staffing incrementally based on true CFS demand. Where feasible, certain economies may be obtained through the absorption of some service delivery through existing staff. Conversely, staff reductions when service demands decline are more difficult. The estimated staffing cost at full build out is $3.7 million annually.

Capital facilities: Westside Substation. The Glendale Police and Fire Facilities Master Plan (2006) called for the construction of a "Westside" substation facility west of Luke AFB in the 2020 time frame to accommodate growth and service demand in the area. The Gateway Substation, located on 83rd Avenue, north of Bethany Home Road, is virtually at capacity allowing very limited ability to accommodate additional staff providing service to the Loop 303 annexation area. The substation requirements called for a 19,500 gross square foot facility and would support 113 additional staff and services at a cost of approximately $13 million. The intervening economic situation makes the estimate currently valid. Excess capacity would be used to alleviate overcrowding at the existing Gateway Substation. The construction schedule would be dependent upon the rate of development and growth in the study area.

Advantage – Service delivery through the Glendale Police Department would allow for consistency in the application of Mission, Philosophy and management control. Staffing levels can be adjusted or reassigned in the short term to better meet service demands. Savings may also be achieved through sharing of existing staffing and equipment resources.

Disadvantage – This option represents a higher cost for the high quality service. A significant financial commitment for Capital development is required to provide the substation facilities to support operations.

MSCO Contract
Option 2: Involves the establishment of a contract with MCSO to provide the necessary police service. MCSO already provides similar contract services to a number of communities in the County, including Litchfield Park in the West Valley.

Staffing via MCSO contract allows considerable flexibility to determine staffing requirements including partial full time equivalence (FTE), accruing potential savings. The contract period is usually three years with annual reassessment of staffing requirement and rates. Based on the review of existing contract terms and conditions, the cost of such MCSO contract is estimated at $2.8 million at full build out, about 74% of Glendale Police Department (GPD) option. It is estimated that this ratio would be consistent throughout the development period.

Contracted Police Service through MCSO would eliminate the need for the near-term development of capital facilities. Construction costs could be deferred until contract services are no longer needed or desired. Higher costs might be incurred if development does not coincide with the development of joint police/fire facilities.

Advantage – Capital development costs may be deferred as a new substation would not be necessary in the short term. Operational costs would be reduced by approximately 25%. Under contract terms and conditions with MCSO, staffing levels can be set with increased specificity to match anticipated service demands.

Disadvantage – Staffing level adjustments are limited to annual review of the contract conditions. Control of Mission, Philosophy, management and service quality would be reduced.

Alternate Service Provider Contract
Option 3: Involves the establishment of a third-party contract for the provision of police services by Glendale Police or another agency at a less than full service level.

Patrol, investigative and other services would be contracted from the police service provider. Specific hours of service would be determined based upon the services provided; the hourly rate would be negotiated with the provider and adjusted annually. It is anticipated that the hourly rate would be similar to the cost for Glendale Police services which is approximately $123.00 per hour.

The contract could be tailored to specific service expectations and therefore could be adjusted based upon mutual agreement of the City and population of the annexed area.

As with an MCSO contract, no capital facilities would be required until contract services are terminated.

Advantage – Capital development costs may be deferred as a new substation would not be necessary in the short term. Significant cost savings may be obtained using this service-based costing, and service levels will be directly related to service demands.

Disadvantage – Some service requests will be avoided or deferred due to direct cost resulting in lower quality environment and higher crime rates. Control of Mission, Philosophy, management and service quality would be reduced.

Glendale Fire
Fire Department: The Loop 303 Corridor was researched and it was found that Rural Metro Fire Department response produced a total of 658 incidents for the 2011 calendar year. In analyzing a similar area of Glendale we estimate an additional 341 incidents to 999 incidents per year, with build-out of the estimated population at 2,900. The estimated number of incidents is extremely dependent upon the types of businesses that are developed in the area and may be affected by vehicle travel along Northern Parkway as well as the Loop 303.

The standard that we have historically used to assess the need for a fire station, procurement of a fire truck, and the hiring of personnel is 1,000 calls per year. This model would suggest that the annexation area will require that level of service at build-out. The current estimates for this level of service are: a fire station at $23,025,000 one-time and $1,543,000 on-going, an engine company at $725,000 one-time and $35,000 on-going, and firefighters at $3,844,621 one-time and $2,231,000 on-going. The total one-time cost will be $27,594,622 and the on-going will be $3,809,000 per year.

While this practice has been utilized previously to determine the need for fire department resources in more densely populated areas of the city, we realize that the current economic conditions, proposed businesses, and projected population density in the annexation area do not support the previous model. We would like to offer the City Council four options for fire, rescue, and emergency medical services for the Loop 303 Corridor. The following options provide alternative levels of response and financial commitment.

Fire Service Option One
Create a county island fire district (CIFD) that will generate revenue to offset the cost of providing service to the annexation area. The CIFD is allowable per Arizona Revised Statutes (ARS) §48-851, §48- 852, §48- 853, §48-854 and §11-251.12. The CIFD will fund staffing, equipment, and a facility that will provide service to not only the CIFD but to the annexation area as well.

As annexation continues to grow the district will shrink and the annexed properties will transfer from the district's tax role to the city. Some properties in the western area may never annex into Glendale (e.g. Clearwater Farms). The district will secure revenue from those properties whereas, if we didn't have the district, we may be required to provide the service due to mutual aid without any revenue. A current example would include Pendergast Estates which is located about one mile from our current fire station at 83rd Avenue and Maryland Avenue in a county island. Rural Metro routinely requests mutual aid for our fire department because they cover those properties from their Litchfield Park Station located at Indian School and Litchfield Roads. We currently provide the service and receive no revenue for it and this is true for other county islands throughout the city today.

Advantage – The CIFD would provide revenue that will cover the cost of a joint-staffed engine company with Rural Metro to provide the current level of emergency service to all areas of the annexation area that will require service.

Disadvantage – The CIFD will require the creation of a district which is expected to take a minimum of one year due to ARS requirements regarding petition signatures. The petitions must be signed by more than one-half of the property owners in the area of the proposed district and be signed by persons owning collectively more than one-half of the assessed valuation of the property in the area of the proposed district for the district to be formed. In the case of the proposed Glendale CIFD there are 6,831 real property parcels within the unincorporated area that would make up the district. A total of 3,417 (50% plus one) of the total property owners would be the minimum number of parcel owners required to sign petitions to enable the CIFD to be formed. In addition, the collective owners of $67,039,835.50 (50% plus one) of the assessed valuation within the boundaries of the proposed district would also need to sign petitions to enable the district to be formed.

Revenue will be available six months to one year after creation of the district, so the expected delivery of revenue will be approximately eighteen months to two years after initiation of the district process.

Fire Service Option Two
Provide a scalable level of service using tax funding with build-out featuring a current level of service delivery as found in other areas of the city. The estimated cost to begin service with a two person brush truck, and rental of a home in the annexation area is approximately $2,030,781 for the first year and will escalate dependent upon the timeline for build-out to full service.

Advantage – This option would provide a progressive level of emergency service to the annexation area similar to service provided during previous expansion in the late 1980s with Arrowhead Ranch and Fire Station 155 which opened in 1988.

Disadvantage – The initial cost of $2,030,781 will require additional general fund allocation for the fire department budget. Additional expansion will require estimated one-time costs of $23,025,001 for a fire station, $725,000 for an engine company, and an additional nine firefighters at $1,922,311. On-going costs include a fire station at $1,543,001, engine company at $35,000, and firefighters at $1,115,501.

Fire Service Option Three
Contract with Rural Metro for fire service. The estimated cost of this option is currently being calculated.

Advantage – The contract would provide the current level of emergency service experienced in the unincorporated areas of the county.

Disadvantage – This would be a direct expense to the city without any added benefit (e.g. automatic aid response). The City Attorney's Office should determine the liability with this concept as all other citizens potentially receive a higher level of service. Additionally, economic development may be potentially hindered as the Insurance Services Office (ISO) rating will not be similar to the current ISO 2 Rating in all other areas of the city.

Fire Service Option Four
Utilize all of the options previously mentioned in a multiphase approach.

1. Phase I would occur in FY12-13 and include a contract with Rural Metro for the first eighteen months. This would allow for creation of the CIFD.

2. Phase II would occur in FY14-15 and include the co-staffed unit with Rural Metro after revenue from the CIFD has been received to cover the Glendale Fire Department personnel costs.

3. Phase III would begin in FY17-18 with the construction of Fire Station 1501 on Olive Avenue between Reems and Sarival.

4. Phase IV would begin in FY19-20 with the hiring of nine additional Glendale Fire Department personnel to staff an engine company at Fire Station 1501. Rural Metro would begin an exit strategy from their fire station located at Olive Avenue and the Loop 303.

5. Phase V would follow development in the annexation area and if required would include the addition of Fire Station 1502 on Glendale near Cotton Lane, additional apparatus, and personnel.

Advantage – This option would continue to provide a level of emergency service to the annexation area that is currently expected and strategically enhance service with development until the annexation area is provided the same level of service all other areas in the city are delivered. The CIFD will also provide a funding source to offset service costs until the city can assume all fiscal responsibility.

Disadvantage – The total costs for service may be higher than contracting directly with Rural Metro, however the level of service (e.g. response times) will eventually meet service delivery levels in the other areas of the city which will create parity among tax payers and also provide businesses in the annexation area with an ISO rating similar to the current ISO 2 Rating in the city.

City Court: The Presiding Judge is requesting assurances that the City will have jurisdiction over criminal and traffic enforcement actions if the contract law enforcement option is selected. Court fees should be paid to Glendale City Court, not to other court systems should the Council agree to the PADA and associated agreements.

Revenue Impact Analysis: Glendale retained an outside, independent consultant to conduct an economic impact analysis of the Loop 303 Corridor. Staff asked the outside consultant, Sarah Murley, partner in Applied Economics, to examine three areas; Woolf Crossing, the balance of the area to be annexed along the Loop 303 and the remainder of the area not being annexed. The city asked the consultant to provide revenue expectations once the areas were built out. There are a number of assumptions included in the analysis, including the land uses expected to occur along the Loop 303, based on the General Plan and the Luke Compatible Land Uses (LCLU) as identified on the Land Use Map. The time horizon for build out is expected to be between 20 to 30 years. Based upon these assumptions and input and data from a variety of city departments including police, fire, water services, transportation, courts, environmental resources, planning, legal, engineering, public works, and marketing and communications, the following is the estimated net fiscal impact of each of the three areas to the General Fund, Streets, Transportation Sales Tax and Police and Fire Special Revenue Funds:

- Woolf Crossing – Anticipated mix of residential, retail and industrial uses (previously annexed) – ($324,000) annually.
- Balance of the area in Phase 1 along the Loop 303 Corridor – Anticipated mix of commercial/retail and office - $20.7 million annually.
- Remainder of property not being annexed – Anticipated uses are mostly Luke compatible uses and generally heavy industrial - $2.0 million annually.

The net fiscal impact to the city would have a negative effect if the residential component of Woolf Crossing develops first. In the remaining area being annexed there is more than sufficient revenue generated to offset costs, mostly through sales tax.

In summary, the estimated revenue generated from the development of the Loop 303 Corridor will more than sufficiently cover the costs of the annexation and annual on-going expenses given that projected development includes predominately nonresidential land uses and includes a sizable amount of retail/commercial space. Police, fire and street maintenance will be the three largest costs at build-out.

Staff has spent considerable time identifying the various components and is mindful of prior Council direction. Staff has identified all of the services that will be required, reviewed the options for those services and is making recommendations that both minimize the City's risk and cost to the City if the Council chooses to move forward with the pre-annexation and associated MAG 208 Amendment. Staff requests council direction on preferences for both Police and Fire options. Staff recommends that this area be annexed to allow future growth and employment opportunities for Glendale while simultaneously protecting Luke Air Force Base operations.

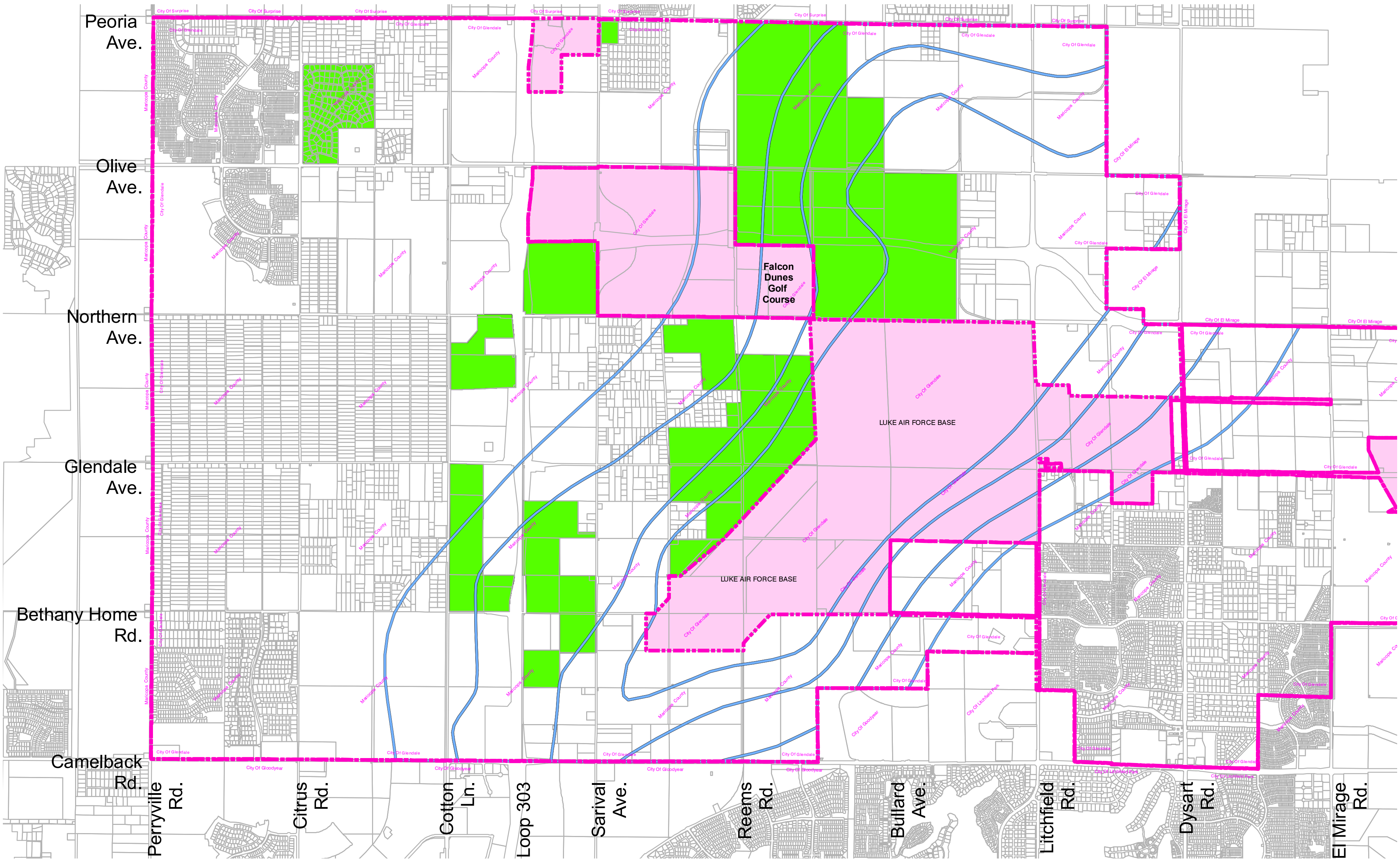
Annexation of the Loop 303 area allows Glendale to control the land uses and development pattern in and around Luke Air Force Base. By doing so, Glendale will no longer rely on Maricopa

County for land use decisions in this area. Job creation, employment opportunities and private sector investment will be realized long term in this area as Loop 303, and the Northern Parkway are developed and as rail served properties are created. Over time, the anticipated revenues derived from the new developments will offset the expected costs of the providing services to this area as described in the Economic Impact Analysis.

The Pre-Annexation Development Agreement (PADA) and the proposed MAG 208 sewer amendment to allow Global Water to provide sewer and reclaimed water on behalf of the city will be brought forward for consideration at a future Voting Meeting pending Council direction at the Workshop.

Loop 303 Corridor Area

October 2012



Legend

- Existing City of Glendale
- Annexation Request Participants in Pre Annexation Development Agreement (PADA) Future Annexation

GLENDALE
G I S

N

Planning

100212

After recording, return to
City Clerk
City of Glendale
5850 W. Glendale Ave., Suite 464
Glendale, AZ 85301

With a copy to.
Jeffrey Blilie
Beus Gilbert PLLC
4800 N Scottsdale Road, Suite 6000
Scottsdale, AZ 85251

DRAFT

PRE-ANNEXATION DEVELOPMENT AGREEMENT FOR LOOP 303 PHASE 1 UTILITY GROUP

THIS PRE-ANNEXATION DEVELOPMENT AGREEMENT FOR LOOP 303 PHASE 1 UTILITY GROUP ("**Agreement**") is entered into as of the __________day of ____________ ______, 2012 by and between the **CITY OF GLENDALE**, an Arizona municipal corporation (the "**City**"), and **HENRY C. CONKLIN AND PATRICIA A. CONKLIN**, as husband and wife, **REEMS RANCH, LLC**, an Arizona limited liability company, **NORTHERN PARKWAY INVESTORS, LLC**, an Arizona limited liability company, **HUA MEI DEVELOPMENT, LLC**, an Arizona limited liability company, **COTTON BARNEY, LLC**, a Nevada limited liability company, **COTTON BETHANY, LLC**, a Nevada limited liability company, **303 COTTON, LLC**, a Nevada limited liability company, **WHITE TANK STORAGE, INC.**, an Arizona corporation, **MARICOPA COUNTY MUNICIPAL WATER CONSERVATION DISTRICT NO. 1**, a political subdivision of the State of Arizona, **303 CAPITAL HOLDINGS LP**, an Arizona limited partnership, **WOOLF FAMILY ENTERPRISES LIMITED PARTNERSHIP**, an Arizona limited partnership, **HURON, L.L.C.**, an Arizona limited liability company, **HOME PLACE DEVELOPMENT, LLC**, an Arizona limited liability company, **BICKMAN FARMS**, an Arizona general partnership, **FRYE FAMILY LLLP,** an Arizona limited liability partnership, **SARIBETH, LLC**, a Nevada limited liability company, **PETER PETER COTTONTAIL, LLC**, a Nevada limited liability company, **FOUR LEAF OPERATIONS, L.L.C.**, a Texas limited liability company, **BANK OF THE WEST**, a California banking corporation and **LAPOUR 303, LLC**, an Arizona limited liability company (individually "**Owner**," and collectively "**Owners**"). City and Owners shall collectively be referred to herein as the "**Parties**," and individually as the "**Party** "

RECITALS:

A. This Agreement pertains to the property legally described in Exhibit A (collectively the "**Owners' Properties**," individually an "**Owner's Property**").

B. Owners' Properties are currently located in unincorporated Maricopa County and within the City's municipal planning area.

C. Owners, the City and Global Water Resources, Inc., ("**Global**") have been in discussions over the past several years to develop a wastewater and recycled water solution for the far western region of the City's planning area, an area generally bounded by Peoria Avenue to the north, Cotton Lane to the west, Camelback Road to the south and 143rd Avenue to the east (the "**Region**"), as set forth in Exhibit B to this Agreement.

D. The City and Global entered into a memorandum of understanding on March 9, 2010, which addressed the City's support of Global's utility as the wastewater and recycled water provider for the Region, including the City's support of the requisite MAG 208 amendment.

E. Owners have entered into the Wastewater Facilities Main Extension Agreement with Global Water 303 - Utilities Company, Inc. (a subsidiary of Global referred to herein as "**Global Water**") regarding Global Water's commitment to provide wastewater and recycled water service to the Owners' Properties, and within such agreement Global Water has made the following commitments, (i) to comply with the requirements of the Arizona Department of Environmental Quality (ADEQ) and Maricopa County Environmental Services Department, Title 18 of the Arizona Administrative Code (AAC), and all governing standards issued by an authority having jurisdiction, and (ii) that it will not expand its CC&N or provide a "will serve" letter to any property owner or person developing property not within the Owners' Properties, unless and until such property has been annexed into the City or is subject to a recorded pre-annexation development agreement with the City

F Global and the City intend concurrently herewith to enter into the Agreement for Future Wastewater and Recycled Water Services (the "**Global Agreement**"), in a form substantially similar to the agreement attached hereto as Exhibit C, in which, among other things, the Parties provide for (i) phasing of MAG 208 amendments; (ii) limitations on Global's expansion of its CC&N or provision of "will serve" letters to properties in the Region; and (iii) terms and conditions for a franchise election.

G. The Parties are entering into this Agreement pursuant to the provisions of A.R.S § 9-500.05 in order to facilitate the annexation of the Owners' Properties and the proper municipal zoning designations and development of the Owners' Properties by providing for, among other things: (i) conditions, terms, restrictions and requirements for the annexation of the Owners' Properties by the City; (ii) conditions, terms, restrictions and requirements for the construction and installation of public/private infrastructure improvements, and (ii) other matters related to the annexation and development of Owners' Properties.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and mutual promises set forth in this Agreement, the Parties state, confirm and agree as follows

1 **Annexation**. The Parties acknowledge and agree that the intent of the Parties is

that the Owners' Properties shall be annexed into and developed within the City consistent with City development standards. The Parties acknowledge and agree that annexation of the Owners' Properties may take place in phases over time and is conditioned upon assurance and availability of water, wastewater and recycled water service from a source(s) other than the City The Parties understand that annexation is a legislative process and nothing in this Agreement shall be construed as requiring the City's Council to approve an annexation petition. The Parties also understand that the City's expectation at the time an Owner's Property is annexed is that the annexation area shall include all adjacent arterial right-of-way to the section line or the existing Glendale city limits line.

2. **Maricopa County Zoning**. To the extent available in City zoning and entitlements, including the use of the closest comparable City zoning and entitlements, the City shall recognize Maricopa County zoning, special use permits, military compatibility permits, plans of development, and all other Maricopa County entitlements for Owners' Properties as are set forth in Exhibit D to this Agreement To the extent such zoning and entitlements or the closest comparable City zoning and entitlements are available in the then-existing City zoning code, the City shall provide for such zoning and entitlements when applying City zoning to the Owners' Properties following annexation of the Owners' Properties, or portions thereof, into the City

2.1 New Re-zoning Applications. Owners agree that following the date this Agreement is executed by the City no new re-zoning or other land use entitlement case shall be initiated in Maricopa County for any of the Owners' Properties. Notwithstanding the foregoing, in the event the City's Council denies a request to annex an Owner's Property, then such Owner shall be allowed to move forward in Maricopa County with any re-zoning or other entitlement application for such Owner's Property

2.2 City Entitlements. Upon execution of this Agreement by the Parties, the City agrees to accept and process any re-zoning application by an Owner for such Owner's Property and to submit such re-zoning application to the City Council for its consideration concurrent with the submission to the City Council of the ordinance annexing such Owner's property (unless such Owner's property has already been annexed into the City).

2.3 Prohibited Land Uses. Notwithstanding the foregoing, the following land uses shall be prohibited and not permitted within the Region.

1) Adult uses
2) Casino
3) Inert landfill
4) Landfill
5) Prison and/or correctional facility
6) Rendering plant
7) Solid waste transfer station
8) Slaughterhouse

3 **MAG 208 Amendment**. The City shall support and sponsor an initial

amendment to the MAG 208 plan in accordance with the terms and provisions of the Global Agreement, for purposes of recognizing the wastewater treatment plant to be constructed by Global to serve the Region, which is depicted in Exhibit B. All costs associated with processing the MAG 208 amendment shall be borne by Owners, and Owners shall handle all of the administrative amendment processes required by MAG. The City shall cooperate as needed in processing the amendment in accordance with the terms and provisions of the Global Agreement.

4. **Water**. The Parties acknowledge and agree that the City will not provide water service to the Owners' Properties and that the Owners are required to obtain water service from a private company(ies) for the Owners' Properties. The City shall not assess or collect any water development impact fees, hook up fees, line extension fees or other fees related to water infrastructure, water resources or water service that is provided by a private company(ies). Owners shall be required to demonstrate and obtain an assured water supply from the Arizona Department of Water Resources prior to processing a preliminary plat or site plan in the City (provided the use requires an assured water supply demonstration), and in no event shall the City's assured water supply be used by any Owner Notwithstanding the previous sentence, the City reserves the right to assess and collect such fees to the extent the City provides any such infrastructure or services.

5 **Wastewater and Recycled Water** The Parties acknowledge and agree that the City will not provide wastewater and recycled water services to the Owners' Properties and that Owners are required to obtain wastewater and recycled water services from a private company(ies) for Owners' Properties. The City shall not assess or collect any development impact fees for wastewater and recycled water services that are provided by a private company(ies). Notwithstanding the previous sentence, the City reserves the right to assess and collect such fees to the extent the City provides any such infrastructure or services.

5 1 Vault and Haul. The City shall allow an individual Owner's Property to vault and haul the wastewater generated by an individual project as an interim wastewater solution for such project subject to the following conditions; (i) vault and haul shall only be allowed once construction of the wastewater treatment plant serving such Owner's Property is under construction (physical construction underway), (ii) only during the construction period for the wastewater treatment plant; and (iii) only in compliance with all permits and other requirements of all the governmental entities regulating vault and haul activities. Details regarding vault and haul shall be developed during the site planning process of the individual project.

6. **Streets.** Each Owner shall be responsible for constructing its roadway improvements in accordance with City standards in effect at the time of construction, including but not limited to, design, site preparation, paving, curb and gutter, sidewalk, landscaping, drainage improvements, and traffic control devices. Each Owner shall also be responsible for maintaining any of its newly constructed roadway improvements until such time as the City's community development department has determined that the construction has been properly completed and the roadway improvements have been accepted by the City The City shall be responsible for the maintenance of the existing roads within the Region following annexation of such roads by the City and of all roadway improvements following acceptance of such by the

City. No Owner shall be obligated to make improvements to existing roadways as a condition of annexation.

7 **Fire and Police**. Following annexation of the Owners' Properties, or any portion thereof, into the City, the City, or its contractor, shall be the fire, police and emergency medical services provider to the annexed Property. Owners agree to dedicate to the City two (2) fire/police station sites to the City, at such locations to be determined by the City after consultation with Owners. The fire/police station sites shall be a minimum of five (5) net acres in size, shall be located outside the 65 ldn lines and shall be located along either a planned arterial or collector street with one site north of Orangewood Avenue and one site south of Orangewood Avenue. Owners agree to dedicate the fire/police station sites to the City when requested, without charge to the City and without any credits or reimbursements against the City's fire or police development fees. One of the fire/police station sites shall be dedicated to the City prior to the City issuing any certificates of occupancy within the Owners' Properties. The dedication of the fire/police station sites shall satisfy all of Owners' obligations relative to the delivery of fire, police and emergency medical services, and the City shall not condition further approvals of the Owners' Properties on further obligations to dedicate additional sites or pay additional monies to the City for such services, other than the payment of adopted development fees applicable to such services.

8. **Municipal Services**. Following annexation of the Owners' Properties, or portion thereof, into the City, the City shall provide all municipal services, other than water, wastewater and recycled water, to such property in a manner consistent with those municipal services then-provided to property located within the municipal limits of the City Notwithstanding the preceding sentence, the City shall not be responsible for maintenance of any newly constructed roadway improvements provided by the Owners until the date such roadway improvements have been accepted by the City The Parties acknowledge that this Agreement and the Global Agreement is intended to constitute a plan, policy or procedure to provide the annexed territory with appropriate levels of infrastructure and services to serve the anticipated new development within ten years after the date the annexation becomes final in compliance with ARS §9-471(O). At the time each Owner annexes its property into the City, such Owner shall be responsible confirming the viability of this Agreement and the Global Agreement as satisfying the requirements of ARS §9-471(O)

9 **General Provisions**.

9.1 Term. This Agreement shall become effective on the date it is recorded with the Maricopa County Recorder after execution by all Parties and shall automatically terminate on the twentieth (20th) anniversary of such date.

9.2 Owners' Representative. Owners agree to designate and appoint a representative to act as a liaison between Owners and the City The initial representative shall be Michael Martindale ("**Owners' Representative**"). Owners' Representative may be replaced by a sixty percent (60%) majority in interest of all of Owners (based on their pro-rata shares of participation in the wastewater and recycled water system improvements)

9.3 Notices and Filings. All notices, filings, consents, approvals and other communications provided for herein or given in connection herewith shall be validly given, filed, made, delivered or served if in writing and delivered personally, faxed, sent by overnight carrier or sent by certified United States Mail, postage pre-paid, return receipt requested if to

City:	City Manager's Office City of Glendale 5850 W Glendale Ave., Suite 464 Glendale, AZ 85301 Attn. Horatio Skeete Phone: 623-930-2870 Facsimile: 623-847-1399 Email hskeete@glendaleaz.com
With a copy to	City Attorney City of Glendale 5850 West Glendale Avenue Glendale, AZ 85301 Attn: Craig Tindall Phone: 623-930-2930 Facsimile: 623-915-2391 Email: ctindall@glendaleaz.com
Owners.	[Addresses on each Owner's signature page]
Owners' Representative.	CRA LLC 8901 E. Pima Center Pkwy, Suite 230 Scottsdale, AZ 85258 Attn. Michael Martindale Phone: 480-889-9900 x106 Facsimile: 480-889-9901 Email: mmartindale@craltd.com
With a copy to	Beus Gilbert, PLLC 4800 N. Scottsdale Rd., Suite 6000 Scottsdale, AZ 85251 Attn. Jeffrey M. Blilie Phone: 480-429-3030 Facsimile: 480-429-3100 Email jblilie@beusgilbert.com Global Water 21410 N 19th Ave., Ste. 201 Phoenix, AZ 85027 Attn. Ron Fleming Phone: 623-580-9600 x146

Facsimile: 623.580.9659
Email. ron.fleming@gwresources.com

Burch & Cracchiolo
702 E. Osborn Road, Ste. 200
Phoenix, AZ 85014
Attn: Andy Abraham
Phone: 602-234-9917
Facsimile: 602-343-7917
Email: aabraham@bcattorneys.com

or to such other address or addresses as may hereafter be specified by notice given by any of the above for itself to the others. Any notice or other communication shall become effective upon the earliest of the following: (a) actual receipt by that Owner; or (b) two (2) business days after deposit with the United States Postal Service.

9.4 Default. Failure or unreasonable delay by any Party to perform or otherwise act in accordance with any term or provision hereof shall constitute a breach of this Agreement by such Party Any failure to pay money not cured within ten (10) business days after written notice is received by the non-paying Party (or to the Owners' Representative in the case of a non-paying Owner) shall constitute a default under this Agreement by the non-paying Party Any other breach not cured within thirty (30) calendar days after written notice is received, shall constitute a default by the breaching Party under this Agreement, provided, however, that if the failure is such that more than thirty (30) calendar days would reasonably be required to perform such action or comply with any term or provision hereof, then the breaching Party shall have such additional time as may be necessary to perform or comply so long as the breaching Party commences performance or compliance within said thirty (30) calendar day period and diligently proceeds to complete such performance or fulfill such obligation after written notice is received by the breaching Party (or the Owners' Representative in the case of a breaching Owner) Any notice of a breach shall specify the nature of the alleged breach and the manner in which said breach may be satisfactorily cured, if possible. Each Party shall have all rights and remedies for any breach that is not cured within the applicable cure period, except that each Party waives any right to seek recovery of, or recover, any indirect, consequential (including lost profits), exemplary, punitive, or other monetary damages of any kind, other than actual damages.

9.5 Dispute Resolution. In the event that there is a dispute hereunder which the Parties cannot resolve between themselves, the Parties agree that there shall be a forty-five (45) day moratorium on litigation during which time the Parties agree to attempt to settle the dispute by nonbinding mediation before commencement of litigation. The mediation shall be held under the commercial mediation rules of the American Arbitration Association or other rules mutually agreed upon. The matter in dispute shall be submitted to a mediator mutually selected by the Parties. In the event that the Parties cannot agree upon the selection of a mediator within seven (7) days, then within three (3) days thereafter, the City and Owner shall request the presiding judge of the Superior Court in and for the County of Maricopa, State of Arizona, to appoint an independent mediator. The mediator selected shall have at least five (5) years' experience in mediating or arbitrating disputes relating to development. The cost of any such mediation shall be divided equally between the City and Owners. The results of the mediation shall be nonbinding on the Parties, and any Party shall be free to initiate litigation subsequent to the moratorium.

9.6 Choice of Law, Venue and Attorney's Fees. Any dispute, controversy, claim or cause of action arising out of or related to this Agreement shall be governed by Arizona law The venue for any such dispute shall be Maricopa County, Arizona, and each Party waives the right to object to venue in Maricopa County for any reason.

9 7 Good Standing and Authority. The Parties represent and warrant that each is duly formed and validly existing under laws of Arizona and that the individuals executing this Agreement on behalf of their respective Party are authorized and empowered to bind the Party on whose behalf each such individual is signing.

9.8 Assignment. The provisions of this Agreement are binding upon and shall inure to the benefit of the Parties, and all of their successors in interest and assigns, provided, however, that an Owner's rights and obligations hereunder may be assigned, in whole or in part, only to a person or entity that has acquired title to the Owner's Property or a portion thereof and only by a written instrument recorded in the Official Records of Maricopa County, Arizona, expressly assigning such rights and obligations. In the event of a complete or partial assignment by an Owner, all or a portion of Owner's rights and obligations hereunder shall terminate effective upon the assumption by Owner's assignee of such rights and obligations and the execution of an addendum that recognizes the assignment.

9.9 Third Parties. No term or provision of this Agreement is intended to, or shall be for the benefit of any person or entity not a party hereto, and no such other person or entity shall have any right or cause of action hereunder

9.10 Waiver. No delay in exercising any right or remedy shall constitute a waiver thereof; and no waiver of any breach shall be construed as a waiver of any preceding or succeeding breach of the same or any other covenant, or condition of this Agreement.

9.11 Further Documentation. The Parties agree in good faith to execute such further or additional instruments and documents and to take such further acts as may be necessary or appropriate to fully carry out the intent and purpose of this Agreement Such additional instruments and documents may require the approval of the City's Council.

9 12 Fair Interpretation. The Parties have been represented by counsel in the negotiation and drafting of this Agreement and this Agreement shall be construed according to the fair meaning of its language.

9 13 Headings. The headings of this Agreement are for purposes of reference only and shall not limit or define the meaning of any provision of this Agreement.

9 14 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which shall constitute one and the same instrument.

9 15 Computation of Time. In computing any period of time under this Agreement, the date of the act or event from which the designated period of time begins to run shall not be included The last day of the period so completed shall be included unless it is a Saturday, Sunday or legal holiday of the City of Glendale, in which event the period shall run until the end of the next day that is not a Saturday, Sunday or legal holiday of the City of Glendale.

9 16 Entire Agreement. This Agreement, together with the following Exhibits attached hereto (which are incorporated herein by this reference) constitutes the entire agreement between the Parties.

(a)	Exhibit A.	Legal Description of Owners' Properties
(b)	Exhibit B:	Depiction of the Region and the Initial MAG 208 Area
(c)	Exhibit C:	Draft of the Global Agreement
(d)	Exhibit D:	Zoning and Other Land Use Entitlements of Owners' Properties

All prior and contemporaneous agreements, representations and understandings of the Parties, oral or written are superseded by and merged in this Agreement.

9 17 Time. Time is of the essence of this Agreement and with respect to the performance required by each Party

9 18 Covenants Running With Land. The Owners' Properties shall be held, transferred, sold, conveyed, leased, occupied and used subject to the terms, covenants and conditions of this Agreement, which shall run with the land and be binding upon, benefit and burden the Owners' Properties and all persons having or acquiring any right, title or interest in or to any portion of the Owners' Properties.

9 19 Incorporation of Recitals. The recitals set forth above are hereby incorporated by reference into this Agreement.

[SIGNATURES APPEAR ON THE FOLLLOWING PAGES]

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date first above written.

CITY:

CITY OF GLENDALE, an Arizona municipal corporation

By:_________________________________
Elaine M. Scruggs, Mayor
Date:_______________________________

APPROVED AS TO FORM

By:_________________________________
City Attorney

ATTESTED

By:_________________________________
City Clerk

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this ______ day of __________________________, 2012, before me personally appeared Elaine M. Scruggs, the Mayor of the **CITY OF GLENDALE**, an Arizona municipal corporation, for and on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

OWNER:

HENRY C. CONKLIN AND PATRICIA A. CONKLIN,
as husband and wife

By:_________________________________
Henry C Conklin

By:_________________________________
Patricia A. Conklin

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Henry C. Conklin, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Patricia A. Conklin, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

100212

Notice Address.

Henry Conklin

Phone : 623-935-5667
Facsimile: 623-935-5671
Email. henry@conklinrose.com

OWNER:

REEMS RANCH, LLC, an Arizona limited liability company

By:____
Name: Michael Francis
Title:____

Notice Address:

Michael Francis
10265 W Camelback Road, #104
Phoenix, AZ 85037

Phone:	623-772-1555
Facsimile:	623-772-0145
E-Mail:	mcharlesfrancis@gmail.com

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Michael Francis, the _____________________ of Reems Ranch, LLC, an Arizona limited liability company, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document

____
Notary Public

[Affix notary seal here]

100212

OWNER:

NORTHERN PARKWAY INVESTORS, LLC, an Arizona limited liability company

By: Northern Parkway 360, LLC, an Arizona limited liability company, Manager

By: ________________________________

Name: Tyler E. LeSueur

Title: Manager

Notice Address:

Tyler E. LeSueur
LeSueur Investments
3850 E. Baseline Road, Suite 114
Mesa, AZ 85206

Phone:	480-424-3400
Facsimile:	480-424-3425
Email:	ty@lesueurinvestments.com

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Tyler LeSueur, the Manager of Northern Parkway 360, LLC, an Arizona limited liability company, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

100212

OWNER:

HUA MEI DEVELOPMENT, LLC, an Arizona limited liability company

By:____________________________________
Name. George Bradbury
Title.____________________________________

Notice Address.

George Bradbury
14014 N 172nd Ave.
Surprise, AZ 85388

Phone:	602-361-2248
Facsimile:	623-544-9300
E-Mail:	usstoneworks@aol.com

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of _______________, 2012, before me personally appeared George Bradbury, the ___________________ of Hua Mei Development, LLC, an Arizona limited liability company, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document

____
Notary Public

[Affix notary seal here]

OWNER:

COTTON BARNEY, LLC, a Nevada limited liability company

By:____________________________________
Name: Barney Nemiroff
Title:____________________________________

Notice Address:

Barney Nemiroff
4616 W Sahara 328
Las Vegas, NV 89102

Phone:	702-582-8282
Facsimile:	702-944-7821
E-Mail:	bjn9999@aol.com

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Barney Nemiroff, the __________________ of Cotton Barney, LLC, a Nevada limited liability company, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

OWNER:

COTTON BETHANY, LLC, a Nevada limited liability company

By:______________________________________
Name.__Barney Nemiroff__________________
Title:_____________________________________

Notice Address:

Barney Nemiroff
4616 W Sahara 328
Las Vegas, NV 89102

Phone:	702-582-8282
Facsimile:	702-944-7821
E-Mail:	bjn9999@aol.com

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Barney Nemiroff, the __________________ of Cotton Bethany, LLC, a Nevada limited liability company, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

OWNER:

303 COTTON, LLC, a Nevada limited liability company

By:__________________________________
Name: N. Rao Yerramsetti
Title: Manager

Notice Address.

N Rao Yerramsetti
2320 Paseo Del Prado 201
Las Vegas, NV 89102

Phone:	702-420-0289
Facsimile:	702-362-4445
E-Mail:	ry.2320@yahoo.com

STATE OF NEVADA)
) ss.
County of Clark)

On this _____ day of ______________, 2012, before me personally appeared N. Rao Yerramsetti, the ________________________ of 303 Cotton, LLC, a Nevada limited liability company, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document

____
Notary Public

[Affix notary seal here]

OWNER:

WHITE TANK STORAGE, INC., an Arizona corporation

By:____________________________________
Name: Peter A. Nelson
Title: President

By:____________________________________
Name: Bob Garland
Title: Secretary

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Peter A. Nelson, the President of White Tank Storage, Inc., an Arizona corporation, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Bob Garland, the Secretary of White Tank Storage, Inc., an Arizona corporation, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

100212

Notice Address:

Bob Garland
Insight Land & Investments
7400 E. McDonald Drive, Suite 121
Scottsdale, AZ 85250

Phone:	602-385-1515
Facsimile:	602-381-6264
E-Mail:	bgarland@insightland.com

OWNER:

MARICOPA COUNTY MUNICIPAL WATER CONSERVATION DISTRICT NO. 1, a political subdivision of the State of Arizona

By.________________________________
Name.___Glen Vortherms_______________
Title:___General Manager______________

Notice Address.

David Maguire
Land Solutions Inc
8108 W Frier Drive
Glendale, AZ 85303

Phone:
Facsimile· 1-877-363-0751
E-Mail: dmaguire@landsolutionsinc.com

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Glen Vortherms, the General Manager of Maricopa County Municipal Water Conservation District No 1, a political subdivision of the State of Arizona, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

100212

OWNER:

303 CAPITAL HOLDINGS LP, an Arizona limited partnership

By:____________________________________
Name:__________________________________
Title.___________________________________

Notice Address:

____

____

____

Phone: __________________
Facsimile: __________________
E-Mail: moergas@ergasgroup.com

__________________________)
) ss.
__________________________)

On this _____ day of ______________, 2012, before me personally appeared, _________ _________________________, the ____________________ of 303 Capital Holdings LP, an Arizona limited partnership, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document

____
Notary Public

[Affix notary seal here]

100212

OWNER:

WOOLF FAMILY ENTERPRISES LIMITED PARTNERSHIP, an Arizona limited partnership

By: L.S. Woolf Group, Inc., an Arizona corporation, General Partner

By:______________________________
Name: Leyton Woolf
Title: President

Notice Address:

Leyton Woolf
8805 N. Reems Road
Waddell, AZ 85355

Phone: 623-935-5887
Facsimile: ____________________
E-Mail: leytonwoolf@yahoo.com

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Leyton Woolf, the President of L.S. Woolf Group, Inc., an Arizona corporation, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

100212

Owner:

HURON, L.L.C., an Arizona limited liability company

By:______________________________
Name: Leyton Woolf
Title: Partner

Notice Address.

Leyton Woolf
8805 N Reems Road
Waddell, AZ 85355

Phone: 623-935-5887
Facsimile: ____________________
E-Mail: leytonwoolf@yahoo.com

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Leyton Woolf, the Partner of Huron, L.L.C., an Arizona limited liability company, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

HOME PLACE DEVELOPMENT, LLC, an Arizona limited liability company

By:__________________________________
Name.________________________________
Title:_________________________________

Notice Address:

Leyton Woolf
8805 N Reems Road
Waddell, AZ 85355

Phone: _______________________
Facsimile· _______________________
E-Mail: leytonwoolf@yahoo.com

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared __________ ____________, the __________________ of Home Place Development, LLC, an Arizona limited liability company, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

OWNER:

BICKMAN FARMS, an Arizona general partnership

By:__________________________________
Name: Mike Etchart
Title: Partner

Notice Address:

Bickman Farms
Attn. Mike Etchart
7603 North Alsup Avenue
Litchfield Park, AZ 85340

Phone:	623-935-2014
Facsimile:	623-935-6862
E-Mail:	mike.ek@att.net

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Mike Etchart, Partner of Bickman Farms, an Arizona general partnership, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

OWNER:

FRYE FAMILY LLLP, an Arizona limited liability partnership

By:____
Name: Robert Frye
Title: Partner

By:____
Name: Michael Frye
Title: Partner

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Robert Frye, Partner of Frye Family LLLP, an Arizona limited liability limited partnership, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document

____
Notary Public

[Affix notary seal here]

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Michael Frye, Partner of Frye Family LLLP, an Arizona limited liability limited partnership, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

100212

Notice Address.

Michael Frye
6512 N. Sarival Road
Litchfield Park, AZ 85340

Phone: 623-535-4736
E-Mail: autumn@miltnerlaw.com
barb@fryesadvancelandscapedesign.com

100212

OWNER:

SARIBETH, LLC, a Nevada limited liability company, et.al.

By:____
Name: Randy Black, Jr.
Title: Power of Attorney

Notice Address.

Randy Black, Jr
Land Baron Investments, Inc.
10777 W Twain, Suite 225
Las Vegas, NV 89135

Phone: 702-851-3999
Facsimile: 702-851-3998
E-Mail: rblack@landbaroninv.com

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Randy Black, Jr., having power of attorney for Saribeth, LLC, a Nevada limited liability company, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

OWNER:

Peter Peter Cottontail, LLC, a Nevada limited liability company, et.al.

By:______________________________________
Name. Randy Black, Jr.
Title: Power of Attorney

Notice Address:

Randy Black, Jr.
Land Baron Investments, Inc.
10777 W Twain, Suite 225
Las Vegas, NV 89135

Phone:	702-851-3999
Facsimile:	702-851-3998
E-Mail:	rblack@landbaroninv.com

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Randy Black, Jr., having power of attorney for Peter Peter Cottontail, LLC, a Nevada limited liability company, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

OWNER:

FOUR LEAF OPERATIONS, L.L.C., a Texas limited liability company

By: ___________________________________

Name: Richard Tettamant

Title: Administrator

Notice Address:

Richard Tettamant
Dallas Police & Fire Pension System
4100 Harry Hines Boulevard
Dallas, TX 75219

Phone: (214) 638-3863
Facsimile: (214) 638-6403
E-Mail: Tettamant@dpfp.org

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Richard Tettamant, the Administrator of Four Leaf Operations, L.L.C., a Texas limited liability company, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

OWNER:

LAPOUR 303, LLC, an Arizona limited liability company

By:________________________________
Name: Jeffrey S. LaPour
Title: Manager

Notice Address

Lisa Chasteen
5525 S. Decatur Blvd., Suite 104
Las Vegas, NV 89118

Phone:	702-222-3022 X107
Facsimile:	702-222-0961 (email first)
E-Mail:	lisa@lapour.com

With a copy to

Jeffrey LaPour

Phone:	702-222-3022 X101
E-Mail:	jlapour@lapour.com

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Jeffrey S LaPour, the Manager of LaPour 303, LLC, an Arizona limited liability company, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document.

____
Notary Public

[Affix notary seal here]

OWNER:

BANK OF THE WEST, a California banking corporation

By:________________________________
Name. Paul Nakae
Title: Executive Vice-President

Notice Address:

J. Andrew Romano
7272 E. Indian School Rd., Suite 210
Scottsdale, AZ 85251

Phone:	(480) 425-4402
Facsimile:	(480) 425-4414
E-Mail:	j.romano@bankofthewest.com

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of ______________, 2012, before me personally appeared Paul Nakae, the Executive Vice-President of Bank of the West, a California banking corporation, on behalf thereof, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he or she signed the above/attached document

____
Notary Public

[Affix notary seal here]

EXHIBIT A

Legal Description of the Properties

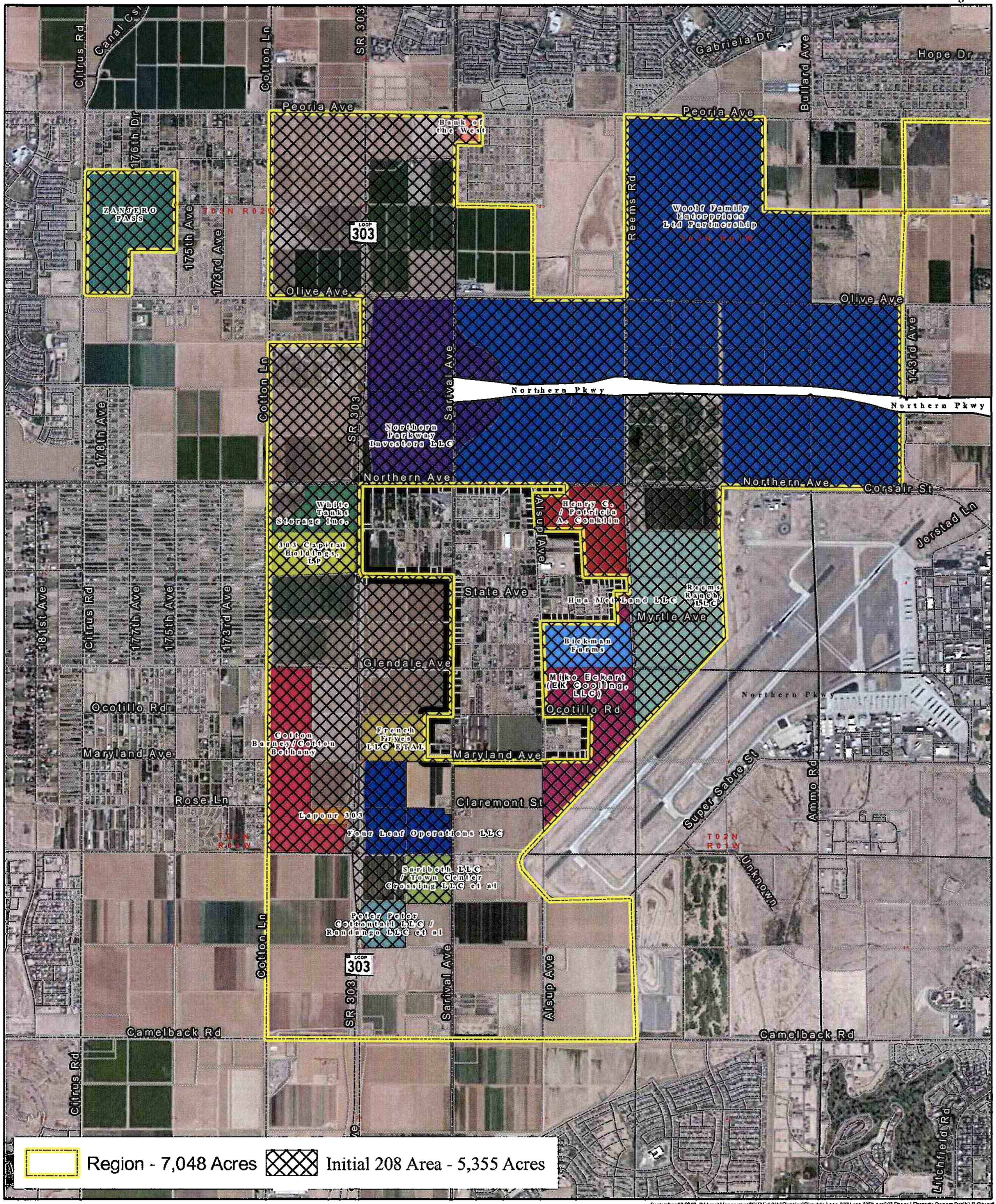
100212

EXHIBIT B

Depiction of the Region/Initial MAG 208 Area

GLOBAL WATER
RELIABLE RENEWABLE REUSABLE

Exhibit B
Pre-Annexation Development Agreement



September 13 2012 Q:\Asset Management\GIS\Exhibits\Planning\Glendale-Loop 303\Loop 303\Loop303 Phase I Property Owners Exhibit B City.pdf

- 303 Capital Holdings, LP, 69.089991
- Bank of the West (11 ac)
- Bickman Farms (71 ac)
- Cotton Barney/Cotton Bethany, (160 ac)
- Four Leaf Operations LLC (109 ac)
- French Fryes LLC ETAL (57 ac)
- Henry C. / Patricia A. Conklin (104 ac)
- Hua Mei Land LLC (8 ac)
- Lapour 303, (12 ac)
- Mike Eckart (EK Cooling, LLC) (157 ac)
- Northern Parkway Investors LLC (361 ac)
- Peter Peter Cottontail LLC / Randango LLC et al (39 ac)
- Reems Ranch, LLC (249 ac)
- Saribeth LLC / Town Center Crossing LLC et al (40 ac)
- White Tanks Storage Inc (32 ac)
- Woolf Family Enterprises Ltd Partnership (1,818 ac)
- ZANJERO PASS (168 ac)

*Parcel Size (in acres)

100212

Exhibit C

Draft of the Global Agreement

DRAFT
AGREEMENT FOR FUTURE WASTEWATER AND RECYCLED WATER SERVICES
BETWEEN
GLOBAL WATER RESOURCES, INC., GLOBAL WATER - 303 UTILITIES COMPANY, INC., AND CITY OF GLENDALE

This Agreement for Future Wastewater and Recycled Water Services ("Agreement") is entered into as of this ____________ day of ______________, 2012 between Global Water Resources, Inc., a Delaware corporation authorized to do business in Arizona, ("Global"), Global Water -303 Utilities Company, Inc an Arizona corporation and a wholly-owned subsidiary of Global ("Utility"), and the City of Glendale, an Arizona municipal corporation ("City"). City, Global, and Utility shall collectively be referred to herein as the "Parties," and individually as a "Party."

RECITALS

A. The City is an Arizona municipal corporation authorized to provider municipal services to residents and businesses within and without its corporate boundary.

B. The City intends to facilitate and manage future growth in accordance with its obligation under the Growing Smarter Legislation and Growing Smarter Plus Legislation enacted by the Arizona State Legislature.

C. The Utility will be an Arizona public service corporation defined in Article 15, Section 2, of the Arizona Constitution and, as such, will be regulated by the Arizona Corporation Commission ("ACC")

D. The Utility will, consistent with the terms of this Agreement, apply for a Certificate of Convenience and Necessity ("CC&N") from the ACC to provide wastewater services and recycled water infrastructure services (collectively "Utility Services") in the area generally bordered by Peoria Avenue to the North, Cotton Lane to the west, Camelback Road to the south and 143rd Avenue to the east ("Region"), as more fully set forth in Exhibit A attached to and incorporated into this Agreement.

E. The City has the potential of experiencing rapid growth, and in order to facilitate and manage this potential future growth, the City wishes to work with Global and Utility to establish Utility Services within the Region.

F. On March 9, 2010, the City and Global entered into a Memorandum of Understanding that addressed the City's support of Utility as the wastewater and recycled water provider for the Region.

G. The City, Global, and Utility wish to enter into this Agreement to further define the rights and obligations among the Parties.

AGREEMENT

In consideration of the Recitals, which are confirmed as true and correct and incorporated by this reference, the mutual promises and covenants contained in this Agreement, and other good and valuable consideration, the Parties agree as follows:

1. Franchise Agreement.

1.1 Utility will present the desired franchise ("Franchise") to the City's governing body and file it with City Clerk after entry of a final order by the Arizona Corporation Commission granting Utility a CC&N to provide Utility Services in an area within the Region.

1.2 If the City's governing body deems the granting of the Franchise beneficial to the City, it will pass a resolution and thereafter submit the Franchise to the qualified electors as to whether or not the Franchise should be granted at the next regular election held in the City or at a special election called for the purpose of approving the Franchise The City will not call a special election for the purpose of approving the Franchise without the consent of Global The Franchise election will be called and conducted in accordance with applicable law.

1 3 Global will be responsible for all costs incurred by the City as a result of holding an election for the purpose of approving the Franchise, which costs shall not be unreasonably incurred by the City. If other items or candidates are placed on the same ballot as the Franchise, the City will equitably apportion the election costs to Global

1.4 The City will invoice the estimated cost of the Franchise election ("Estimated Cost") within 60 days after the filing of the Franchise with the Glendale City Clerk. Global will promptly pay the City the estimated cost within 30 days after receiving the invoice The City will reconcile the actual election cost attributable to the Franchise ("Actual Cost") within 60 days after the Franchise election Global will promptly pay the City the difference between the Estimated Cost and the Actual Cost if the Actual Cost exceeds the Estimated Cost. The City will promptly refund Global the difference between the Actual Cost and Estimated Cost if the Actual Cost is less than the Estimated Cost

1.5 The Franchise filed by Utility, at a minimum, must contain the following provisions.

1.5.1 The Franchise will be for a term of 25 years.

1 5.2 Utility will pay the city a fee (the "Franchise Fee") of 3% of Gross Revenue on a quarterly basis "Gross Revenues" shall include base fees, consumptive fees, wastewater, and recycled water sales collected but shall not include non-recurring fees collected by Utility as they arise from hookup fees, service connection fees, termination fees, reconnect or disconnect fees, late fees, NSF fees, or account handling fees .

1.5 3 City will grant Utility a non-exclusive right and privilege to construct, maintain, and operate upon, over along, across and under the present and future public rights-of-way (including but not limited to streets, alleys, rights of ways, highways and bridges) within the present and any future corporate limits of the City for the areas within the Region, Utility infrastructure, together with all necessary appurtenances, for the purpose of providing Utility Services within the Region.

1 6 Temporary License Agreement. The City and Utility will enter into a Temporary License Agreement. The Temporary License Agreement must contain, at a minimum, the following provisions:

1.6.1 The Temporary License Agreement will run from the time this Agreement takes effect until the earlier of (1) the time the Franchise described above takes effect, or

(2) two Franchise elections have been conducted or until January 1, 2017, whichever occurs first. Thereafter, in the event a successful Franchise election has not occurred, the Parties shall negotiate in good faith to revise the Franchise for submission to the voters and/or enter into a new agreement regarding the Utility's operation in the City.

1.6.2 Pursuant to the Temporary License Agreement, Utility will pay the city a fee (the "License Fee") of 3% of Gross Revenue on a quarterly basis. "Gross Revenues" shall include base fees, consumptive fees, wastewater, and recycled water sales collected but shall not include non-recurring fees collected by Utility as they arise from hookup fees, service connection fees, termination fees, reconnect or disconnect fees, late fees, NSF fees, or account handling fees. This License Fee shall terminate when the Franchise takes effect or when the Temporary License Agreement expires, and in no circumstance shall Utility be obligated to pay both the Franchise Fee and the License Fee nor shall the Utility operate without payment of either a Franchise or License Fee to the City.

1.6.3 City will grant Utility a non-exclusive right and privilege to construct, maintain, and operate upon, over, along, across and under the present and future public rights-of-way (including but not limited to streets, alleys, rights of ways, highways and bridges) within the present and any future corporate limits of the City for the areas within the Region, Utility infrastructure, together with all necessary appurtenances, for the purpose of providing Utility Services within the Region.

2. <u>MAG 208 Amendment</u>

2.1 The City will sponsor, with the support of Global and Utility, an amendment to the MAG 208 plan for purposes of recognizing the wastewater treatment plant to be constructed by Utility to serve the area set forth in Exhibit B ("Initial 208 Amendment"). The City, Global, and Utility agree the Initial 208 Amendment must include an area not less than 3,200 acres, and shall include all the area located between the properties within the Region identified in Exhibit B, which are necessary to allow for a reasonable, contiguous and well planned service area to be agreed upon by the City and Global The Parties acknowledge and agree that the area to be included within the Initial 208 Amendment is in the City's sole discretion.

2.2 The City will sponsor, with the support of Global and Utility, an amendment to the MAG 208 plan for the purpose of recognizing the wastewater treatment plant to be constructed by Global to serve the Region not included in Exhibit B ("Subsequent Amendment"). The City's sponsorship of the Subsequent Amendment, which will cover all the remaining properties within the original Region, is contingent on (1) the Utility has commenced providing Utility Service within the area covered by the Initial 208 Amendment; (2) Utility receiving requests for service from landowners owning an aggregate of at least 50% of the acreage located within the Region but not included within the area covered by the Initial 208 Amendment; and (3) Utility is not in violation of any rules, regulations or orders of the Arizona Corporation Commission, the Maricopa County Environmental Services Department, or the terms of this Agreement. Additionally, the Parties may otherwise agree in writing to move forward with the Subsequent Amendment prior to all such contingencies being in effect

2.3 The Utility may also provide service to properties outside of the Initial 208 Amendment area, prior to approval of the Subsequent Amendment, if such service is permitted by local, state and federal law and the property is either (i) within the corporate boundary of the City or (ii) is subject to a recorded pre-annexation development agreement with the City.

2 4 All costs associated with processing the Initial MAG 208 Amendment and Subsequent 208 Amendment will be borne by Global, Utility or a third party mutually agreed to by the Parties.

3. Arizona Corporation Commission; Certificate of Convenience and Necessity

3.1 Utility will not file an application to the ACC for the establishment or expansion of its CC&N within the Region except as provided in this Agreement

3.2 The Parties agree that the Utility may apply to the ACC for the establishment or expansion of its CC&N for Utility Services within the Region if the property to be included in the CC&N application is either: (i) within the corporate boundary of the City or (ii) is subject to a recorded pre-annexation development agreement with the City, which agreement sets forth the terms, conditions, restrictions, and requirements for the annexation of the property, for the construction and installation of public/private infrastructure improvements (including wastewater services and recycled water services), and other matters related to the annexation and development of the property. The Utility may also provide service to areas contiguous to its CC&N area, subject to Arizona Corporation Commission requirements, for any parcel that could be included in a CC&N application under this Section.

3 3 The Parties agree that the Utility may only provide service to a parcel contiguous to its CC&N area if such parcel i) is permitted to be served by the Utility in accordance with Arizona Corporation Commission rules and regulations and (ii) could be included in Utility's CC&N application under paragraph 3.2. The Parties acknowledge and agree that the requirement to either be annexed or subject to a pre-annexation development agreement is a limitation on the parcels that could be included in a CC&N application pursuant to the Arizona Corporation Commission requirements.

3 4 Except as set forth in paragraph 3.2, the Utility will not apply to the Arizona Corporation Commission to establish or expand its CC&N or extend Utility Service to a parcel outside of its CC&N area but contiguous to its CC&N service area without obtaining prior written consent from the City.

4 General Conditions

4.1 This Agreement, and all rights and obligations hereunder, shall be governed by and construed in accordance with the laws of the State of Arizona. Venue of any litigation hereunder shall be in a court of competent jurisdiction sitting in Maricopa County, Arizona. The Parties understand and acknowledge that utility rates and charges, and other terms and conditions applicable to the provision of Utility Service may be modified from time-to-time by order of the ACC.

4 2 This Agreement and the exhibits and attachments thereto contain all the agreements of the parties with regard to this Agreement and cannot be enlarged, modified or changed in any respect except by written agreement between the Parties

4 3 The unenforceability, invalidity or illegality of any provisions of this Agreement shall not render the other provisions unenforceable, invalid or illegal, but the Parties shall negotiate as to the effect of said unenforceability, invalidity or illegality on the rights and obligations of

the Parties.

4 4 The Parties will each use their best efforts to fully cooperate with one another to obtain any required permits or other approvals that may be necessary to perform under, or take advantage of, the terms and conditions of this Agreement The Parties agree that each will use good faith efforts to resolve, through negotiation, disputes arising hereunder without resorting to mediation or litigation. Notwithstanding the previous sentence, the parties are not precluded from utilizing mediation or litigation to resolve disputes.

4 5 The captions, titles and headings in this Agreement are merely for the convenience of the Parties and shall neither limit nor amplify the provisions of the Agreement itself.

4.6 Notices relevant to this Agreement to be given by a Party to another shall be in writing. All Parties agree that any such notice shall be effective when personally delivered or deposited, postage paid, in the U.S. Mail addressed by certified mail, return receipt request, to the address stated below:

Global Water Resources, Inc.
Attn: Cindy Liles
21410 N. 19th Avenue, Suite 201
Phoenix, Arizona 85027

Global Water – 303 Utilities Company, Inc.
Attn: Cindy Liles
21410 N. 19th Avenue, Suite 201
Phoenix, Arizona 85027

City of Glendale
Attn: City Manager
5850 West Glendale Avenue
Glendale, Arizona 85301

With a copy to:
City of Glendale
Attn. City Attorney
5850 West Glendale Avenue
Glendale, Arizona 85031

Each Party shall advise all other Parties in writing of any change in the address to which notice is to be provided hereunder.

4.7 This Agreement is for the sole and exclusive benefit of the Parties hereto and shall not be construed to confer any rights upon any third party. Nothing herein shall be construed to confer standing upon any third party who did not otherwise have such standing.

4 8 Global guarantees it shall continue to have sufficient access to financial resources to perform its obligations and the obligations of the Utility under the terms of this Agreement. Further, Global agrees that if all or substantially all of the assets of the Utility are sold or otherwise transferred to a new owner, the obligations of Global and the Utility under the terms of this Agreement shall also be transferred and assigned to the new owner.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

[SIGNATURES ON FOLLOWING PAGE]

GLOBAL WATER RESOURCES, INC., a Delaware corporation authorized to do business in Arizona

By: ________________________________
Cindy M. Liles
Its: Executive Vice President and Chief Financial Officer

Date: ____________________

GLOBAL WATER 303 UTILITIES COMPANY, INC., an Arizona Corporation

By: ________________________________
Cindy M. Liles
Its: Secretary

Date: ____________________

CITY OF GLENDALE,
an Arizona municipal corporation

BY: ________________________
Elaine M. Scruggs, Mayor

Date: ________________________

APPROVED AS TO FORM:

____
Craig D. Tindall, City Attorney

ATTEST:

By: ______________________________
Pamela Hanna, City Clerk

EXHIBITS TO BE ATTACHED

EXHIBIT 1 – MAP OF THE SUBJECT TERRITORY

EXHIBIT 2 – INITIAL 208 AMENDMENT

EXHIBIT D

Zoning and Other Land Use Entitlements of Owners' Properties

	PROPERTY OWNER	ZONING	OTHER ENTITLEMENTS
1	Conklin	RU-43	CPA 200922 CPA 200903
2	Reems Ranch	RU-43	CPA 200922 CPA 200903 DMP 1988-7
3	Northern Parkway Investors	RU-43, PAD	
4.	Hua Mei Development	RU-43	SUP for Industrial/ Warehouse/Business Park
5.	Cotton Barney	RU-43	
6.	Cotton Bethany	RU-43	
7.	303 Cotton	RU-43	
8.	DTD Devco 7	PAD	
9.	White Tank Storage	IND-1, C-2	POD for Billboards
10.	Maricopa County Municipal Water Conservation District	R-6	Preliminary Plat, Final Plat
13.	303 Capital Holdings	IND-1	POD for Billboards
14.	Wal-Mart	PAD	
15.	Woolf Family	RU-43, AD-1, AD-2	CPA 200922 CPA 200903 DMP 1988-4 DMP 1988-7 DMP 1988-7 Z 78-139 TU 2007-026
16.	Bickman Farms	RU-43	CPA 200922 CPA 200903
17.	French Frye	RU-43 w/ MCP overlay	POD for Billboards
18.	Saribeth	RU-43 w/ MCP overlay	
19.	Peter Peter Cottontail	RU-43 w/ MCP overlay	POD for Billboards
20.	Four Leaf Operations	RU-43 w/ MCP overlay	POD for Billboards
21.	LaPour 303	RU-43	
22.	Bank of the West	C-1	

APPLIED ECONOMICS

FISCAL IMPACTS OF WOOLF CROSSING AND THE LOOP 303 CORRIDOR ANNEXATION AREA ON THE CITY OF GLENDALE

SEPTEMBER 2012

Economic & Fiscal Impact | Demographic Analysis | Economic Development

TABLE OF CONTENTS

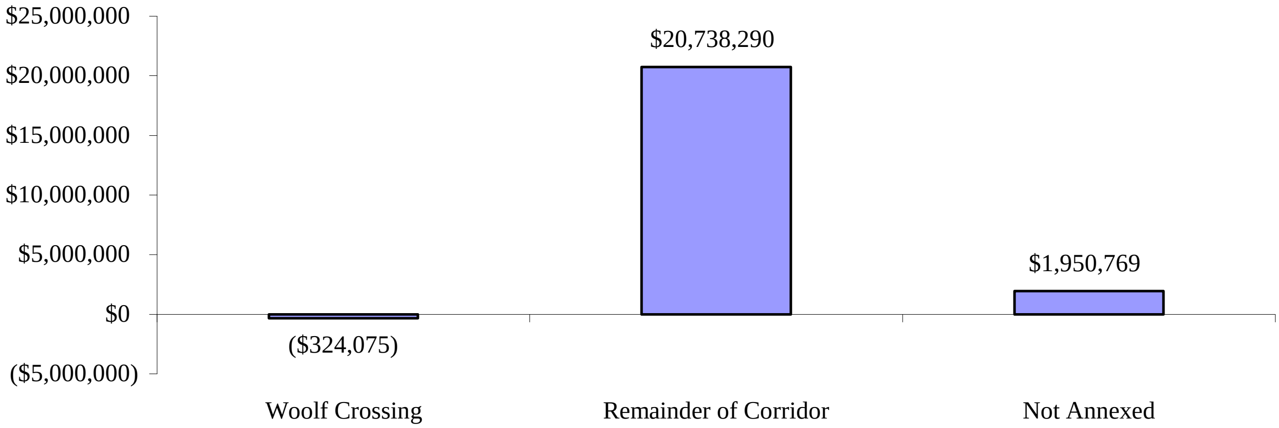
EXECUTIVE SUMMARY

This analysis demonstrates the potential socioeconomic and fiscal impacts of the Loop 303 Corridor annexation area on the City of Glendale. The annexation area is located west of the existing city limits and northwest of Luke Air Force Base. It is an irregularly shaped area extending from Camelback Road north to Peoria Avenue and west to Cotton Lane. The total area encompasses about 7,000 gross acres that are within both the MAG 208 Area and the potential annexation area for the City of Glendale. This study breaks the annexation area into two parts. Woolf Crossing, which includes 734 acres located west of the Loop 303 to Reems Road, between Northern Avenue and Olive Avenue. Woolf Crossing has already been annexed into the city but is part of the Loop 303 Corridor and will most likely be the first parcel to develop within this larger area. The second part is the remaining 6,250 acres. The entire area is currently vacant and is mostly used as agricultural land. Future land uses are primarily industrial uses with some office, commercial and low density residential development.

The following is a summary of the net fiscal impacts of this proposed annexation area on the City of Glendale. The fiscal impacts include the General Fund, Streets, Transportation Sales Tax and Police and Fire Special Revenue Funds. This study focuses on operations and maintenance revenues and expenditures. However, if annexed, this area may require other infrastructure improvements to bring it up to current city standards. The cost of these improvements is not included in the fiscal impacts.

The analysis includes build out impacts for both Woolf Crossing and the remainder of the corridor. The long term net impacts for Woolf Crossing, which is a mix of residential, retail and industrial uses, are negative at ($324,000) per year, while the impacts for and the remainder of the corridor, which is largely nonresidential, are positive at $20.7 million per year (Figure 1). The remainder of the corridor has a sufficient amount of sales tax generating uses to support the required level of expenditures while the tax generating capacity of the land use mix proposed for Woolf Crossing is outweighed by the residential service demands from this development. The analysis also quantifies the fiscal impacts of the parcels that would not be part of the proposed annexation to show the potential revenues that would be lost. Most of the area that would not be annexed is in the Luke compatible land use area and is modeled as heavy industrial, but there is one entertainment-mixed use parcel located outside of the Luke compatible area. The net fiscal impact of these parcels that are not part of the annexation area is estimated at $2.0 million per year at build out.

FIGURE 1
Annual Net Impacts
Loop 303 Corridor



Note: Includes General Fund, Streets, Transportation Sales Tax, Police and Fire Special Revenue Funds.

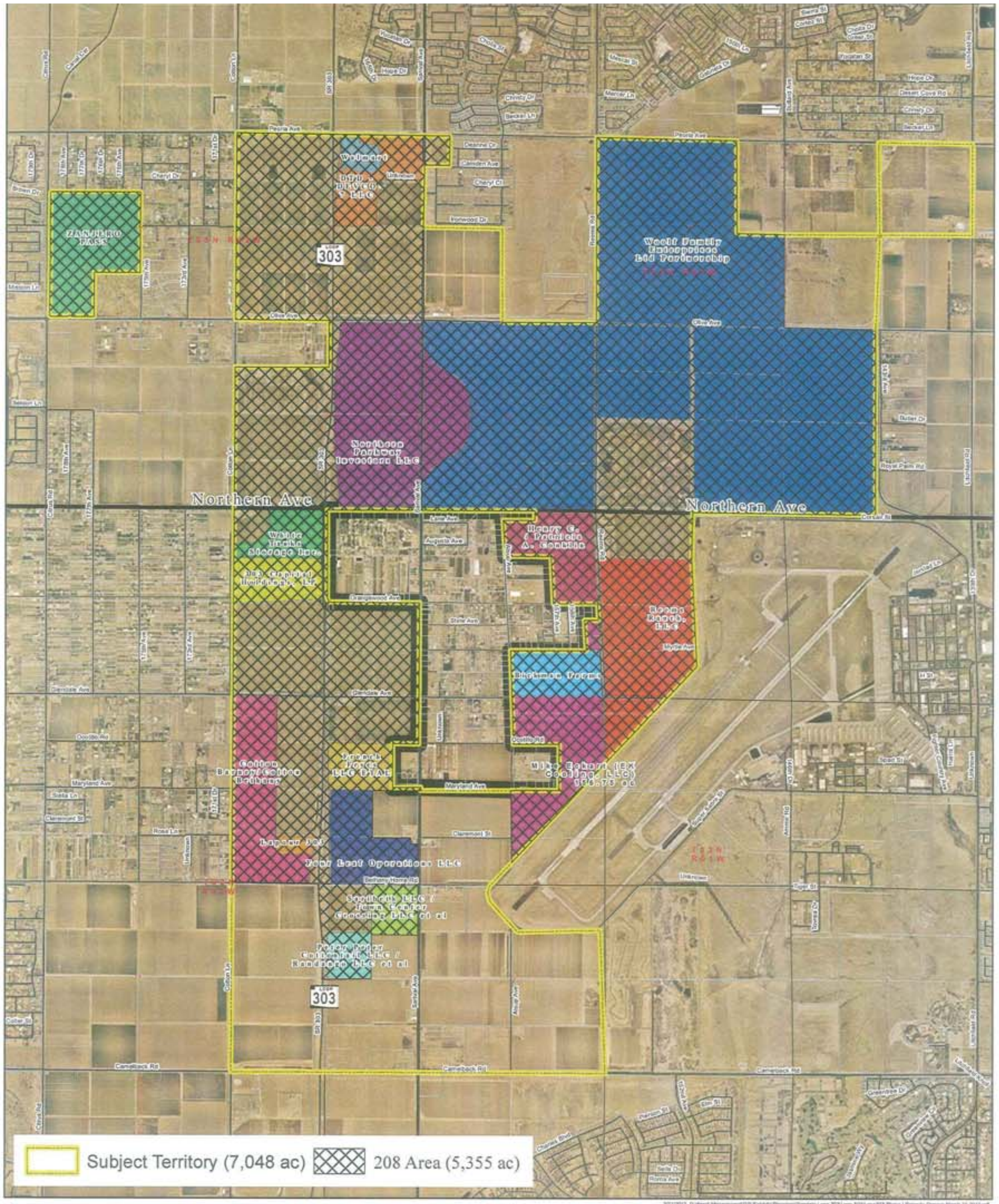
1.0 INTRODUCTION

This analysis demonstrates the potential socioeconomic and fiscal impacts of the Loop 303 Corridor annexation area on the City of Glendale, as well as the potential lost revenues from parcels that are opting out of the annexation. This 6,984 acre area, shown in Figure 2, is generally located north of Camelback Road extending to Peoria Avenue between Luke AFB and Cotton Lane. The property is currently undeveloped but is projected to include a mix of heavy industrial, warehouse, office and general commercial development with a small amount of residential, based on the approved general plan land use. The areas that would not be annexed include 996 acres with the following non-contiguous parcels: Allen Ranch, Cotton 303 LLC, French Fryes LLC, Hua Mei Land LLC, Saribeth LLC and Virgin Farms Partners. These parcels are all in the Luke Compatible land use area except for 144 acres zoned for entertainment-mixed use.

The impact analysis for the Loop 303 Corridor annexation includes build out conditions for Woolf Crossing (which has already been annexed), the remainder of the corridor and the area not annexed. The mix of nonresidential development that is projected for the Loop 303 Corridor could result in an estimated 56.5 million square feet of built space and total employment of about 91,000 by build out along with about 955 low density housing units and an estimated population of about 2,900.

The information and observations contained in this report are based on our present knowledge of the components of development, and of the current physical, socioeconomic and fiscal conditions of the affected areas. Projections made in this report are based on hypothetical assumptions and current public finance policies. However, even if the assumptions outlined in this report were to occur, there will usually be differences between the projections and the actual results because events and circumstances frequently do not occur as expected. This analysis is based on the best available information and is intended to aid the City of Glendale in making decisions relative to the proposed development. All dollar figures should be interpreted as order of magnitude estimates only.

FIGURE 2
STUDY AREA



303 Capital Holdings, LP, 69.089991
Bickman Farms (71 ac)
Cotton 303 LLC (107 ac)
Cotton Barney/Cotton Bethany, (~160 ac)
DTD - DEVCO 7 LLC (83 ac)
Four Leaf Operations LLC (109 ac)
French Fryes LLC ETAL (57 ac)
Glendale 303 Holdings LLC (151 ac)
Henry C. / Patricia A. Conklin (104 ac)
Hua Mei Land LLC (8 ac)
Lapour 303, (~12 ac)

Mike Eckart (EK Cooling, LLC) (308 ac)
Northern Parkway Investors LLC (361 ac)
Peter Peter Cottontail LLC / Randango LLC et al (39 ac)
Reems Ranch, LLC (249 ac)
Saribeth LLC / Town Center Crossing LLC et al (40 ac)
Virgin Farms Partners (144 ac)
Walmart (21 ac)
White Tanks Storage Inc. (32 ac)
Woolf Family Enterprises Ltd Partnership (1,818 ac)
ZANJERO PASS (168 ac)

*Parcel Size (in acres)

DISCLAIMER

GLOBAL WATER
GEOGRAPHIC INFORMATION SYSTEM MAP AND DATA

THESE MAP PRODUCTS AND ALL UNDERLYING DATA WERE DEVELOPED FOR USE BY GLOBAL WATER ("GLOBAL") FOR ITS INTERNAL PURPOSES ONLY, AND WERE NOT DESIGNED OR INTENDED FOR GENERAL USE BY MEMBERS OF THE PUBLIC. GLOBAL MAKES NO REPRESENTATION OR WARRANTY AS TO ITS ACCURACY, TIMELINESS, OR COMPLETENESS, AND IN PARTICULAR, ITS ACCURACY IN LABELING OR DISPLAYING DIMENSIONS, CONTOURS, PROPERTY BOUNDARIES, OR PLACEMENT OR LOCATION OF ANY MAP FEATURES THEREON. GLOBAL MAKES NO WARRANTY OF MERCHANTABILITY OR WARRANTY FOR FITNESS OR USE FOR A PARTICULAR PURPOSE, EXPRESS OR IMPLIED, WITH RESPECT TO THESE MAP PRODUCTS OR THE UNDERLYING DATA. ANY USERS OF THESE MAP PRODUCTS, MAP APPLICATIONS, OR DATA, ACCEPTS SAME AS IS, WITH ALL FAULTS, AND ASSUMES ALL RESPONSIBILITY FOR THE USE THEREOF, AND FURTHER COVENANTS AND AGREES TO HOLD GLOBAL HARMLESS FROM AND AGAINST ALL DAMAGE, LOSS, OR LIABILITY ARISING FROM ANY USE OF THIS MAP PRODUCT, IN CONSIDERATION OF GLOBAL HAVING MADE THIS INFORMATION AVAILABLE.

INDEPENDENT VERIFICATION OF ALL DATA CONTAINED HEREIN SHOULD BE OBTAINED BY ANY USER OF THESE MAP PRODUCTS, OR THE UNDERLYING DATA. GLOBAL DISCLAIMS, AND SHALL NOT BE HELD LIABLE FOR, ANY AND ALL DAMAGE, LOSS, OR LIABILITY, WHETHER DIRECT, INDIRECT, OR CONSEQUENTIAL, WHICH ARISES OR MAY ARISE FROM THESE MAP PRODUCTS OR THE USE THEREOF BY ANY PERSON OR ENTITY.

1.1 General Approach

The impact assessment includes revenues and expenditures associated with future development in the annexation area. It does not specifically include capital costs for new or replacement infrastructure, but does include relevant maintenance costs for items such as arterial and collector streets. The analysis includes the General Fund, Streets, Transportation Sales Tax and Police and Fire Special Revenue Funds.

The basic approach for the analysis is to determine the level and character of future development (measured in non-residential square footage, employment, housing units, population, road miles, etc.), and then to model the revenues and expenditures likely to be associated with that development. Current and historical budgets for the city were reviewed to identify revenue and expenditure line items that would be impacted by the annexation. Once identified, each line item was analyzed to identify a socioeconomic factor that could be used to predict a corresponding impact for the annexation area. For example, road miles are a good indicator of the cost of street maintenance. Therefore, by knowing the number of new road miles in the annexation area at any point in time, one could estimate the related costs in transportation and field operations departments. Many of the services provided by the city are utilized by both residents and businesses, thus population and employment are drivers for a number of revenue and expenditure items.

1.2 Report Organization

The balance of this report is divided into two sections. Section 2.0 details the methodology and assumptions used in calculating the development characteristics and the fiscal assumptions used to develop the model. Section 3.0 describes the results of the fiscal impact analysis for the annexation area.

2.0 METHODOLOGY

This chapter describes the methodology used in developing the fiscal impact model and development assumptions.

2.1 Development Characteristics

In order to analyze the fiscal impacts of annexation, it was necessary to characterize the areas in terms that could be compared with existing city. The annual impact of nonresidential development can be described in terms of employment, nonresidential square footage, assessed value, taxable sales and street miles, based on assumptions about the type of development that could be expected to occur in this area. The annual impact of residential development can be described in terms of housing units, population and assessed value. The assumptions used in this analysis are consistent with current development in the City of Glendale.

The following sections briefly describe the assumptions used to estimate each of the major characteristics of the annexation area.

Nonresidential development and employment. In total, the annexation area will include 6,334.3 acres of nonresidential development resulting in 56.5 million square feet of built space. Of that total, 454.3 acres and 3.7 million square feet are part of Woolf Crossing. Projected employment in the combined area is expected to reach 91,000 by build out based on the number of acres by land use, standard assumptions for floor-area ratios (the ratio of building area to land area), occupancy rates and per employee square footage requirements (Figure 3). The information below details the assumptions used in the model by land use. A summary of future acreage and square footage for the annexation area components is shown in Figure 4.

FIGURE 3
DEVELOPMENT ASSUMPTIONS

Land Use	Units Per Acre	HH Size	FAR	Sq Ft per Employee	Occupancy	Value per Sq Ft/Unit	Taxable Sales Per SF	Percent Retail	Annual Lease	Percent Leased
Residential										
Low Density Suburban	2.04	3.12	na	na	96%	$270,900	na	na	na	na
Rural Residential	0.77	3.12	na	na	96%	$309,150	na	na	na	na
Nonresidential										
Neighborhood Shopping Ctr	na	na	0.25	400	95%	$65	$225	100%	$13.00	100%
General Commercial	na	na	0.20	350	95%	$89	$225	80%	$15.00	75%
Heavy Commercial	na	na	0.10	700	95%	$71	$110	50%	$13.00	75%
Hotel/Motel	na	na	0.82	500	100%	$171	$0	100%	$48.60	65%
General Office	na	na	0.21	250	95%	$98	$0	0%	$20.00	75%
Light Industrial/Warehouse	na	na	0.20	1,000	90%	$65	$25	10%	$4.20	100%
Heavy Industrial	na	na	0.20	700	90%	$74	$0	0%	$7.20	75%
Business Park	na	na	0.25	500	90%	$94	$0	0%	$10.80	50%
Elementary School	na	na	0.15	1,200	100%	na	$0	0%	$0.00	0%
Vacant										
Agriculture	na	na	na	0	na	$5,000	na	0%	na	na

FIGURE 4
BUILD OUT LAND USE
LOOP 303 CORRIDOR ANNEXATION

	Woolf Crossing		Remainder of Corridor		Area Not Annexed	
	Gross Acres	Sq Ft/Units	Gross Acres	Sq Ft/Units	Gross Acres	Sq Ft/Units
Residential						
Low Density Suburban (1 to 2.5 units)	274.7	504	170	312	0.00	0
Rural Residential (0 to 1 units)	0	0	200	139	0.00	0
Nonresidential						
Neighborhood Shopping Center	22.22	217,778	0.00	0	0.00	0
General Commercial	0.00	0	500.00	3,920,400	0.00	0
Heavy Commercial	0.00	0	160.00	627,264	72.00	282,269
Hotel/Motel	0.00	0	184.00	5,915,100	28.80	925,842
General Office	0.00	0	344.00	2,832,097	28.80	237,106
Light Industrial/Warehouse	178.08	1,473,861	0.00	0	0.00	0
Heavy Industrial	237.30	1,963,162	4,360.00	36,085,104	212.00	1,754,597
Business Park	0.00	0	332.00	3,434,706	14.40	148,975
Elementary School	16.70	34,554	0.00	0	0.00	0
Vacant/Agriculture						
Agriculture	0.00	0	0.00	0	640.00	0
Park	5.20	0	0.00	0		
Total	734.20	3,689,355	6,250.00	52,814,670	996.00	3,348,789

- **Neighborhood Shopping Center** – 22.22 acres in Woolf Crossing with 217,800 square feet of built space based on a floor area ratio of 0.25; 95% long term occupancy rate; 400 square feet per employee and 520 employees; $65 assessed value per square foot; $225 sales per square foot; annual lease rate of $13.00 per square foot with 100% of the space leased.

- **General Commercial** – 500 acres in the remainder of the corridor with 3,920,000 square feet based on a floor area ratio of 0.20; 95% long term occupancy rate; 350 square feet per employee and 10,600 employees; $89 assessed value per square foot; $225 sales per square foot; annual lease rate of $15.00 per square foot and 75% of the space available for lease with the remainder owner-occupied.

- **Heavy Commercial** – 160 acres in the remainder of the corridor with 627,300 square feet based on a floor area ratio of 0.10; 95% long term occupancy rate; 700 square feet per employee and 850 employees; $71 assessed value per square foot; $110 sales per square foot; annual lease rate of $13.00 per square foot and 75% of the space available for lease with the remainder owner-occupied.

- **Hotel/Motel** – 184 acres in the remainder of the corridor with 5,915,000 square feet based on a floor area ratio of 0.82; 500 square feet per employee and 11,800 employees; $171 assessed value per square foot; $48.60 sales per square foot; 75% room occupancy rate.

- **General Office** – 344 acres with 2,832,097 square feet in the remainder of the corridor based on a floor area ratio of 0.21; 95% long term occupancy rate; 250 square feet per employee and 10,800 total employees; $98 assessed value per square foot; annual lease rate of $20.00 per square foot and 75% of the space available for lease with the remainder owner-occupied.

- **Light Industrial/Warehouse** – 178.08 acres in Woolf Crossing with 1,474,000 square feet based on a floor area ratio of 0.20; 90% long term occupancy rate; 1,000 square feet per employee and 1,330 total employees; $25 taxable sales per square foot; $65 assessed value per square foot; annual lease rate of $4.20 per square foot with 100% of the space available for lease.

- **Heavy Industrial** – 237.3 acres with 1,963,000 square feet in Woolf Crossing, and 4,360 acres with 36,085,000 square feet in the remainder of the corridor based on a floor area ratio of 0.20; 90% long term occupancy rate; 700 square feet per employee and 48,900 total employees; $74 assessed value per square foot; annual lease rate of $7.20 per square foot with 75% of the space available for lease and the remainder owner-occupied.

- **Business Park** – 332.0 acres with 3,435,000 square feet in the remainder of the corridor based on a floor area ratio of 0.25; 90% long term occupancy rate; 500 square feet per employee and 6,180 total employees; $94 assessed value per square foot; annual lease rate of $10.80 per square foot with 50% of the space available for lease and the remainder owner-occupied.

Residential Development and Population. In total, the residential portions of the Loop 303 Corridor include 275 acres of low density single family development in Woolf Crossing that could result in 504 new units and a population of 1,500, along with 370 acres of low density single family in the remainder of the corridor which would support 450 units and a population of about 1,350. An occupancy rate of 96 percent was assumed for all residential. The information below details the assumptions used in the model by residential density level.

- **Low Density Suburban (1 to 2.5 units)** – 444.7 total acres with 2.04 units per acre; 3.12 persons per unit with a total of 816 units; average home value of $270,900 per unit.

- **Rural Residential (0 to 1 units)** – 200 total acres with 0.77 units per acre; 3.12 persons per unit with a total of 139 units; average existing home value of $309,150 per unit.

Other Development. Woolf Crossing also includes plans for a 5.2 acre park and a 16.7 acre elementary school site to support the adjacent residential development.

2.2 Fiscal Assumptions

The fiscal model created to assess the impacts of the Loop 303 annexation area was based on current and historical budgets for the City of Glendale. Historical trends were analyzed for eight previous fiscal years. The model reflects a long term sales tax rate of 2.2 percent. Revenue and expenditure line items in the General Fund, Streets, Transportation Sales Tax, Police and Fire Special Revenue Funds were included since these funds will be most impacted by the annexation. The model does not include any construction costs for new infrastructure, but does include relevant maintenance costs for the new street miles that would be added as the property develops. Based on the mix of land uses and the miles of existing streets, the model assumes 5.55 total street miles in Woolf Crossing and 37.24 street miles in the remainder of the annexation area at build out.

Various drivers were tested for each of the revenue and expenditure items in the model. In this way, consistent rates were developed that could be applied to the socioeconomic data for the proposed annexation area. In many cases an average of rates over the past several years was used. It is important to note that current expenditures are below historic levels due to the recession and reduced revenues. In most cases, an average of current and previous years was used in the model to better reflect long term conditions. However, some revenue and expenditure items increased at rates that were less consistent over time, or experienced permanent increases or decreases due to operational or other changes. In these cases, rates from more current budget years were used to accurately reflect current conditions. The rates and basis for all revenue and expenditure line items are shown in Figure 5.

Many of the revenue and expenditure line items are driven by population, or by “service population”, which includes both population and employment. This is because many of the services provided by the City, as well as the various types of revenues that local governments depend on, are proportional to the number of people living and working there. In some cases, population may be weighted more heavily than employment since some services are used proportionally more by residents.

Major line items that are not driven by population or employment include property tax which is a function of assessed value; sales tax which is a function of taxable sales; and a variety of permits and service charges that are a function of construction costs. On the expenditure side, planning is a function of construction value and population, and engineering and building safety are a function of annual construction. Transportation is a function of street miles and population, and the HURF funded portion of Field Operations is a function of street miles. Police is a function of calls for service by type of land use and implied staffing at that call level based on police department standards in Glendale. Fire costs are based on call volumes for similar areas within the existing city and were provided by the fire department.

It is important to note that market conditions over the next 20 years could significantly affect the projected land use and hence property and sales tax revenues resulting from the annexation area. The assumptions used in this analysis are fairly conservative and thus differences between the assumptions and actual conditions are likely to result in higher assessed values rather than lower. Also, since the exact timing for build out of this property is not known, the fiscal results are presented in current dollars.

FIGURE 5
FISCAL IMPACT MODEL DRIVERS AND RATES
GENERAL FUND, STREETS, TRANSPORTATION SALES TAX AND POLICE AND FIRE SPECIAL REVENUE FUNDS

Revenue/Expenditure Item	Driver	Rate/Basis for Calculation
GENERAL FUND		
Taxes and Fees		
Property Tax	assessed value	0.002252 * ((16% * vacant land value) + (10% * residential value) + (20% * comm/ind value))
City Sales Tax	taxable sales per square foot, retail share	sales per square foot * square footage by type * retail share * 2.2%) + (lease rate * square footage by type * lease share * 2.2%) + (2.2% * 65% * construction value) + (7.2% * hotel/motel sales)
Utility Franchise Fees	service population	$7.794 * (population + employment)
Cable Franchise Fees	service population	$4.675 * (population + employment)
Intergovernmental		
State Income Tax	Census population (will be 0 except for res. projects)	$135.81 per capita, no impact until after Census
State Sales Tax	Census population (will be 0 except for res. projects)	$86.87 per capita, no impact until after Census
Auto Lieu	population	$39.11 * population
Highway User Fees	population	$56.42 * population
LTAF	population	$4.16 * population
Grants (Transportation)	population	$2.26 * population
Licenses and Permits		
Sales Tax Licenses	retail employment	$12.03 * retail employment
Liquor License Fees	retail employment	$3.64 * retail employment
Business License	employment	$0.774 * employment
Bus./Prof License	office employment	$5.42 * office employment
Building Permits	construction value (80%), service population (20%)	($0.0041 * construction value) + ($0.573 * (population + employment)
Traffic Engineering Plan	building permits	3.47% * building permit revenues
Right of Way Permits	building permits	29.04% * building permit revenues
Charges for Servcies		
Plan Check Fees	building permits	79.53% * building permit revenues
Engineering Plan Check	construction value	$0.0016 * construction value
Misc CD Fees	building permits	10.93% * building permit revenues
Planning/Zoning Fees	building permits	22.57% * building permit revenues
Library Fines/Fees	population	$1.24 * population
Staff & Admin Chargebacks	service population	$13.297 * (population *2 + employment)
Fire Department Fees	service population	$6.429 * (population *2 + employment)
Arena Fees	not modeled	
Recreation Fees	population	$7.312 * population
Rental Income	service population	$1.907 * (population + employment)
Fines and Forfeitures		
Court Revenues	service population	$4.037 * (population * 3 + employment)
Other Revenues		
Misc. Revenue	service population, % of HURFs	$1.714 * (population *2 + employment) + (0.21% * HURF revenues)
Transit Revenue	population	$0.534 * population
Investment Income	previous year ending balance	1.5% * previous year ending balance
Administrative Services		
Administration	other admin svcs	3.41% * other administrative services
Finance	tax revenues	3.55% * tax revenues
Information Technology	City FTEs @ 0.0036 per (population*2 + employment)	$1655.39 * City FTEs
Management & Budget	City FTEs @ 0.0036 per (population*2 + employment)	$353.49 * City FTEs
Human Resources	FTE growth	$1197.86 * City FTE growth
Lease Pmts/Other Fees	City FTEs @ 0.0036 per (population*2 + employment)	$1231.36 * City FTEs
Internal Services		
City Manager	svc population (pop*2)	$1.99 * (population*2 + employment)
City Auditor	Finance	10.89% * finance expenditures
Intergovernmental Programs	current levels inflated, only impacted for whole city	
Facilities and Financial Management		
Marketing & Communications	service population	$4.78 * (population*2 + employment)
Economic Development	new jobs created	$135.09 * job growth
Community Development		
CD Administration	other community development expenditures	3.46% * development services expenditures
Building Safety	const. value	$0.0063 * construction value
Planning	const. value (80%), svc pop (20%)	($0.0037 * construction value) + $0.9195 * (population + employment)

FIGURE 5
FISCAL IMPACT MODEL DRIVERS AND RATES
GENERAL FUND, STREETS, TRANSPORTATION SALES TAX AND POLICE AND FIRE SPECIAL REVENUE FUNDS

Revenue/Expenditure Item	Driver	Rate/Basis for Calculation
Mayor/Council		
Mayor & Council	population growth	$21.60 * population growth
City Clerk	service population	$1.138 * (population*2 + employment)
City Court	service population	$4.84 * (population*3 + employment)
City Attorney	population	$12.12 * population
Public Safety		
Police and Support Services	calls for service based on land use, 1 officer per 965 calls	$148,259 * police staff
Fire	calls for service for comparable area	information provided by fire department
Homeland Security	population	$3.86 * population
Community Services		
Community Services Administration	other community services expenditures	1.12% * community services expenditures
Code Compliance	service population	$4.45 * (population + employment)
Parks & Recreation	population	$25.29 * population
Park Maintenance	park acres	$2293.05 * park acres
Community Partnerships	population	$3.97 * population
Library & Arts	population	$32.51 * population
Public Works		
Public Works Administration	other public works expenditures	0.59% * public works expenditures
Field Operations	street miles, City FTEs	($73,312 * street centerline miles) + ($3459.63 * City FTEs)
HazMat Incidence Response	service population	$0.0553 * (population*2 + employment)
Engineering	const. value (70%), svc pop (30%)	($0.0049 * construction value) + $2.86 * (population*2 + employment)
Transportation	street miles (80%), service population (20%)	($155,788 * street centerline miles) + $5.39 * (population*2 + employment)
Non-Departmental	City FTEs @ 0.0036 per (population*2 + employment)	$491.58 * City FTEs
Transfer to Airport	GF revenues	0.003% * general fund revenues
Transfer to Civic Center Fund	GF revenues	0.29% * general fund revenues
Transfer to Housing	GF revenues	0.29% * general fund revenues
Transfer to Transportation	GF revenues	0.43% * general fund revenues

Note: service population = population + employment.

3.0 *IMPACT RESULTS*

3.1 Impact Results-Woolf Crossing

At build out, Woolf Crossing would result in a small negative net fiscal impact to the City of ($324,000) per year with expenditures exceeding revenues by about 15 percent. Although the property would generate some sales taxes from the neighborhood retail and a moderate amount of property taxes, these are not sufficient to meet the expenditure requirements for the development, particularly the residential component which in isolation creates a negative net impact.

- In terms of sales tax, the 217,800 square feet of neighborhood retail space could generate taxable sales of $50 million per year. There could be an additional $19 million in taxable leases from the retail and industrial space, as well as a small amount of taxable sales from the light industrial space resulting in a total of about $1.5 million per year in sales tax revenues (Figure 6).

- With the addition of a total of 3.7 million square feet of retail and industrial space combined, the increase in assessed value is estimated at $234.3 million. The residential component adds $132.3 million in assessed value, resulting in a total of about $151,000 per year in property tax revenues to the General Fund. Detailed impact results are shown in Appendix A. There would be interim construction sales tax and other construction-related fee revenues that are not included here since they are non-recurring. This analysis is intended to reflect long term annual impacts.

- The largest on-going general fund expenditures for this area would be street maintenance (shown in the transportation and field operations line items from the streets and transportation sales tax funds), police and fire. Annual police and fire costs are estimated at $517,000 to serve Woolf Crossing.

- Woolf Crossing would also include 5.55 miles of additional streets, resulting in about $1.3 million in annual maintenance expenditures in the streets and transportation sales tax funds, as shown in the impact results. This is based on an estimated average maintenance cost of $229,100 per mile provided by the city transportation department.

FIGURE 6
SOCIOECONOMIC IMPACTS
LOOP 303 CORRIDOR

	Woolf Crossing	Remainder of Corridor	Area Not Annexed
Housing Units	504	451	0
Population	1,509	1,351	-
Employment	4,383	86,662	5,660
Emp./Pop Ratio	NA	85.10	NA
Total Noresidential Square Feet	3,654,801	52,814,670	3,348,788
Retail Square Feet	217,778	4,547,664	282,269
Police Staff	1.3	26.4	1.9
Officers	1.3	18.4	1.89
Additional Staff	0	8.0	0
Taxable Sales (millions)	$70.40	$1,215.86	$60.93
Taxable Hotel/Motel Sales (millions)	$0.00	$194.40	$30.43
Assessed Value (millions)	$366.55	$4,415.78	$368.69
City Maintained Road Miles	5.55	37.24	2.00

Sources: Applied Economics, 2012.

3.2 Impact Results-Remainder of Corridor

At build out, the remainder of the corridor could generate a positive net fiscal impact to the City of $20.7 million per year, with revenues exceeding expenditures by about 48 percent. The property is predominantly industrial but also includes a sizeable amount of commercial and hotel space that would generate a significant amount of both sales and property tax. Although the area includes some residential development, it is a relatively small component compared to the amount of nonresidential development.

- In terms of sales tax, the 4.5 million square feet of general commercial and heavy commercial space could generate taxable sales of $779.6 million per year. The hotel/motel space could generate an additional $194.4 million in taxable sales per year. The hotel/motel sales would generate bed tax at a rate of 5 percent (in addition to regular 2.2 percent sales tax). In addition, lease revenues from retail as well as office, heavy industrial and business park space add another $241.8 million per year in taxable sales resulting in annual sales and bed tax revenues to the City of $36.5 million. Sales taxes make up 84 percent of total revenues generated by this annexation area.

- With the addition of 52.8 million square feet of nonresidential space plus 450 housing units, assessed value is estimated at $4.4 billion, resulting in about $2.3 million per year in property tax revenues to the General Fund. Other significant revenue sources include utility and cable franchise fees, sales tax licenses and other business licenses, and administrative chargebacks. There would be interim construction sales tax and other construction-related fee revenues that are not included here since they are non-recurring.

- The largest on-going general fund expenditures for this area would be police, fire and street maintenance (shown in the transportation and field operations line items from the streets and transportation sales tax funds). These items make up 70 percent of total expenditures. Annual police and fire service costs for this annexation area are estimated at $7.2 million at build out based on average costs in the existing city. There would be additional one-time costs for public safety for stations, vehicles and equipment not shown here that would be paid for through impact fees and other funds. The 37.24 miles of new streets that are projected to be added to this area would result in $8.5 million in annual maintenance costs based on a rate of $229,100 per mile.

3.3 Impact Results-Area Not Annexed

Currently there are six properties comprising 996 acres that are opting out of the proposed annexation. Most of these properties are within the Luke AFB noise contours and are designated as Luke Compatible Land Use (shown here as heavy industrial). Properties outside the Luke Compatible area include Virgin Partners Farms with 144 acres designated as entertainment/mixed use, and 640 acres held by Allen Ranch which will likely remain as agriculture given its proximity to the end of the runway. All total, the 996 acres not included in the annexation could result in 3.3 million square feet of nonresidential space, of which 1.9 million would be heavy industrial or business park space. The area could generate about $60.9 million in taxable sales, including $30.4 million in hotel/motel sales. It could also generate an estimated $319.5 million in additional assessed value, based on the proposed uses.

The annual net impacts for these combined properties are estimated at $2.0 million per year with revenues exceeding expenditures by 58 percent. Primary revenues include $2.9 million in annual sales and bed taxes and $165,000 in property taxes. The expenditures for this area are relatively minimal. Police and fire costs are estimated at about $485,000 per year, contingent on the assumed mix of land uses. Street maintenance costs for the additional 2 miles of streets projected for this area are estimated at $458,000.

3.2 Summary

Over the long term, the Loop 303 Corridor Annexation would generate a sizeable positive net fiscal impact on the City of Glendale given that projected development includes predominantly nonresidential land uses and includes a sizeable amount of retail/commercial space. The cost of city services is generally less for nonresidential development than for residential development, and the ratio of sales tax generating uses to other types of uses is often the key factor in determining the fiscal impacts. The amount of property and sales tax revenues generated by the future development in the proposed annexation area are more than enough to cover the cost of services for the two areas combined, although Woolf Crossing alone does not generate a positive impact. Should future development plans or market conditions change significantly, the projected impact results could be quite different, but based on the assumptions used here this area overall is fiscally sustainable, and would be a positive addition to the city in terms of net fiscal impacts.

APPENDIX A

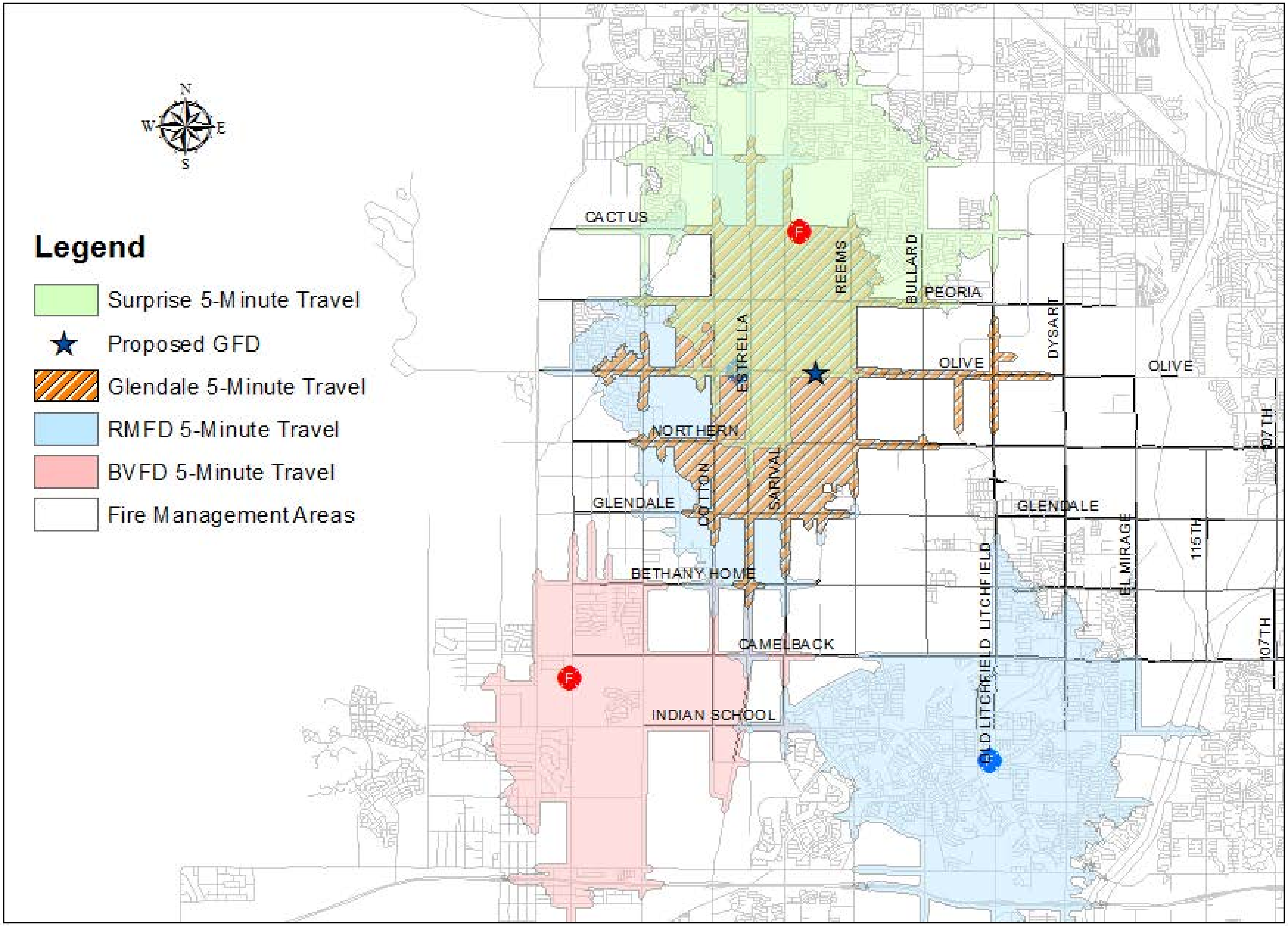
APPENDIX A
CITY OF GLENDALE ANNUAL NET IMPACT
GENERAL, STREETS, TRANSPORTATION SALES TAX, POLICE AND FIRE SPECIAL REVENUE FUNDS
LOOP 303 CORRIDOR

Revenues/Expenditures	Woolf Crossing	Remainder of Corridor	Area Not Annexed
REVENUES	**$2,175,673**	**$43,460,457**	**$3,341,758**
Taxes and Fees			
Property Tax	$151,142	$2,251,028	$165,128
Sales Tax (2.2%)	$1,548,839	$36,468,985	$2,861,881
Utility Franchise Fees	$47,781	$713,685	$45,895
Cable Franchise Fees	$28,661	$428,100	$27,530
Intergovernmental			
State Income Tax	$0	$0	$0
State Sales Tax	$0	$0	$0
Auto Lieu Tax	$61,414	$54,973	$0
Highway Users Revenue	$88,577	$79,287	$0
LTAF (Lottery)	$6,533	$5,848	$0
Grants (Transportation)	$3,555	$3,183	$0
Licenses and Permits			
Sales Tax Licenses	$6,474	$291,911	$27,971
Liquor License Fees	$1,959	$88,316	$8,462
Business License	$3,531	$69,810	$4,559
Bus./Prof License	$0	$60,726	$5,084
Building Permits	$3,514	$52,485	$3,375
Traffic Engineering Plan	$122	$1,823	$117
Right of Way Permits	$1,020	$15,241	$980
Charges for Servcies			
Plan Check Fees	$2,795	$41,742	$2,684
Engineering Plan Check	$0	$0	$0
Misc CD Fees	$384	$5,734	$369
Planning/Zoning Fees	$793	$11,844	$762
Library Fines/Fees	$1,947	$1,743	$0
Staff & Admin Chargebacks	$102,393	$1,236,272	$78,299
Fire Department Fees	$39,414	$588,710	$37,858
Recreation Fees	$11,479	$10,275	$0
Rental Income	$11,691	$174,617	$11,229
Fines and Forfeitures			
Court Revenues	$37,425	$381,010	$23,772
Other Revenues			
Misc. Revenue	$13,390	$159,566	$10,095
Transit Revenue	$838	$750	$0
Investment Income	$0	$262,792	$25,706
EXPENDITURES	**$2,499,748**	**$22,722,166**	**$1,390,989**
Administrative Services			
Administration	$6,295	$98,312	$6,924
Finance	$63,095	$1,415,817	$110,122
Information Technology	$45,308	$547,035	$34,646
Management & Budget	$9,675	$116,814	$7,398
Human Resources	$32,785	$395,841	$25,071
Lease Pmts/Other Fees	$33,702	$406,911	$25,772
Internal Services			
City Manager	$15,327	$185,051	$11,720
City Auditor	$6,868	$154,114	$11,987
Intergovernmental Programs	$0	$0	$0
Facilities and Financial Management			
Marketing & Communications	$36,795	$444,250	$28,136
Economic Development	$0	$0	$0
Community Development			
CD Administration	$195	$2,916	$188
Building Safety	$0	$0	$0
Planning	$5,637	$84,196	$5,414
Mayor/Council			
Mayor & Council	$33,915	$30,358	$0
City Clerk	$8,726	$105,361	$6,673

APPENDIX A
CITY OF GLENDALE ANNUAL NET IMPACT
GENERAL, STREETS, TRANSPORTATION SALES TAX, POLICE AND FIRE SPECIAL REVENUE FUNDS
LOOP 303 CORRIDOR

Revenues/Expenditures	Woolf Crossing	Remainder of Corridor	Area Not Annexed
City Court	$44,875	$456,858	$28,504
City Attorney	$19,024	$17,028	$0
Public Safety			
Police	$194,173	$3,910,019	$279,920
Fire	$322,364	$3,281,874	$204,762
Homeland Security	$6,056	$5,421	$0
Community Services			
Community Services Administration	$1,528	$5,521	$293
Code Compliance	$27,250	$407,025	$26,175
Parks & Recreation	$39,708	$35,544	$0
Park Maintenance	$12,406	$0	$0
Community Partnerships	$6,234	$5,580	$0
Library & Arts	$51,045	$45,691	$0
Public Works			
Public Works Administration	$8,784	$64,157	$3,557
Field Operations	$518,009	$3,983,698	$224,956
HazMat Incidence Response	$426	$5,144	$326
Engineering	$17,519	$261,670	$16,827
Transportation	$941,096	$6,537,496	$355,930
Non-Departmental	$13,454	$162,446	$10,288
Transfers			
Transfer to Airport	($569)	($11,359)	($873)
Transfer to Civic Center Fund	($6,216)	($124,168)	($9,547)
Transfer to Housing	($6,340)	($126,641)	($9,738)
Transfer to Transportation	($9,402)	($187,816)	($14,442)
OVERALL NET OPERATING IMPACT	**($324,075)**	**$20,738,290**	**$1,950,769**
as percent of revenue	**-15%**	**48%**	**58%**

5-Minute Travel Coverage



CITY COUNCIL REPORT

Meeting Date: **10/2/2012**
Meeting Type: **Workshop**
Title: **ARENA MANAGEMENT AGREEMENT MODIFICATION PROPOSAL**
Staff Contact: **Horatio Skeete, Acting City Manager**

Purpose and Policy Guidance

Staff is seeking guidance from City Council on proposed modifications to the Arena Management Agreement with Arizona Hockey Arena Partners LLC and Arizona Hockey Partners for the use of the city-owned Jobing.com Arena by the Phoenix Coyotes.

Background Summary

A summary of the main points from the Arena Management Agreement approved on June 8, 2012, is as follows:

- The NHL team stays in Glendale for 20 years, the same amount of time remaining on the original bonds for the arena.
- The city receives 15% of the naming rights revenue for the arena.
- The city does not issue any new debt to support this agreement directly.
- The city pays an average arena management fee of $15 million per year which was net present valued at $203.7 million using a 6.5% discount rate.
- Analysis conducted by independent outside experts concludes that, in their opinion, the deal:
  - Meets the constitutional test against gifting by the city.
  - The financial position for the city with the team in place will be better than managing the arena without the team.
  - This conclusion was arrived at without the inclusion of any revenue from the Westgate development, which is expected to at least double over the life of the team's stay.

In August 2012, Council directed the Acting City Manager to renegotiate the payment terms of the approved agreement with a stated objective of reducing the payments made in the early years of the agreement to better meet the city's cash flow needs.

During today's workshop, the Acting City Manager will present the final agreed upon restructuring terms.

CITY COUNCIL REPORT

Attachments

None

CITY COUNCIL REPORT

Meeting Date: **10/2/2012**
Meeting Type: **Workshop**
Title: **BUDGET DISCUSSION**
Staff Contact: **Horatio Skeete, Acting City Manager**

Purpose and Policy Guidance

The purpose of this presentation is to provide City Council with an opportunity to continue a discussion about budget issues and to provide direction in light of the citizens sales tax initiative that will be on the November 2012 General Election ballot.

Background Summary

The city is currently operating under the FY 2012-13 balanced budget as approved by Council in June 2012. The current budget includes the sales and use tax rate increased to 2.9% across most categories, and a 2.2% tax rate for single item retail and use tax purchases exceeding $5,000. The sales tax rate increase went into effect August 1, 2012, and will expire in August of 2017. The annual revenue anticipated to be generated by this increase is approximately $25 million.

Since that time, Proposition 457 (citizens' sales tax initiative) has been placed on the ballot for the November 6, 2012 General Election. The outcome of the election has the potential to have a significant impact on the city's current and ongoing operating budgets and delivery of services. As such, the City Manager has directed all departments to develop budget cuts and service reductions for review by Council.

Today's presentation will focus on follow up items from the September 25, 2012, workshop regarding

- Reduction proposals for early implementation
- Potential modifications to the following operations that currently have a revenue recovery component:
  - Downtown festivals,
  - Glendale adult center,
  - Rose Lane Aquatic Center,
  - Foothills Recreation and Aquatic Center,
  - Fire inspection fee program,
  - HALO (Helicopter Air Medical and Logistics Operation) ,
  - Southwest Ambulance contract,
  - Public safety services for the arena, stadium and baseball facilities and
  - Vehicle repair and maintenance services.

- Update on city-owned properties for potential sale, or cost recovery:
    - Sine Hardware building
    - IT building
    - St. Vincent de Paul building
    - Bank of America building
    - Civic Center
    - Media Center/Expo Hall
    - Glendale Adult Center
    - Glen Lakes Golf Course
    - Desert Mirage Golf Course
    - Lazy J Mobile Home Park
- Update to long-term outlook

Previous Related Council Action

On September 11, 2012, Council held a special workshop meeting to discuss the FY2012-13 budget. Acting City Manager Horatio Skeete presented a long term view with three possible 5-year funding scenarios. These scenarios all indicate that some level of reduction will have to be made to the base operating budget in the coming years in order for the city to maintain a balanced budget. He also informed Council that additional Workshop meetings would be scheduled to discuss the budget reductions that will be needed.

On September 25, 2012, Council held a special workshop meeting to discuss proposed reductions to the FY2012-13 budget.

Community Benefit/Public Involvement

Glendale's budget is an important financial, planning and public communication tool. It gives residents and businesses a clear and concise view of the city's direction for public services, ongoing 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.

Additional workshops will be held as needed to receive Council input regarding proposed changes to the FY2012-13 budget.

Attachments

Other

GLENDALE AZ

Finance Department
Memorandum

DATE: October 2, 2012

TO: Mayor and Council

FROM: Diane Goke, Chief Financial Officer

THROUGH: Horatio Skeete, Acting City Manager

SUBJECT: Finance Department-Collections Division

In an attempt to look at best business practices, as well as in light of the economic downturn, it is recommended that the internal collection services be fully outsourced to a third party collection agency. The first step in this process was taken on September 25, 2012, at which time the City Council approved a contract with Progressive Financial Service, Inc. to perform collection services for the delinquent utility (water, sewer, and sanitation) accounts, miscellaneous accounts receivables, and transaction privilege and use tax accounts.

Currently three Collections Representatives provide the initial collection effort for outstanding City accounts through phone calls, letters, and placing liens, when applicable. This initial collection effort can also be provided by the third party collection agency by sending accounts to them immediately once an account goes to a delinquent status. Progressive Financial Services, Inc. has over 250 staff members on their team to provide collections efforts. In addition to collections efforts which include making phone calls, mailing letters, and placing liens, the third party collection agency also has the ability to affect an account holder's credit for the outstanding debt.

Progressive Financial Services, Inc. will retain 15% of the debt they collect as their fee; therefore, in order for the city to recover 100% of what is owed to us, staff will be bringing forward a collection referral fee to Council for review and approval in December.

Parks, Recreation & Library Services

Memorandum

DATE: September 27, 2012

TO: Horatio Skeete, Interim City Manager

FROM: Erik Strunk, Executive Director, Parks, Recreation and Library Services

SUBJECT: Follow-up to September 25 Workshop

The purpose of this memo is to provide you with follow-up information for the Parks, Recreation and Library Services Departments as requested by the City Council at September 25 budget workshop. The requested information and analyses are provided below:

Q: What would the impact be if the Foothills Recreation and Aquatics Center changing to a 100% cost recovery model? Define cost recovery - what expenses are included/excluded in your calculation of "cost recovery"?

A: Cost recovery in this case is defined as the direct and indirect budgeted costs to operate the Foothills Recreation and Aquatics Center that include expenses such as staffing, telephone, computer, office and maintenance supplies, utility expense and building repair costs.

The Foothills Recreation and Aquatics Center has been operating at approximately a 78% cost recovery for the past several years. In the past 5 months the center has been operating at100% cost recovery. The FY13 budget for the center is $1,348,451. The estimated revenue for FY2013 is $1,101,038. The difference between the budget and the estimated revenues is $247,413. Management believes that implementing the following changes will ensure 100% cost recovery.

- Deposit net Special Interest Class (SIC) Revenue into FRAC **$25,000**
  Action: Re-direct FRAC SIC revenues and expenditures into the FRAC budget for facility cost recovery.
  Impact: No effect on participants or program in general. SIC Division would work with existing FRAC staff for facility cost recovery efficiencies.

- Increase Rental Income **$24,587**
  Action: Continue to expand visibility of FRAC rental opportunities to the public through pass holder education, promotional materials, and incentivize repeat rental business. Demand for quality rental space is high and FRAC staff has been trained on maximizing rental income opportunities.
  Impact: None

- Re-Purpose the Activity Room **$25,000**
  Action: Convert the FRAC activity room into a multi-purpose room with greater revenue potential. Expanded fitness classes present a great opportunity to increase facility revenue. Since becoming a Silver Sneaker facility, senior fitness has expanded tremendously and allows eligible seniors the opportunity to participate in a number of health, wellness, & fitness programs with no out of pocket expense. The room could still host various activities such as ping pong on a reduced basis.
  Impact: The room would no longer be dedicated to the current activities (billiards, table tennis, video games, etc.)

- Expand Corporate Passes & Sponsorships **$25,000**
  Action: Re-Tool our corporate/group pass structure to expand pass opportunities for COG businesses and package some sponsorship opportunities in exchange for advertising space.
  Impact: None

Total Estimated Additional Revenues $99,587

The remaining **$147,826** will be made up on the expense side.

- Removal of vacant Office Support Supervisor position. Current position has been vacant since April, 2012 and associated duties have been handled collectively by lead contracted temp staff and remaining FTE's.
- Reduce facility hours by 7 hours per week. Closing 1 hour early each day will have minimal impact on current users per our pass scan data that tracks pass holder visits. No adverse revenue impact is foreseen.
- Decreased expenditures on amenities such as the hand towels and blow dryers that are in the restrooms
- Reduce professional landscaping to 1x per year
- Deferred maintenance where possible (work with facilities to extend time between preventative maintenances, etc.)
- Decreased office supply spending (continue with essential business supply purchases only)
- Extend life of fitness supplies (i.e. - purchase basketballs, every two years instead of every year)

Q: What would the impact be if the Adult Center changed its fees to reflect 100% cost recovery? Define cost recovery - what expenses are included/excluded in your calculation of "cost recovery"?

A: Cost recovery in this case is defined as the direct budgeted costs to operate the Adult Center that include expenses such as staffing, telephone, computer, office and maintenance supplies, etc.. In this case cost recovery does not include the costs other departments incur to provide services to the staff and/or facility such as the electricity and building repair costs provided by the Public Works Department.

Based on the FY13 operating budget (the General Fund and self-sustaining funds), the total budget to operate the Adult Center with internal premium expenses such as insurance is

$487,526. For FY13, the center was directed by Council to achieve a 50% cost recovery which equals $243,763.

In order to accomplish 100% cost recovery, there will be a budget reduction of $81,255 as identified in the reduction packet. The center will also have to increase annual facility use fees and other miscellaneous fees such as room rental rate and special interest classes. Given this, the fee chart would look approximately as follows and assumes retaining 100% of the current membership (however, it is likely that membership will drop due to increased fees).

Category	Current	**Proposed**	Patrons	Revenue Estimates
Facility Use Fee - Residents	$40	**$110**	1941	$213,510
Facility Use Fee - Non Residents	$60	**$159**	771	$122,589
Miscellaneous Fees	Varies	**Varies**	Varies	$70,453
			Sub-Total:	**$406,552**

Should these new fees be implemented, the fee structure would not be competitive in the market with other facilities that have the same amenities. There is a high likelihood that membership will drastically decline and the Center will not meet its 100% cost recovery target.

Q: What would the impact be if the Rose Lane Aquatics Program changed its fees to reflect 100% cost recovery? Define cost recovery - what expenses are included/excluded in your calculation of "cost recovery"?

A: For the purpose this question, "Cost Recovery" is defined as the direct costs to keep the Aquatics Program operating such as staffing, telephone, computer, office and maintenance supplies, etc.. This does not include "indirect" expenses like those incurred by other departments such as Human Resources, Financial Services, and Public Works.

The Rose Lane Aquatics Center is a single purpose seasonal facility and revenue enhancements are limited to increases in gate fees and lessons. For FY2013, the total cost for the Rose Lane aquatics facility is estimated to be $252,839. The amount of revenue generated during the most recent swim season was $103,932, under the fee schedule adopted July 2012. 657 participants attended group swim lessons, 31 participants received private swim lessons and 29,774 participants used the pool for recreational swim.

In order for the Rose Lane Aquatics Center to achieve 100% cost recovery revenues, gate fees would have to increase by approximately $148,907 or 150%. Based on this analysis, the cost would have to increase by $5.00 per person, per category, to achieve 100% cost recovery.

For comparative purposes, the revised gate fees would be as follows:

Resident	Current	Increase		Non-Resident	Current	Increase
Ages 2 & under	Free	**$5.00**		Ages 2 & under	Free	**$5.00**
Ages 3-17	$2.50	**$7.50**		Ages 3-17	$3.50	**$8.50**
Ages 18+	$5.00	**$10.00**		Ages 18+	$6.00	**$11.00**
Senior (55+)	$3.00	**$8.00**		Senior (55+)	$5.00	**$10.00**

Should the gate fees at the Rose Lane Aquatics Center be increased, it is recommended that the gate fees also be increased at the Foothills Recreation and Aquatics Center to ensure a uniform pricing model for all city operated aquatics facilities.

If you have any additional questions, please feel free to contact me. Thanks.

MEMORANDUM

To: **Mayor and Council**
From: **Stuart Kent, Public Works Executive Director**
Through: **Horatio Skeete, Acting City Manager**

Item Title: **OUTSOURCING OF FLEET MAINTENANCE**

During the September 25, 2012 Council Workshop, council requested that staff evaluate the fleet maintenance activities, specifically the cost of oil changes for the Police Department and determine if the activity should be outsourced.

Background

The Equipment Management Division of the Public Work Department is responsible for buying and maintaining vehicles for all of the city's operations. There are currently 1,270 pieces of equipment in the city's fleet. The fleet is diverse and includes specialty items such as the Fire pumpers, sanitation trucks, motorcycles, and more common passenger vehicles.

Several business practice changes have been incorporated into fleet services in order to improve efficiency and lower costs. In 2005, the city contracted with NAPA Autoparts to provide automotive parts and to manage the parts inventory. The primary objectives of this change were to reduce the time a vehicle was inoperable while it was waiting for parts, ensure the proper amount of inventory was at hand, and to improve mechanic efficiency. At that same time, it was determined that an in-house body shop could not be competitive due to the need for a paint spray booth as well as the infrequency of this service. As a result, auto-body services such as dents, collision repairs, were contracted out and the city ceased to operate a paint booth for automotive services. Other services such as towing, glass repairs, or other specialty work have been contracted out for over 20 years.

In 2008, it was determined that E-85, an unleaded fuel blend with up to 15% ethanol, was consistently a lower cost than standard unleaded fuel. At that time, fuel tanks at one of our three fuel islands were converted to E-85 to pass this savings along to those vehicles which could use that fuel. Fleetwide, approximately 24% of vehicles are capable of using E-85 fuel.

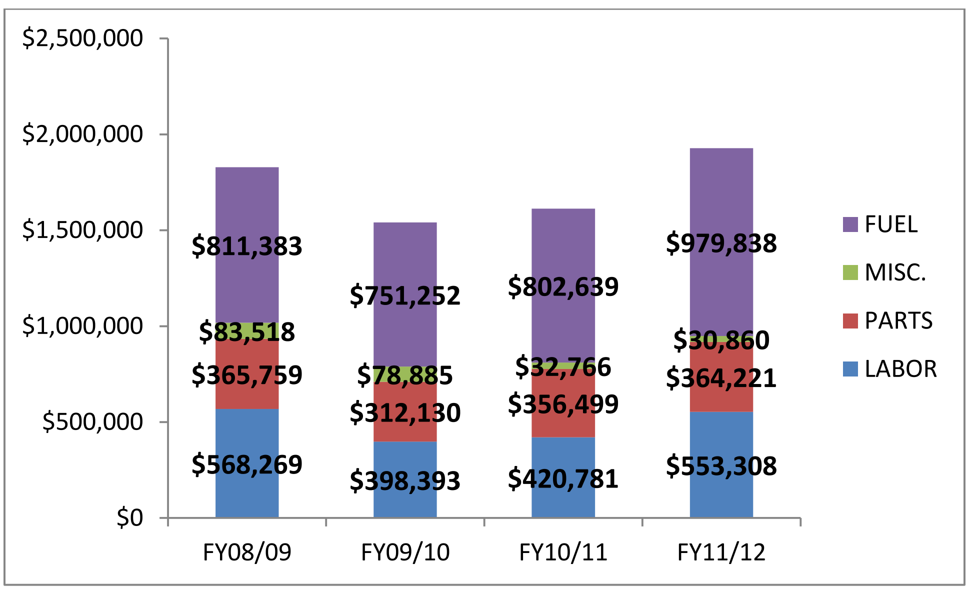
In 2010, a flat-rate was developed for oil changes for passenger vehicles where the department is charged $15 for labor plus the cost of parts (the oil and the filter). This has resulted in a standard oil change costing an average of $37.93. This was done at the request of using departments to better predict their costs of vehicle operation. At that same time, a flat rate of $27.75 was instituted for emissions testing of vehicles. This charge is the same as State Emission Testing Station charges, and was instituted as a convenience for the using departments.

The overall fleet budget consists of four major components: fuel, labor, parts and miscellaneous services. Over the past two years fuel accounts for approximately 45% of the overall city's fleet costs while parts and labor consist are approximately 25% each. Miscellaneous services account for the remaining 5% and include items like body work, windshields, towing, as well as insurance reimbursements for accidents. Fuel, parts and miscellaneous services are competitively bid services.

Public Safety Fleet Services

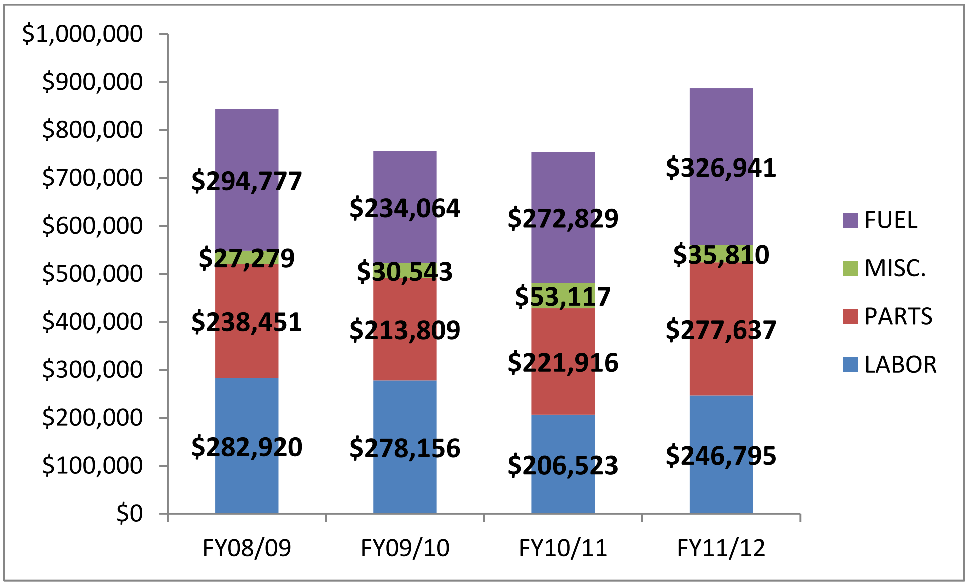
The Police Department fleet consists of 422 pieces of equipment including vehicles, generators, trailers and miscellaneous equipment. There are 370 vehicles, including 22 motorcycles, 18 vans, 152 patrol vehicles and 135 detective and/or administrative vehicles within their fleet. The majority of the police department's fleet budget, approximately 50%, is spent on fuel, and is directly related to the number of miles driven per year, and the cost of fuel. The number of miles driven has been relatively consistent, however the average cost of gasoline has risen by almost $0.80 per gallon from FY2009/2010 to current. Labor costs were higher is FY11/12 than in the prior year due to a higher number of patrol vehicles purchased and processed for service.

Police Fleet Costs



The Fire Department fleet consists of 135 pieces of equipment, of which 40 are emergency response vehicles. The remainder, similar to the police department, includes trailers, support and administrative vehicles, generators, and other small equipment.

Fire Fleet Costs



Oil Changes

As mentioned earlier, a standard oil change on a non-emergency response passenger vehicle costs an average of $37.93. Due to the high performance nature of the patrol vehicles, a different service is provided. At each preventative maintenance interval (typically 5,000 miles or every three months), in addition to an oil change, a thorough safety inspection is completed including removing the tires to inspect the brakes, suspension, battery, lights, tire rotation and other safety related inspections. The interval of this inspection, as well as the maintenance completed, has been developed in conjunction with the manufacturer's specifications and the Police Department to ensure the safety of their officers. We have cooperatively determined that this level of maintenance is appropriate. The average cost for this service is $145, although there have been some as high as $317 depending on the number of parts replaced. The service for $317 included changing the battery, and the cost of the battery was $133. The cost for this service, effective October 1, 2012, is being moved to a flat labor rate to better help the Police Department predict their fleet costs. The cost for this service will be approximately $130, depending on the actual cost of oil and filter, and includes 1.5 hours of labor for the mechanic to complete the work.

Outsourcing of the Fleet Operations

The Equipment Management Division is committed to providing a high quality service to its customers at a competitive price, and is continually evaluating efficiencies. The labor rates charged are currently $69 for light vehicles and $78 for the heavy duty vehicles (sanitation trucks, buses and fire apparatus). The rates were determined to cover the costs for the division. In comparison to other local cities, our rates are less than the average mechanic rate charged. For light-duty mechanics, the range was from $59 to $95 per hour, and the average is $76 per hour. A local car dealership has a posted mechanic rate of $75/hour. For heavy-duty mechanics, the range was $72 to $95, and the average is $80 per hour.

Avondale recently outsourced their maintenance of Fire equipment with an award of contract in early 2012. The bid requested preventative maintenance services at a flat rate for parts and labor and hourly rates for services other than the scheduled preventative maintenance. The mechanic rates for the Avondale contract are $89 per hour for regular work and $120 per hour for call out services. The hourly rates are more than the standard heavy duty rates of $78/hour that the Glendale equipment management division. In addition, mechanics certified in fire apparatus are available to respond after hours, and the billing rate for their services does not change from the standard $78 per hour. The Equipment Management Division offers drive-up service for those items that are urgent or can be easily repaired.

Conclusion

The provision of fleet maintenance services is a cooperative process. Our staff expertise is shared with our customers and cooperatively we work to develop maintenance schedules that provide the equipment to the using department when they need it while simultaneously ensuring its safe operation. Outsourcing of services has been and will continue to be a key component of service provision for public safety equipment as well as all other equipment. In addition to the initiatives that are discussed in this memorandum, the equipment management division is going to issue a request for proposals for an outside firm to complete a performance audit of our fleet operations to provide recommendations on areas where we can improve our operations. I would anticipate bringing an award of contract to City Council in the first quarter of 2013.