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

MINUTES OF THE
GLENDALE CITY COUNCIL WORKSHOP SESSION
Council Chambers – Workshop Room
5850 West Glendale Avenue
January 03, 2012
1:30 p.m.

PRESENT: Mayor Elaine M. Scruggs and Councilmembers Norma S. Alvarez, Joyce V. Clark, Yvonne J. Knaack, H. Phillip Lieberman, and Manuel D. Martinez

ABSENT: Vice Mayor Steven E. Frate

ALSO PRESENT: Ed Beasley, City Manager; Craig Tindall, City Attorney; and Pamela Hanna, City Clerk

WORKSHOP SESSION

1. 2012 STATE LEGISLATIVE AGENDA AND LEGISLATIVE UPDATE

Presented by: Brent Stoddard, Intergovernmental Programs Director
Jenna Goad, Intergovernmental Programs Administrator
Ryan Peters, Intergovernmental Programs Administrator

This is a request for City Council to review and provide guidance on the proposed 2012 state legislative agenda and to give a legislative update.

The Intergovernmental Programs staff recommends prioritizing the state legislative agenda to a few key issues to allow the city to have a stronger, more consistent message on the items of greatest priority. The proposed key priority issues for consideration are described in the attached reports.

The 2012 state legislative agenda includes policy statements intended to protect and enhance the quality of life for Glendale residents by maintaining local decision-making authority.

Throughout the 2012 legislative session, policy direction will be sought on proposed statutory changes which fall under the adopted Council policy statements relating to the financial stability of the city, public safety issues, promoting economic development, managing growth and preserving neighborhoods.

Prior to each legislative session, the Intergovernmental Programs staff seeks Council adoption of the city's state legislative agenda. The legislative agenda defines the city's priorities for the upcoming session and will guide the city's lobbying activities at the Arizona State Legislature. The Intergovernmental Programs staff will update Council on a regular basis throughout the session for guidance on bills and amendments that may be introduced. The city's legislative agenda is a flexible document and may change, based on activities at the Legislature and Council direction.

The 50th Legislature's Second Regular Session will begin on Monday, January 9, 2012.

The key principles of the proposed state legislative agenda are to preserve and enhance the city's ability to deliver quality and cost-effective services to citizens and visitors; address quality of life issues for Glendale residents; enhance Council's ability to serve the community by retaining local decision-making authority; and to maintain state legislative and voter commitments for revenue sources.

Staff is requesting Council to provide policy guidance on the proposed City of Glendale 2012 state legislative agenda.

Brent Stoddard, Intergovernmental Programs Director, provided the introduction.

Jenna Goad, Intergovernmental Programs Administrator, stated the 50th Legislature's Second Regular Session will begin on Monday, January 9, 2012. She noted the legislature continues to have large Republican majorities in both chambers. The House and Senate will both be under new leadership this year.

Ryan Peters, Intergovernmental Programs Administrator, stated that each legislative session seems to be shaped by key points that stakeholders and voters recognize as being important to the state's overall well being. This year the budget and the economy will continue to be major priorities for both the Governor and the legislature. Still, the budget conversation will look a little different than in years past as budget analysts report a current surplus of $510 million dollars. However, the Governor and legislature do not like to refer to these revenues as a budget surplus but instead view the money as already spent and dedicated to pay off debt incurred while the state was trying to balance the budget in previous years. Economic recovery and job creation will continue to be a top priority for the legislature this year. They also anticipate several measures being introduced to stimulate job creation and retention. Furthermore, they also expect to see legislators pursuing legislation that affects the way cities impose regulations. Mr. Peters noted that just last year, a comprehensive bill was signed into law that directly affected regulatory practices of cities. He added that staff was still working to implement and assess the impact of that law. He reminded everyone this was an election year; therefore, there will be pressure on the leadership to get the legislature out of session early so lawmakers can start their campaigns.

Mr. Stoddard provided a slide presentation on the major themes and key issues for this year's state's legislative agenda. These include: Fiscal Sustainability, Preservation of State Shared Revenue, Maintaining Revenue Streams/Directed Funding Sources, Preservation of Local Taxing Authority and Unfunded Mandates. Additionally, a strong focus was on Economic Development, Land Use Planning, Military Preservation, Neighborhoods, Public Safety, Transportation and Water/Environmental Resources.

Councilmember Lieberman commented that he does not see anything specific that the state was working on regarding jobs, which was one of his top priorities. He also had concerns with the lack of state funding being used for people who were on the verge of losing their home or have already lost their homes. He referred to the state's surplus as a possible aid in this crisis. He explained the banking commission was not doing anything with local banks to ensure the home owner a better chance of retaining his property.

Mr. Stoddard noted that Glendale was doing everything possible to create jobs in this state. However, some of the resources and the tools they will have available will be determined by the state's legislature. He added that no discussion has taken place at the state level regarding housing assistance, although, the focus for this situation has been through CDBG and HUD programs. He noted staff can see what interest there is from legislators on this issue. Councilmember Lieberman suggested they go through the League of Arizona Cities and Towns and put that as one of the priorities they have when they are working with the legislature. He also discussed the extension of the one percent sales tax. Mr. Stoddard noted that tax will expire June 1st of 2013. Councilmember Lieberman indicated how sorry he felt for the people struggling with their mortgage and the housing market. He believes that cities, states and elected officials at any level are not doing enough for this situation and he would like to see them do more.

Councilmember Martinez commented on the economic development and the reduction and elimination of impact fees. He inquired if the legislators still believed passing this bill was still acceptable since this will probably have some adverse impact on cities. Mr. Stoddard explained that since they have a moratorium on any impact fee legislation being brought forward in the next three years; this was not an immediate topic of discussion. However, since the passing of the legislation, he believes there has been better education that has taken place about what exactly this will mean to the infrastructure of cities and towns. He noted that time will tell on the impact fee legislation.

Councilmember Knaack stated she appreciates the theme of this agenda since this was about preservation and recovering funding resources as well as being in control of their own destiny as cities. She believes they lost a lot of that in the past few years with the state. She added that since the state has a surplus of money, they need to leave the cities' alone.

Councilmember Clark commented on economic development. She stated that every year TIF (Tax Increment Financing) comes up before the legislature and they keep denying it. She recommends they take a lead in trying to get TIF legislation in any form passed through the legislature. She believes this was a great tool for cities to economically recover from this recession. Mr. Stoddard stated it was no secret that the legislature knows that cities and towns want TIF. He noted they will continue to advocate for it and express its importance. He noted this issue comes down to being an educational campaign which they continue to work on. Councilmember Clark agreed and added that the League of Cities and Towns should take a lead role. She noted it was also important to build a stakeholder base which was the commercial and development communities. Mr. Stoddard explained they were already doing this along with other directives. He believes they would have to have a modified version of TIF for it to have an opportunity to move forward in Arizona. Councilmember Clark asked if there were any cities that were leaders in pushing this forward. Mr. Stoddard replied no, however, there was a lot of discussion on this topic. He stated that on the topic of redistricting maps, the Independent Redistricting Commission approved what they were referring to as the tentative final maps. He noted that those maps were on the website of the Independent Redistricting Commission. He added there were still a few steps that need to take place before those are official maps. The maps are scheduled to be submitted sometime before the end of January to the Department of Justice.

Councilmember Alvarez asked how much input and how important were neighborhoods to legislation. Mr. Stoddard replied he could proudly say that the city takes a significant amount of input from the citizens. He explained that the Neighborhood Legislative Link Program was a unique program that makes information readily available to any citizens who signs up. The information provided was at times as long as 20 to 30 pages of bills that are being tracked by staff and what they are working on. He stated they were proud of the program and he believes it was one of the best in the state.

Mayor Scruggs said following up on Councilmember Alvarez's thought with the legislature opening up its session next Monday, people may begin to get more interested than watching the session today and read about things in the newspaper. She didn't know if it will be real easy for them to find out how to sign up for legislative link. So, her idea was using the city's website because our Fiesta Bowl is over so that ought to take about three of those headline banners right off, right away. She said perhaps, during legislative session, there should be a block that lasts during the session that somehow captures people's awareness and their attention. But also understand, a lot of things that people think that the city is in charge of, really the state is in charge of. One of the things people find out when they go through the legislature session, it's probably a big surprise to them – oh they thought the city could do this? They didn't know it was the state that overrides the cities. So, she suggested adding a few sentences that capture people's attention, help them to understand, you know, there is a session going on and people down there are actually looking at laws that are going to affect you and your neighborhoods and this is how you can be involved. Or this is how you can be aware or this is how you can sign up for legislative link. That type of thing. That might be the greatest service we can do for our neighborhoods. Mayor Scruggs asked does the rest of Council think that might be a good idea. Councilmembers voiced agreement. Mayor Scruggs asked Mr. Beasley could he make that happen. Mr. Ed Beasley, City Manager, agreed.

Mayor Scruggs said she'd like it kept up for the whole session and maybe it will be helpful if staff send Council e-mail updates. She would be interested to know if people are watching it and if the web site is getting a lot more traffic and people are tracking the bills. She thought that would be a real success and maybe it would address some of what Councilmember Alvarez is asking about – how do people find out what's going on down there. Mr. Stoddard stated that was a great suggestion.

Mayor Scruggs asked if there was anything else anybody would like to bring up? There were no responses from Council.

2. DEBT MANAGEMENT PLAN AND REFINANCING OPTIONS

Presented by: Art Lynch, SRJ Government Consultants, LLC
Sherry Schurhammer, Executive Director, Financial Services
Diane Goke, Finance Director

This is a request for City Council to review the city's debt management plan and provide guidance on the Municipal Property Corporation's (MPC) refinancing options and the Water and Sewer refunding options.

This request supports Council's goal of one community that is fiscally sound by having a strategic debt management plan and taking advantage of debt refinancing and refunding opportunities in the current markets.

The city can issue various types of debt with differing resources by which that debt can be repaid. The following are the types of debt the city has outstanding and the resources used to repay that debt:

- Highway User Revenue Fund (HURF) bonds payable from HURF funds
- Transportation Excise bonds payable from the transportation sales tax
- MPC bonds payable from General Fund excise taxes
- Public Facility Corporation (PFC) bonds payable from General Fund excise taxes
- General Obligation (GO) bonds payable from the secondary property taxes
- Water and Sewer Revenue bond/obligations payable from user charges in the Water and Sewer fund
- Lease Obligations payable from the General Fund of the City

The city uses these various types of debt to finance the Capital Improvement Plan (CIP) of the city, which the Council approves as part of budget every year. The City Capital Project Investments list identifies projects that have been completed over the past 11 years using financing options and cash. The list indicates that 85% of the projects were financed with the city's debt; the remaining projects were financed using PayGo.

During the budget workshop sessions for FY 2011-12, Council was notified that the city's outstanding debt would be examined in order to explore different restructuring options that may be available to the city. Through this process staff found two restructuring options available to the city at this time:

- MPC restructuring of 2003A, 2004A, and 2006A series
- Refunding of a portion of the 2003 and 2006 Water and Sewer revenue obligation bonds

By moving forward with these options, staff anticipates a savings to the General Fund in an estimated amount of $5 million per year for the next three years; and a savings to the Enterprise Fund in an estimated amount of $2.5 million per year over the next three years.

The restructuring plan for the MPC bonds was presented to and approved by the MPC Board on December 8, 2011.

On May 24, 2011, Council approved the refinancing of the city's lease obligations.

The city's General Fund provides for the daily operations of the city for services such as public safety, transportation, parks, and libraries. By restructuring the MPC bonds, the amount transferred from the General Fund for MPC debt payments will reduce, thus relieving the city's operating budget during the sluggish economy.

The city's Water Services Department provides clean and safe drinking water for the community by charging user fees to cover daily operations and infrastructure costs. Refunding the Water and Sewer Revenue bonds will continue to keep those user fees at the lowest levels possible.

Staff is seeking guidance from Council on the debt management plan and restructuring options available to the city.

Sherry Schurhammer, Executive Director, Financial Services, provided a brief summary informing the Council of the two restructuring options available to the city at this time. The first is the MPC restructuring of 2003A, 2004A, and 2006A series and the second is refunding of a portion of the 2003 and 2006 Water and Sewer revenue obligation bonds. She stated that with Council's direction staff will bring forward these two options this month to take advantage of the favorable market conditions.

Diane Goke, Finance Director, provided information on the comprehensive debt management plan and the overall debt strategy that the city has employed recently, starting with refinancing city leases which began in May 2011. This resulted in $7 million dollars in savings over the first three years. The next steps are as follows: MPC Bonds Refinancing. Staff recommends refinancing MPC bonds with an approximate savings of $5 million per year for the next three years. Water/Sewer Bond Refunding will also result in an approximate savings of $2.5 million per year in reduced debt payments over the next three years. This will also result in no rate increases for next year. She explained staff also has a plan to address the baseball debt that follows the original plan set out in 2008. She noted the city will meet their obligations for the upcoming year as well as address options to lengthen, pay off or restructure the debt.

Mayor Scruggs asked Ms. Goke to go back to what she said about no rate increases in water and sewer for one year? Or what did she say?

Ms. Goke replied it was for the next year.

Mayor Scruggs restated that it was for the next year and thanked Ms. Goke.

Art Lynch, SRJ Government Consultants, LLC explained that the MPC bond debt was repaid with the excise tax which also funds the City's General Fund. Staff has examined this debt and recommends refinancing a portion of it. If approved, staff anticipates approximate General Fund savings of $5 million per year over next three years. He explained they had looked at the restructuring benefits and identified a structure and a mechanism where the city will be $90,000 better off at the end of the bond payment time frame than they are now with payments that are $5 million less per year for the next three years.

Councilmember Clark asked if the Council accepted these refinancing opportunities, does the debt payment extend out further than they currently extend. She inquired if Council would be tacking on additional years after 2033. Mr. Lynch stated that the modification because of the timing of the refinancing would take the debt one year further into the future. Councilmember Clark read some of the outstanding bond series, starting in 2003. She asked how many of those bond series would be refinanced. Mr. Lynch explained that they will only refinance the ones that are going to put the city in a better financial condition. Those bonds are 2003A, 2004A and 2006A.

Councilmember Clark asked for clarification on what a senior lien and a subordinate lien were. Mr. Lynch explained the senior lien was the highest priority, highest quality and highest rated component of the bonds. For example, it was the same as when you have a first and a second mortgage. The first mortgage takes priority. Councilmember Clark remarked that the city had an outstanding balance of MPC debt of approximately $275 million dollars over the next 30 years. She asked if this debt was comprised of 20% of the city's total debt. Ms. Goke replied no and added it represented about 25% of the city's debt. Councilmember Clark asked how much of the city's debt does the PFC comprise. Ms. Goke stated the PFC was an additional 15%. Councilmember Clark explained that therefore, approximately 40% of the city's total debt was wrapped in MPC and PFC debt. Ms. Goke replied yes.

Councilmember Clark explained that MPC debt was comprised of the arena, public safety training facility, the hotel convention media center and the parking garage as well as Cabela's. Ms. Goke noted that those four components were the majority of the debt. Mr. Lynch interjected that Councilmember Clark was only offering a snapshot of the MPC debt. He stated for instance, MPC debt was also the entire infrastructure for Arrowhead Towne Center of which most has been paid off. Councilmember Clark agreed she was only looking at a snapshot but believes it was important at this time. She asked if the major component for PFC debt was the Spring Training Facility. Ms. Goke replied yes.

Councilmember Clark remarked that 40% of the city's total debt was being paid by excise tax which was sales tax. Ms. Goke agreed and added it was also paid by state shared sales tax as well as income tax. Councilmember Clark asked what the percentages for those three categories were. Ms. Goke stated the total was approximately $102 million for FY 2011. Councilmember Clark noted that possibly the sales tax figure was approximately 60% of that equation. Councilmember Clark explained that since MPC and PFC debt was being paid out of this pot of money that includes 60% of the sales tax, was the reason why they have not been able to ensure bonds for the courthouse or library. She noted that these projects were competing for the same dollar in the general fund. Ms. Goke explained that was not correct. She stated that if they were going to build the courthouse or a library, they would be most likely issuing general obligation bonds which were payable from the secondary property tax.

Councilmember Clark commented on the 40% debt the city has because of the arena and training facility as well as the others mentioned. She noted most citizens believed this was too high of a debt for the city to have, however, most experts say the city was on track. Therefore, she was pleased to see the refinancing strategy brought forward for these bond series. However, her concern was that the savings was not enough and asked if staff had identified any other opportunities other than these two categories that will create additional savings for the city. Mr. Lynch replied yes and reported on the 2008 PFC bonds that were not part of this and were also restructured and refinanced. He explained that the snapshot she spoke of does not acknowledge any of the assets or the value they have in those assets in the community. He recommends they look at the long term picture since the revenue projections are frozen for 20 years. He noted they do not expect to have flat revenues for 20 years; therefore, they have placed those types of protections in order to be conservative and not over reach.

Councilmember Clark agreed with Mr. Lynch's comments, however, she still had concerns with the debt ratio of 40% being too high and what can be done to lower it further. Mr. Lynch explained that the 40% being too high compared to an asset value of around $17 billion in assets was not comparable. Councilmember Clark agreed to an extent; however, noted that it was still too high in regards to the city's budget and its continued consumption of the general fund budget.

Ms. Goke asked to make a clarification. She explained that total excise tax debt was 40%; however, the total payment of the debt service only comprises 20% of the total revenues. Mayor Scruggs asked if the PFC debt was going to come back some other time and Council was going to talk about Camelback Ranch which is the PFC debt. She questioned if Council was doing that today.

Ms. Goke explained that what was said was that they were looking at the PFC debt and they have a plan that follows what they did in 2008. However, they were not discussing that issue today.

Mayor Scruggs asked why was the PFC debt being separated out. Mr. Lynch explained that the structure of the bonds was different as well as the time frame and the economic condition. Mayor Scruggs asked those in 2008, those may not be addressed until next year? Is that what you are saying? Mr. Lynch replied yes. He added they were continually looking at opportunities to save money. He provided examples and noted that the rule was that it was more advantageous to wait until the fifth year if you could.

Mayor Scruggs said those are the biggest problems. She continued that Councilmember Clark said they are only 15% of our total debt but they are the biggest problem because the excise taxes are being used to pay the other bonds that are coming, in part from activities right there at those assets, that were created by selling the bonds in the first place. Nothing is happening at Camelback Ranch and nothing will be – or Main Street as it's called – for years. So there is nothing over there contributing, so Camelback Ranch to her is the big drain but at least the other Cabela's pumps out sales tax like crazy. Before we are done today, she would like an explanation of exactly what the city's money to Cabela's was really used for because she continued to read it's about a fish tank and she continued to read all kinds of nonsense. So before we are done today, it needs to be explained to the public.

Mayor Scruggs said Westgate for all its troubles continues to have produced revenue and taxes. The hotel and the conference center all produce taxes, but nothing is produced over at Camelback Ranch. So she was really interested in what staff was going to come up with because that's the biggest problem. She added the city had built in years of no income into our cost to begin with so the city is just piling debt after debt after debt.

Councilmember Lieberman asked how much payroll from our general fund was in percentage dollars. Ms. Goke replied she did not have that figure at the moment. Councilmember Lieberman asked Mr. Lynch what SRJ stood for. Mr. Lynch stated that was the company's name after his father. Councilmember Lieberman noted that was the company he was working for and the city was paying him dearly for his presentation today. Councilmember Lieberman inquired what happens after the three years and the $150 million they owe not including interest. He asked why the $5 million in saving was only good for three years and if the rate will go up after the three year period. Mr. Lynch stated that was not the case at all and added they were $90,000 better off after doing the deal. He remarked it cost them less to do the deal.

Mayor Scruggs said he has a point and she wants to say right now that she hadn't gotten into the books far enough to find the hundred and fifty million dollars. So, Councilmember Lieberman was way ahead of her, 271 pages to learn at 2:30 p.m. on Friday a day before New Year's Eve was not doing it for her but he has a really good question. Mayor Scruggs questioned if the city builds $5 million dollars a year into its general fund because the city now has that savings and the city built its budget based on $5 million dollars and after three years it goes away?

Mr. Lynch explained that the city builds its budget annually, therefore after the three years it can be modified. Additionally, when they get to year three, the reason why there is not a continuous savings, was that they are only taking those outstanding bonds that present savings and moving those into those first three years so they could take advantage of it in the worst economic environment they are dealing right now.

Councilmember Lieberman asked once again how much payroll from their general fund was in percentage dollars. Ms. Goke stated payroll was approximately 75% of the expenses and for the general fund it was approximately $85 million dollars per year.

Mayor Scruggs said is that just payroll or is that the pension stuff that we are reading about now and all these other costs? Ms. Goke stated it was payroll plus all benefits.

Mayor Scruggs asked would doing this which she was nowhere ready to give direction for because she had to read the material but would doing this be similar to the state having the one cent extra sales tax for three years and then it goes away? Was the city looking at the same - to tide them over during our bad time and then the one cent sales tax is gone and then you figure out what to do after that. Is it the same type of thing? Mr. Lynch noted it did have the same type of benefit.

Councilmember Lieberman commented that general obligation funds were paid by secondary property tax and the MPC and PFC bonds were paid out of excise tax funds. He questioned how the city could continue if the debt was 24% and payroll was 75% leaving 1% in the general fund. Ms. Goke explained that Councilmember Lieberman was looking at two different budgets. She noted that the salary and benefit expense was covered out of the operating budget. She added there were more revenues in the general fund than just excise taxes. Councilmember Lieberman asked if impact fees went into the general fund. Ms. Goke replied no and added they went into several development impact fee funds.

Councilmember Lieberman asked if they could do this again after three years. Mr. Lynch replied yes if the market was still favorable. He explained how the financial market worked and the city's ratings in relation to specific bonds.

Councilmember Martinez noted he believed the city had done this type of restructuring before. Mr. Lynch stated he was correct. He said they had done this refinancing and restructuring with general obligation bonds, water and sewer bonds, MPC, leases and most financing structures over the years when it was most beneficial to the city. Councilmember Martinez agreed it will be beneficial to the city to do this restructuring as it has helped the city in the past. He was also pleased to see that over the years the city has retained its favorable rating even in these difficult times. Councilmember Martinez noticed that most CIP projects on the grid map were north and south of Northern and wondered how that came to be. Ms. Schurhammer explained the information was presented this way as a result of discussions Council had at prior meetings. She added she did not specifically remember how Northern Avenue became the demarcation line.

Mayor Scruggs said but this is the first time this has been done this way? I don't remember ever seeing this before. And somehow that evens out the square mileage of the city – north and south of Northern, it's all equal. Is that why that's chosen? Ms. Schurhammer believes some Councilmembers chose that because of what was north and south of Northern.

Councilmember Martinez inquired if most of the debt was from the general obligation fund which he figured at 80%. Ms. Schurhammer replied it was not the majority. Ms. Goke stated it was approximately $200 million or 20% of the debt.

Councilmember Knaack read from the material stating "the city will maintain a general obligation debt balance fund of at least 10% of next year's secondary tax property rate to support existing and future property tax supported debt." Ms. Schurhammer stated that the city has been able to maintain that and was still fine for this year. Mayor Scruggs said but this is the secondary tax which is not even what we use to pay debt, she doesn't even understand what that means? Ms. Schurhammer explained that the secondary property tax revenues are used to pay general obligation debt.

Mayor Scruggs said so it's telling us the city will have to raise rates? So is that staff's statement or Moody's statement? Whose statement is that? Councilmember Knaack noted it was in staff's summary. Mr. Lynch explained this has been a long policy of the city as part of the debt plan for about 25 years.

Councilmember Knaack asked if there was any downside for the city by doing this refinancing. Mr. Lynch noted the only downside was if the markets move away from them, however, he does not believe the city can do much better than this at the moment.

Councilmember Alvarez commented on all the figures given for this restructuring and stated it was somewhat confusing. She stated the tax payer was watching what the city has done with tax payer money. She explained the public was expecting services and for employees to do their jobs, therefore, the city needed to explain all this to the public. She said city employees were upset and they should be because they do not know if they will continue to be on furlough or if they are going to lose their jobs or if services will be once again reduced. Therefore, the public needs to be educated on this since they were not happy with what has been happening.

Councilmember Clark remarked that the refinancing proposed would generate savings; therefore they would be stupid not to do this since it will be generating savings per year. However, she would like to know the difference between restructuring and refinancing and why refinancing was chosen for these bonds. Mr. Lynch stated that refinancing was more responsive to the economic climate at the moment. He explained that it really depends on what they were trying to accomplish at the time and what was more beneficial. Councilmember Clark discussed certain subordinate bonds concerning the stadium and the excise taxes associated with it. She asked how much excise tax the city provides to AZSTA (Arizona Sports and Toursim Authority) on an annual basis. Ms. Goke stated that figure was $1.7 million per year. Councilmember Clark asked for clarification on what this was subordinate to. Ms. Goke explained per the agreement, those were AZSTA bonds that were subordinate, therefore the city's payment was considered subordinate. Councilmember Clark wondered if when she bought something inside the stadium, was that part of the pledged excise tax that they pay to AZSTA. Ms. Goke replied that only a portion of it was since they only pay the general fund portion back to AZSTA and the public safety and transportation tax the city keeps.

Mayor Scruggs said 1.2% goes back to AZSTA. Why don't you break it down for the people that are listening that don't know? 1.2% goes to AZSTA and 1% comes to the city. Ms. Goke stated she was correct.

Councilmember Clark reiterated her concern that the city debt was too high and would like to find a way to lower it so that other needs that have been put off have an opportunity to compete for general fund revenues. She believes they have done an excellent job in searching the market and trying to find ways to save on the debt the city currently carries and would like to tip her hat to them and truly appreciates their efforts.

Mayor Scruggs said she's like to make sure that she had it right since she seemed to be the one that did not read the 271 pages here. She asked if the city goes ahead with this refinancing with the MPC – she noted they haven't even been talking about water and sewer – but are going to do that eventually, right. Again, if the city goes ahead with this refinancing on the MPC, the actual debt that is there now, the $265 or $275 million or whatever it was that Councilmember Clark mentioned – that will not go up? Is that correct? Mr. Lynch stated she was correct assuming that market conditions stay the same.

Mayor Scruggs said it's like she and her husband recently refinanced their house and went from a 4.75% to 3.0% interest. They didn't increase the mortgage on the house but it went to a 15 year loan instead of a 30 year so it will be paid it off sooner. However, their payments went up, in this instance that's not going to happen, correct. The city is going to pay $5 million dollars a year less because it's not compressing the time frame. If she and her husband didn't compress the time frame then they would have had a lower payment. She continued, so the actual $275 million or whatever the number is will not increase but the city will see a lesser payment of $5 million – a total of $15 million dollars over the term of the bonds. Staff is recommending to Council, that the city take it in the next three years because that would be the most beneficial. This would lessen the draw from the general fund by $5 million dollars per year; obviously there will be some cost to the city for the bond companies that do all this. She said taking the net present value of the saving and the cost that it takes to do this, and it ends up $90,000 to the good to the city. She told Mr. Lynch, the public would not see the debt that is the accumulation of the decisions made by vote of these Councilmembers and others in years past going up. Was she correct in that?

Mr. Lynch stated she was correct as long as market conditions stay the same.

Mayor Scruggs said if the market conditions change, then there is no purpose in doing this. Mr. Lynch replied it was still beneficial to the city to move forward. Mayor Scruggs asked will it build up the debt amount. Mr. Lynch stated it should stay consistent.

Mayor Scruggs said we don't want to build that debt number up. So we may get $4.72 million a year instead of $5 million a year or we may have a net present value benefit of $63,000 instead of $90,000. She believed what everybody is looking at whether that $275 million was going to increase? And staff is saying that it is not.

Ms. Goke explained they were restructuring this and the debt will basically stay the same because they are not paying off any debt. However, they are restructuring the payments on the debt to take advantage of not only the market but also the savings they predict they will need for the next three years.

Mayor Scruggs said what she was concerned about is that in the past, because it has been the best way to do things, the city has amortized some debt. So in other words the city has financed our debt payments. She was trying to assure everybody and herself primarily that we are not financing debt payments – thereby adding more debt on top of the MPC debt. She wasn't worried about an extra hundred thousand because of refinancing cost. She was trying to get a commitment that we are not amortizing debt and therefore building a larger debt amount.

Mr. Lynch and Ms. Goke both noted this will not be amortizing any debt or building a larger debt amount.

Councilmember Lieberman commented on the $1.5 billion grand total and asked if that was the total debt on the $17 billion of the city's net worth. Ms. Schurhammer explained that number represents the amount that was spent between 2000 and 2011 on building capital projects with a wide variety of financing sources. She noted it was not the same thing as outstanding debt.

Councilmember Lieberman commented on the financing regarding Camelback Ranch. He asked if they had already used up the entire capital surplus on this investment. Mr. Lynch replied no and added they were still making the payments. Councilmember Lieberman asked how much was left. Ms. Goke stated it was approximately $12 million. Councilmember Lieberman noted that only covered one year's payments and asked how they were planning to continue to make further payments. Mr. Lynch explained that was part of the refinancing analysis that was currently ongoing for restructuring those PFC bonds. He added those bonds were excise bonds.

Councilmember Martinez remarked that if they do not restructure the bonds regarding Camelback Ranch, then the payment would come from the general fund. Ms. Goke replied yes. Councilmember Martinez complimented the staff for all the information provided. He said it was a lot of material but very comprehensive. He suggested staff place this information online since this explained everything in detail for the many people who continue to ask questions about city debt. He believes the city should continue to be as transparent as possible. He added he was very pleased that the city continues to fair well, even in these hard economic times, with a very high rating as well as no default payments of any kind.

Mayor Scruggs said she would just like to make a comment in case this debt management plan is not placed on our website in an easy to find place. She'd just state that if people go to the city clerk's web page under Council meetings and agendas, and go to the agenda for today, January 3, 2012, scroll down to item number two, named debt management plan and refinancing options, click on that title – the whole book is right there. Now if there is an easier way to put it and people choose to do that – that's great but otherwise it is there.

Councilmember Knaack commented that she too feels the city had too much debt which they did not have four or five years ago since they thought they had revenue sources. She believes this was all relative to what the economy has done. She asked if they were to sell city assets, what could that money be used for. Mr. Lynch explained the proceeds could be used to retire debt and possibly restricted to capital asset use. Councilmember Knaack noted it was something they could look into.

Councilmember Clark agreed with Councilmember Knaack's suggestion and believes it was something that should be explored.

Mayor Scruggs said she would like to add to the discussion that this is not the first time Council has brought this up with varying degrees of seriousness or intensity – the sale of assets. The Council has brought this up before and asked for a discussion about this and Council was even promised that we were going to get a list of all the city assets so that we could see what the city owns so we could start talking about that. So that has never materialized; maybe things are more serious now and we will be taken seriously but she certainly would add her support to looking at the sale of some of the city's assets as one way to reduce the amount of debt that the city is carrying. She has favored this since Councilmember Knaack first brought it up and she was still in support of it and maybe it will actually happen.

Councilmember Lieberman remarked that on the plus side, in the past 10 years they have paid off $449,696,000 million worth of debt which increased the value of the city substantially.

Councilmember Martinez asked if they had someone other than Mr. Lynch that advised the city on financial issues such as bonds. Ms. Goke explained that they also used a company called J&A and Mr. John Overdorff as well as Mr. Lynch. Councilmember Lieberman asked if Mr. Hocking was still on the consultant list at $8,000 a month. Ms. Goke replied yes. Councilmember Martinez asked what Mr. Hocking role was in the city. Ms. Goke stated Mr. Hocking does a lot of the work in conjunction with forecasting revenues for projects.

Mayor Scruggs asked what does this J&A in Nevada do. Ms. Goke replied they were the city's financial adviser that offers the city a variety of services. Mayor Scruggs asked if they do something different than what Mr. Hocking does. They can't all do the same thing? Or Mr. Lynch and one other one – we have to have three all do separate things?

Mr. Lynch explained they were all very distinct areas that needed specialists. He explained the three roles they play.

Mayor Scruggs asked what they cost per month or year.

Ms. Goke explained they were on retainer, however, they primarily pay them when they are working on deals such as the one brought forth today. The retainer was $4,200 a month.

Mayor Scruggs said she knew this is not what we are doing today but she wondered how you deal with situations like these. Recently you've gone through and asked every department to give up a certain amount of money from budgets that are already stretched beyond limits. And Council is hearing people talking about lack of services and so forth. But then the city has these kinds of contracts that staff can't do anything about evidently unless you cancel them. So that just puts a greater burden on all these other folks here to cough up money that they don't have and still be able to do their jobs and it does not appear to be fair to just go and put a level such as 6%, 8%, 10% reduction whatever it is when there are other costs that stay there no matter what. Mayor

Scruggs said she knew this was a discussion for another time but when we do budgets, she was going to be talking about this because the things that staff is hearing the Councilmembers say that the people are saying – that is why the services are cut is because we have expenses that we don't even know about; we don't even know these things exist and they're not being touched no matter what but some department that is down to – "if you ask me to give you anything more I have to fire an employee" is still told cough up 10% and that's just not a good way to do business. So when we do budgets this year she was going to be looking at a way that we can look at what the city needs to keep, what that city doesn't need to keep and not just do an across the board slice.

Councilmember Lieberman commented on the negotiations when the arena was going to be built and how five of the current Councilmembers approved the item. He stated that back then; the financing was reported as being favorable. However, at this current state of affairs that area was doing poorly. He noted many companies that have declared bankruptcy.

Mayor Scruggs commented that she still believes and maintains that it's a whole lot better than a bunch of roof tops there. Westgate and the arena will pay for itself. She offered her apologies to the citizens of Glendale in` voting for Camelback Ranch but not for the football stadium, not Westgate, not Jobing.com, not the Regional Public Safety Training Facility, not Cabela's. However, Camelback Ranch, that was one too many.

Councilmember Clark remarked that one way to determine what is happening in various departments was to go to zero-based budgeting. She knows staff strongly disagrees, however, believes this was the only way to find out what each department is spending and on what.

Mayor Scruggs said she thought Councilmember Clark brought up an excellent topic for our retreat next week. She was asked by the Arizona Republic what her top priority for 2012 was and you will read that in the newspaper whatever part of it they chose to take. But it really was that this Council needs to take charge of the budget process. She looked back at the videos from our two budget workshops we had last year. City Council spent less than four hours, less than four hours, we just accepted everything – and half of that was staff time talking. And Council just accepted everything that was brought to us, do it this way, do it that way. She thought there was a little bit of back and forth on minutiae. Less than four hours and now here Council is wondering "well how did we get $1 billion dollars in debt." So, she would be happy to hear Councilmember Clark bring that up next week and she thought Council should set the direction as to what our budgeting process should be this year. It's certainly not going to be four hours.

Councilmember Lieberman remarked that he had mentioned repeatedly that the Council reviews any item over $50 thousand dollars and to vote for publicly. He stated he firmly believes that the Council needs to take control and added so far they are not in control. He added that until they do, the Council will not have control of the budget.

Councilmember Clark stated when she first started on the Council; there was more detail to the budget information that they don't get anymore. She agrees that budget information was slipping away from the Council and they no longer have the information with which to make some of the decisions that have to be made in terms of policy for the city.

Councilmember Martinez noted that at this point, he does not know if he would support zero-based budgeting and believes they can do this without having to go to that. He agrees with the Mayor about taking more time reviewing the budget as well as asking pointed questions. He remarked that regardless of the debt the city carries, the city still makes the payments and it all came down to when they look at the budget what are in competition with each other. Councilmember Clark agreed.

Councilmember Clark remarked on the difficulty of asking the correct questions of staff and the complexity of possibly getting the right answers. Therefore, just making sure they ask questions was not enough and going to zero-based budgeting will make sure everything is brought forward.

Mayor Scruggs said with all that heavy thinking going on may we take a moment in the minutiae. She said here on page 1-3 of our debt management book under use of long term debt, second paragraph – "the term of city debt issues should extend beyond the useful life of the project or equipment financed." Are we missing the word "not" in there? Or do you really mean that they should? Ms. Goke responded "not" is missing. Mayor Scruggs asked staff to add that in before they put it on the website? She commented that it is a very small thing but anyway…

Councilmember Knaack noted this was not compiled by city staff. Ms. Goke said she would advise the consultant company of the correction

10 minute break

Mayor Scruggs said the workshop session on January 3, 2012 is called back to order. And we are going to proceed now to hear about staff recommendations for the water and sewer bond refunding.

Mr. Lynch provided information on the Water and Sewer refinancing bonds issue. Water and Sewer bonds are paid with revenue collected from user fees. Staff has examined this debt and recommends refunding a portion of it. If approved, staff anticipates approximate enterprise fund savings of $2.5 million per year over the next three years. Additionally, there will not be a water and sewer rate increase proposed for this year. Furthermore, staff was also working on the WIFA loan payoff that if approved, eliminates the requirement of approximately $11 million in reserve and an annual contribution to the reserves of approximately $1.5 million. This allows for restructuring of covenants to reflect economic times as well as helps keep water and sewer rates unchanged for next fiscal year. In general, these options allow for a reduction in overall debt, savings in NPV, free up of reserve contributions in water which can be used towards other needs in the system, and to keep water rates unchanged for at least the next fiscal year.

Mayor Scruggs said so that $1.5 million would be a permanent reduction unlike the MPC situation we were talking about, right?

Mr. Lynch replied yes. He added that between the saving and restructuring, it would be $2.5 million in total.

Mayor Scruggs said the $1 million dollars difference between the $2 ½ and the $1 ½, is that for a temporary period – that's another three year thing, isn't it?

Mr. Lynch stated she was correct.

Councilmember Clark commented on rate increases that were inevitable in the future. However, to hold them off, the city should consider putting off other capital improvement projects as well as water and sewer projects for the short term. This will keep the rates from rising at a time when the consumer was strapped financially.

Councilmember Knaack agreed and added that Glendale has had the foresight to think ahead and position itself correctly and has more than enough infrastructure to currently support the city. She believes they will not have to raise rates in the near future.

Mayor Scruggs said she didn't know if it will have a big impact, but hopefully as the economy comes back and homes and businesses begin to be reoccupied, then there are more people paying into the system again. She didn't know if that made a big difference or not but she hoped that it did. She said because right now fewer people have to pay the cost of running the system for everybody.

Councilmember Clark stated she supports staff's recommendation regarding refinancing the water and sewer.

Councilmember Lieberman remarked he would not support any increases in water and sewer rates.

Mayor Scruggs asked if there were any debt amounts that are going to increase by doing this refunding to where the city would end up owing more than what the city owes right now.

Mr. Lynch stated that he does not anticipate seeing any significant increase in the amount of debt. They will also make sure this does not impact water and sewer rates.

Mayor Scruggs said she had one request, that when this does come to the Council in an evening meeting, that it not be on the consent agenda and that there be a plan for some people to discuss this at the meeting in the ways that it has been discussed today which has to do with – there is no increase in debt level, that the city will actually achieve cash that can be used that will reduce the burden on our general fund. All these things have been important to Council today as we've talked. So would staff schedule this so there is really a full explanation for everybody watching the meeting? Mayor Scruggs said if there is nothing else, then that completes the regular session. This meeting is adjourned followed by an executive session.

ADJOURNMENT

The meeting was adjourned at 4:20 p.m.