

**\*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 BUDGET WORKSHOP SESSION  
Council Chambers – Workshop Room  
5850 West Glendale Avenue  
February 21, 2012  
1:30 p.m.**

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

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

**1. 2<sup>ND</sup> BUDGET WORKSHOP**

**PRESENTED BY:** Sherry M. Schurhammer, Executive Director, Financial Services; Brian Friedman, Economic Development Director; Chuck Murphy, Executive Director, Technology and Innovation; Candace MacLeod, Compliance and Asset Management; Diane Goke, Finance Director

This is a request for City Council to review the material presented in the budget workbook. The workshop will cover the following:

- Economic Development, pages 221 – 231;
- Information Technology, pages 377 – 381;
- Compliance and Asset Management, pages 197 – 203;
- Financial Services, pages 232 – 254;
- Parks, Recreation, and Library, pages 294 – 352;
- Communications, pages 162 – 196;
- Development Services (Building Safety, Code Compliance, Community Development Admin and Planning) pages 204 – 220;
- City Clerk, pages 134 – 142;
- City Court, pages 143 – 156;
- City Attorney, pages 129 – 133; and

- City Manager, pages 157 – 161

In response to Council’s request for more time to review the city’s budget, five budget workshops have been scheduled for February and March 2012 as shown below. Additional workshops will be scheduled if needed.

- February 14, 1:30 PM
- February 21, 1:30 PM
- February 28, 1:30 PM
- March 6, 1:30 PM
- March 20, 1:30 PM

The material to be reviewed at the budget workshops is contained in the budget workbook that was posted with today’s meeting agenda.

The City Council budget workbook was prepared to facilitate Council’s review of the operating budgets for city departments. A detailed explanation of the budget workbook that is labeled “Budget Workbook Material – Explanation” is included in the workbook.

Please note that the budget workbook materials include a draft FY 2013 budget for each department. Any revisions to departmental operating budgets agreed upon by Council during its review will be incorporated. After that review is completed, we will return with a revised FY 2013 budget and a proposed balancing plan for the GF.

The 1<sup>st</sup> budget workshop occurred on February 14, 2012.

At the January 10, 2012 Council meeting, an ordinance was adopted authorizing the refunding/restructuring of outstanding water/sewer revenue obligations and Municipal Property Corporation (MPC) excise tax revenue bonds and authorizing the issuance of these bonds in an amount not to exceed \$99 million and \$70 million respectively.

At the January 3, 2012 Council workshop, staff presented the debt management plan and options related to refinancing outstanding MPC debt and refunding outstanding water/sewer debt.

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, operations and capital facilities and equipment. It also provides the community with a better understanding of the city’s ongoing needs for stable revenue sources to fund public services, ongoing operations and capital facilities and equipment.

The budget provides Council, residents and businesses with a means to evaluate the city’s financial stability.

The material to be reviewed at the budget workshops is contained in the budget workbook that was posted with today’s meeting agenda.

The workshop is for information only. Decisions on the FY 2012-13 budget will not be requested until a later date.

Mayor Scruggs thanked everyone who made it possible for the meeting to move to the larger area so that there is seating available for everyone. She thanked Councilmember Clark for having the idea, Mr. Tindall for the legal okay, and cable for the tremendous amount of rearranging and fast work and the budget and finance staff, for organizing how they can present. And everybody, thank you for your patience, we will begin now.

Mr. Ed Beasley provided a brief summary of the 2<sup>nd</sup> budget workshop discussion.

Sherry Schurhammer, Executive Director, Financial Services, noted three workshops are planned for FY 2013 draft budget department review for Feb. 14, 21, and 28. Other meetings are scheduled for March 6th and 20th and will be workshops for review of the capital improvement plan, revised FY 2013 budget and the proposed GF balancing plan. Additional workshops will be added if needed.

Brian Friedman, Economic Development Director, stated today's presentation will cover Economic Development including Business Development, Rebates and Incentives. They will also discuss FTEs, General Fund (7), Salary & Benefits (A6000) \$689K, Non-Salary (A7000) \$951K and Internal Service Premiums (A7500) \$10K.

Mayor Scruggs commented that last week Council moved through the various functions block by block. She asked if there was any reason why they would want to do it differently this week.

Councilmember Clark noted it had been very helpful the way Council had previously handled it and requested they follow that same procedure. She stated she had several questions about the FTEs in this section.

Mayor Scruggs said so Council will use the same process that was used last week. She continued Council will first go to fund division 1000-16010 and ask whatever questions or offer whatever suggestions there and then move to the next one and so forth. She noted Mr. Brian Friedman, Economic Development Director, will give a brief synopsis of what each division is and the name and what it does and then we will take questions and suggestions from the Council. Is that agreeable to everyone? Okay.

Mayor Scruggs said Councilmember Clark would first like to ask a question that has to do with the total number of FTEs – not divided up.

Councilmember Clark stated that in FY12 they had five FTEs and in the FY13 draft they were asking for another two FTEs. She asked them to explain their rationale and importance of increasing their staff by two. Ms. Schurhammer explained that since the adoption of the FY12 budget, two FTEs have departed the Deputy City Manager's office and moved to the Economics Department. Councilmember Clark noted this brought up the question about the way staff

positions themselves and communicates things. Staff tells the public that they are eliminating vacancies as well as freezing positions; however, in-house, staff is shuffling people around. Ms. Schurhammer explained staff's position on vacant positions and how they are filled.

Councilmember Clark clarified that these two FTEs were positions that could have been anywhere in the organization and already budgeted for. As a result, they are now just being moved over with a different title. She explained this was all very confusing to her and possibly moved to the public. She remarked that once staff announces vacancies, frozen positions or eliminations, they need to adhere to that and not make selective choices on these items which confuses everyone with their internal shuffling, even if it suits the purpose. She added that it was hard to establish if there was room for future cuts in FTEs.

Mayor Scruggs said she would like to follow up on Councilmember Clark's comments, and not to put anybody on the spot or embarrass them, but the answer is that two people from the now extinct Deputy City Manager's office, doing the same job, were moved into the Economic Development budget. She continued that there was one person moved from the City Council office to the Economic Development Department, but the position in the City Council office was back filled. Mayor Scruggs said she understood where Councilmember Clark is trying to get and it gets down to staff saying, if Council doesn't ask the questions just right... is that correct?

Ms. Schurhammer stated she was correct.

Mayor Scruggs said two people from the Deputy City Manager's office went to the Economic Development Department, so it's a wash and we didn't gain anything, but then there is the person from the Council office and that got back filled. So to me that is plus one, this is what she is asking. But what staff is saying is it wasn't quite all neat. Somebody from the Deputy City Manager's office went to Council, Council went to Economic Development and somebody else from Deputy City Manager's office went to Economic Development. Is that what staff is saying?

Ms. Schurhammer replied yes, essentially.

Councilmember Alvarez stated she had a question about last year's funding. She does not see where they approved a business transfer totaling \$2 million. She asked where that money went. Ms. Schurhammer explained the information was in the FY actuals. Councilmember Alvarez inquired if that money was transferred to the Economic Development's budget and if some was just for attorney fees. Ms. Schurhammer replied yes. Councilmember Alvarez reiterated her question as to where that money went since she cannot find it in the draft. Ms. Schurhammer stated that information was on the FY11 column on page 223. Councilmember Alvarez asked if Economic Department only received \$800 and the rest went to attorney fees. Ms. Schurhammer explained it went to pay outside legal expenses.

Councilmember Martinez asked if the FTEs Councilmember Clark was asking about were part of the reorganization. Mr. Ed Beasley explained that was part of the reorganization as well as offering employees options, which helps everyone in the organization. Councilmember Martinez believed that was what he thought happened and was glad there were no net increases in

positions. He feels moving personnel around should be up to the discretion and prerogative of the city manager's staff and the Council should not try to micromanage everything.

Mayor Scruggs said next is 1000-16010 Economic Development, 2½ FTEs for Business Retention and Expansion.

Brian Friedman, Economic Development Director, explained the importance of the Economic Development Business Retention and Expansion to the City of Glendale. He noted the many businesses associated with this program and the benefits they bring to Glendale.

Mayor Scruggs said she had a question and this will come up in everybody's budgets, especially in finance. It appears that when there are a number of FTEs, the department has taken the total number of FTEs and divided their work load – total hours among the various functions. Is that correct? Yes, so you come up with your total, seven.

Mayor Scruggs commented on the revenue generation of \$9.9 million over the term of the leases, and asked if those were leases, like Bechtel and Honeywell. She continued so \$9.9 million will be spent by those companies on leasing location facilities in Glendale and then to the city that translates into \$1.3 million annual estimated direct revenue. Mr. Friedman stated this was the city's direct economic impact figure.

Mayor Scruggs said we're changing revenue to impact, so it's not stating that's money coming into the city's general fund or not? Because all those employees are out in the community spending money and so forth. Which is it? So revenue was a better figure then or direct? Brian Friedman answered that it was the direct benefit to the City of Glendale.

Councilmember Clark asked if the VIP program still existed and if so, how much in line items were devoted to that. Mr. Friedman explained the program was in the budget and stated this year's grant was \$130,000 but was subject to change yearly. This funding was all CDBG.

Councilmember Clark asked which projects he considered to be of high priority. Mr. Friedman stated their priority items involve business and employee expansion for the city of Glendale. He referenced the many companies that work with the city.

Vice Mayor Frate asked for Mr. Friedman to explain the importance and principal of retaining jobs in a company such as Bechtel. Mr. Friedman explained the high quality of employees as well as the attraction quality these companies have to draw similar companies into the area. Another important point was the increased revenue generated with larger quality companies.

Mayor Scruggs asked if any of the councilmembers had any questions or discussion regarding the activities of economic development in the Centerline and Redevelopment area. She also asked if Mr. Friedman had any comments he would like to stress in this area so that everybody can hear.

Councilmember Lieberman stated he had some questions about rebates and incentives paid to each organization listed. He also questioned why there was not a line item dollar for dollar for

the Redevelopment Centerline project totaling \$230,000 in wages. Mr. Friedman explained that total was for all the employees who run the project. Councilmember Lieberman remarked they also show a total for salary and benefits of \$524,000. Mr. Friedman explained staff has devoted a lot of time to the Centerline project. He noted it took a lot of time as well as it being very difficult to get companies to relocate to this area. He noted a lot of time was also used to assess area locations. Councilmember Lieberman noted they only show \$35,000 being spent in other expenditures on these two items. He asked if that included advertising in and out of state magazines that will help bring people into the Centerline area. Mr. Friedman replied yes. Councilmember Lieberman indicated he liked the break down, however, was sorry staff did not include the break down for these two items.

Councilmember Knaack believes the Centerline project would not be able to progress further than it has if it wasn't for the Economic Development Department. She noted that without the constant work of the Economic Department, this project would have remained stagnant. She thanked staff for their efforts so far.

Mayor Scruggs asked Mr. Friedman, to tell, in brief form, a story that he and Bob Lamb told to explain the Jivemind lease. She said it goes exactly to what Councilmember Knaack is saying and the questions Councilmember Lieberman was asking, that these things just don't show up on our doorstep. She said as she remembered it all started when there was a Council Items of Special Interest workshop and a Councilmember made statements regarding let's bring more arts to the downtown. She continued Mr. Friedman went to Mr. Lamb who works for him and said just make it happen. She asked what he did. Because that goes to what Councilmember Knaack is saying and Councilmember Lieberman is saying about what goes on behind the scenes to make these successes show up.

Mr. Friedman explained the story of how Mr. Lamb was able to secure the lease. Staff started looking at the opportunities in music culture and arts. Mr. Lamb started meeting with Jivemind over 3 to 4 months, and was able to bring them into the Glendale downtown area.

Mayor Scruggs asked so in that three or four month process, how many hours of his and Mr. Lamb's time was spent on this. Because that goes directly to what Councilmember Lieberman was saying – how do we use 2 ½ people?

Mr. Friedman estimated about 10 hours a week for several months.

Mayor Scruggs said this next item focused on the relationships with businesses such as GPEC and ACA and how Economic Development was able to capture the business opportunities.

Councilmember Lieberman noted that the \$19,000 shown was not as much for advertising for internationally or nationally known for being business related. He would like to see how much was dedicated to out of state advertising. He suggested considering even in tough times raising the amount of their budget for out of state advertising. He commented on the empty places on Centerline and offered this as a suggestion as well as dedicating any transfers to this budget. Mr.

Friedman explained the relationships the city has with media companies that help the city advertise out of state.

Councilmember Clark commented that along with business attraction, there should also be incubation, which was not seen anywhere in his Economic Development Department. She remarked how she recently heard that small business does not account for job creation, which surprised her. She explained new jobs were being created by new start-up businesses. She believes this was an area where they have been lacking and thinks it's the wave of the future and the direction they should be heading. She would like staff to look at the whole issue of business incubation to see what Glendale can finally do to make that core principal a reality.

Mayor Scruggs said next is the GPEC annual contract.

Mr. Friedman explained the contract is \$90,000 per year and is the county's arm of business attraction. In the last few years, the city has realized four locates from this contract and noted the net return totaled \$318,000 annually.

Councilmember Lieberman commented that GPEC was a very competitive process and he has had problems with them. He believes they do a good job for the Phoenix Metropolitan area; however, they have to fight them for every single thing that ends up in Glendale. He noted he often wonders if the \$90,000 could be better spent elsewhere. He added he does not believe they can stop the money going to GPEC, but it was a tough money year and does not know if they could do better with someone else.

Mayor Scruggs asked if GPEC lowered the contribution level a couple of years ago.

Mr. Friedman stated that for last year it was \$75,284 annually. The fee has now returned to \$88,500 annually.

Mayor Scruggs noted Mr. Friedman recommended in the report to continue the partnership and collaboration with GPEC. She believed GPEC has changed the way they do business quite a bit.

Mayor Scruggs said the next one is the Glendale Chamber of Commerce.

Councilmember Lieberman stated this item showed \$25,000. However, he believed they were contributing \$50,000 to the Glendale Chamber of Commerce. Mr. Friedman explained it was \$35,000 in total; however, he will have Ms. Schurhammer check the figure.

Councilmember Clark stated they had cut that down to \$25,000 years ago.

Councilmember Knaack explained that \$25,000 came from Economic Development and the other \$10,000 came from the City Manager's budget.

Councilmember Alvarez suggested they not provide the \$35,000 to the Chamber this year because of the crisis the city was facing. She believes \$35,000 can go a long way to help with

the city's budget for needed services. She would not support giving the Chamber any money when they have so many other pressing issues in the city, such as the furloughs.

Councilmember Knaack stated the \$25,000 was definitely needed at the Chamber since because of the bad economy, they have lost numerous memberships. She indicated there were many small businesses that really relied on the Chamber for networking and starting new businesses. She informed the Council that the Chamber does a lot more than they are given credit for. She noted the other \$10,000 could be looked at, but the \$25,000 was really the core the Chamber needed to survive.

Councilmember Lieberman stated he also supports the Chamber and does not want anybody to think otherwise. He noted he had been a 37 year member of the Chamber and does appreciate it greatly and all it does in the community.

Councilmember Alvarez stated she also appreciates the Chamber; however, the need was great elsewhere and the taxpayers are questioning where the money was going when there were other services where it was needed more.

Councilmember Clark indicated that based on this discussion, she recommends looking at the sponsorship level the city offers to the Chamber. She added she was not in favor of abandoning the Chamber, but also suggested they look at the \$25,000 to see if it could be reduced a little. She explained this seemed like a small amount of money; however, when added up, it might make a small difference in budget savings.

Councilmember Martinez said he supported the Chamber and the city should continue with the \$25,000, but would recommend looking at the \$10,000 to see if it could be cut. Vice Mayor Frate agreed. However, he does not support cutting too much because they will start losing partnerships and city pride. He explained how the Chamber was needed for business enterprise.

Mayor Scruggs said the next item in the budget has to do with the GIS system. Are there any questions?

Councilmember Clark asked if reducing from GIS to Costars reduces the budget from \$7,800 to \$2,320 or was that in addition. Mr. Friedman explained the programs and added this was a way staff has found to eliminate three of the products and still maintain the same level of service with Costar. Councilmember Clark noted that next year, if they make this change, they will not see a charge for the three other systems. She inquired what the total cost for Costar will be to the city. Mr. Friedman replied the total cost will be \$2,320. Councilmember Clark thanked staff for getting a great deal.

Mayor Scruggs said what happened is that all those GIS systems – it turns out that the City will only have one for next year from Costar for \$2,320. So even though the Council has all this in their book, what staff is telling us is that they're eliminating the other systems, is that what is being said? Mr. Friedman replied that was correct. Mayor Scruggs continued that staff should have had a big flag on it; it's the first one that's come up that's actually cutting the budget.

Mayor Scruggs said now we get to business development consultants.

Mr. Friedman explained the process. He stated this information was on pages 229 and 230.

Mayor Scruggs said she had questions. These folks here that are in the section on the bottom of page 229. Do they show up in other department's budgets with additional fees or are their entire fees paid out of Economic Development?

Ms. Schurhammer replied that all were paid out of Economic Development with the exception being any bond sales and transaction; the fees would be covered separately.

Mayor Scruggs said the reason she was asking is that it seems that Council discussed consultants recently in a workshop and Councilmember Lieberman asked for a listing of everybody and what their fees were and maybe Councilmember Alvarez asked that too. She continued when Council got the fees – well for the two that are mentioned here – she recalled each of those being more than \$204,000 just by themselves. She didn't see how \$204,000 could be for the two combined. There must be more fees somewhere else?

Ms. Schurhammer replied that the figures that were provided to the Council were actuals from prior years. Prior to FY 2011 the expenses were captured in the City Attorney's office.

Councilmember Clark asked if this related to what Councilmember Alvarez was asking about the transfer of funds totaling \$2 million. However, this only accounted for \$379,000 of that \$2 million.

Ms. Schurhammer replied that the amount Mr. Friedman provided was the draft budgeted amount for fiscal year 13.

Councilmember Clark remarked that in other words, staff considers the previous year an exceptional experience since the city had to come up with additional transfers to cover what they actually paid consultants. As a result, this year, they anticipate getting a much more modest figure of \$379,000. Ms. Schurhammer agreed.

Mayor Scruggs asked staff to provide Council with a breakdown on which firms these are and how much each gets. She asked if there were legislative consultants in Economic Development. She didn't believe that Economic Development had a legislative consultant, but maybe they do. She said that she would like, and thought the Councilmembers would also like, a breakdown on who gets the \$204,000 and the \$174,583. Which is what staff was saying will be spent next year or is it what's spent this year?

Councilmember Lieberman clarified the amount was \$376,583 when they were talking a week ago about consultants. He stated he would also like to know how they can possibly pay \$376,000 for consultants in Economic Development.

Ms. Schurhammer commented that it sounds like you are asking for FY11 actuals and fiscal year actuals to date for these consultants.

Mayor Scruggs said she was asking for what is being recommended for the next FY13 budget. She said based on information presented in other settings, she believed that the two consultants listed here – Tom Hocking and SRJ Consultants -- received additional funds out of other budgets, not Economic Development. Her question is, is that correct, is that not correct, and how much is the total that goes to those two? Also, on the \$174,583 bond consultants, which was probably Greenberg Traurig, who also gets paid out of other funds? Who is getting the \$174,583 for bond consultant and legislative consultants? Who are they? Do they get more money out of other funds? What is the total? She said it sounds like staff was going to project something less for FY13, which would be wonderful news and what would that number be? That's what she's asking; the others may be asking something else.

Councilmember Lieberman corrected his figure of \$374,000 and said it was actually \$378,583.

Councilmember Martinez asked if these firms were on retainer and do they have a contract for the year. Mr. Friedman stated he believes so. Councilmember Martinez asked if these firms had to be on a retainer or can they be used only as needed. Mr. Friedman explained the process and stated some were on retainer and some were only used as needed. Mr. Hocking collects a retainer and SRJ collects a base monthly fee and additional fees. Mr. Friedman advised he used them often for forecasting. He then provides a third party document that essentially verifies the city's findings. He concluded that it affords a level of professionalism and documentation that the clients deserve.

Mayor Scruggs said this historical information was also helpful because she really thought that these firms were used in other areas. And Mr. Friedman is indicating that they're used quite a bit. She said when the data is provided it will help her understand.

Mayor Scruggs said next is Rebates and Incentives.

Councilmember Clark inquired if staff was anticipating that the terms of these respective development agreements will be met in FY13. Mr. Friedman stated that for Coca-Cola and Bechtel, yes, however Sands was undetermined but it is budgeted in case the required number of cars sold is met. Mr. Friedman fully anticipates reaching the terms for the Bechtel and Coca Cola agreements. Mr. Friedman stated that, although he would need to verify, the last time Sands met the terms of their agreement was 07/08.

Councilmember Lieberman indicated a list of recently approved consultant fees. He asked for a list of where there was spending of more than a half million dollars for consultants. The list he has only lists information for only two departments. He would like this list by end of business day tomorrow. He noted something was missing from this and does not understand why the figure was so high.

Mayor Scruggs asked how many years does the Coca-Cola rebate agreement go.

Mr. Friedman stated the agreement expires next year, in 2013.

Mayor Scruggs asked if Sands is until a certain amount is paid out. Is that how it goes?

Mr. Friedman stated it expires in 2017.

Mayor Scruggs asked about the Bechtel agreement.

Mr. Friedman advised it also expires in 2017.

Mayor Scruggs said it would be about the same amount of money each year, the \$288,000 or is it higher in the first year?

Mr. Friedman advised it would be \$288,000 in FY13, \$288,000 in FY14 and a varied amount in subsequent years and the city would work with Bechtel to determine any payment.

Vice Mayor Frate noted the city did not pay any incentive unless businesses meet the standards of the agreement. He would like staff to explain that to the public in this fashion so they can understand how incentives work and why they were given.

Mr. Friedman explained how the city benefited from having these incentives. He commented that the first two years were tenant improvements so that Bechtel would come to Glendale and the subsequent years will actually be the Incentive payment to stay in Glendale. The number of employees Bechtel has in years three and four will determine the payment.

Councilmember Lieberman asked if the total to Bechtel was close to \$983,000 when it was all done. Mr. Friedman stated he was correct. Councilmember Lieberman stated he was delighted Bechtel was here in Glendale.

Mayor Scruggs said this brings us to the end of Economic Development and so far what Council has sent staff away with is a request to look at the \$10,000 sponsorship program that the City of Glendale is involved in with the Glendale Chamber of Commerce and to bring more information back. Also, to provide a breakout on the consultants and how they are used and who they are and so forth. Mr. Friedman told Council that his budget will be reduced by \$10,044 based on the elimination of these various GIS programs. She asked if there were any other changes to the budget that anybody here would like to suggest staff bring back more information on. Mayor Scruggs asked Mr. Friedman and would ask everybody else; does this department have anything that they can suggest that will reduce the Economic Development Department's budget while still providing the services that we expect?

Mr. Friedman informed the Council that a key employee in their department had submitted his resignation. Mr. Friedman was working with Human Resources and city management to determine if the position would be filled.

Mayor Scruggs commented that it kind of goes to some of the things Council had been talking about not having any vacancies when somebody goes, the position goes – eliminating all the positions so now we need to look at it in terms of what this does for building business in Glendale. She asked if this would be brought to Council in some fashion or what?

Mr. Friedman explained that discussions were taking place with Human Resources and management to determine if current service levels could be maintained.

Mayor Scruggs asked if the number would be kept at seven.

Mr. Friedman said that not necessarily, a determination would be based upon service levels.

Councilmember Clark stated she understood and sympathized with his plight of needing additional personnel. However, because of these economic times they were facing, they cannot make an exception for his department or else they would have to make an exception for everyone. She realized they had a small department and were stretched very thin, but she truly believes vacancies and frozen positions need to go. She remarked that when the economy rebounds, they can come back and make their case along with other departments that have suffered as well. The Council will then prioritize and choose those departments that need to be beefed up. She explained this did not go against the quality of work or what they were doing. She understands staff was working many hours with fewer personnel to try and deliver the same amount of quality service they always have. She noted that if they eliminate vacancies and frozen positions, they can save about \$5 million a year. Council really needed to do that to balance the budget because there was no other choice. She added she did not like delivering that kind of news, but it needs to be said.

Councilmember Martinez stated he had no problem eliminating vacancies discussed in the first budget workshop. However, to make a hard and fast rule at this time that all vacancies were automatically removed was not a good thing in his view. He provided an example of departments where more staff was needed. Therefore, he would prefer not to make a rule that as vacancies occur, that's it and not look into them. He prefers staff come back with justification and at that time they can determine the outcome and circumstance of that position.

Mayor Scruggs asked the Councilmembers how does this sound, if Council asks Mr. Beasley to present a policy. Because it sounds like these kinds of discussions would be occurring as you have these vacancies coming up. She continued that it would be helpful and would address some of the concerns that had been raised if Council knows under what circumstances a position that becomes vacant would be filled. And under what circumstances will management consider expanding and bringing in a new position. So that Council understands that and that will also make a big difference in what we expect from building the budget.

Mr. Beasley stated it was a great suggestion and staff was looking forward to building a policy for the upcoming budget that will talk about the current vacancies, but also the ones that are projected.

Mayor Scruggs commented that she thought it might help because it sounds like going hard and fast on anything usually ends up with unintended consequences. For people in the audience, Council had two of the members had to leave for a brief amount of time, Councilmember Alvarez and Councilmember Clark is assisting her so she asked for a brief recess and Council will reconvene when they return.

Mayor Scruggs called the meeting back to order and asked Ms. Schurhammer what was next.

Chuck Murphy, Executive Director, Technology and Innovation provided a brief summary and slide presentation of the following:

Information Technology, Telephones and Technology Replacement

FTEs: General Fund <u>27</u> , Telephone Fund <u>1</u> , Technology Replacement Fund (TRF) <u>1</u>	
Salary & Benefits (A6000)	\$2,683K
Internal Service Premiums (A7500)	\$580K
Non-Salary (A7000)	\$4,461K
(GF \$122K, Telephone \$891K, TRF \$3,448K)	

Mayor Scruggs clarified that it was pages 377 through 381. She asked Council, if they were comfortable following this process that they had been following. She asked Mr. Murphy to make his presentation brief because then Council would be going item by item and division by division.

Mr. Murphy gave a brief summary of the duties and responsibilities of the Technology and Innovation department.

Councilmember Clark commented on several divisions that have software programs. She inquired if they have staff that maintains those programs related to their departments. And if so, why are they paying for IT people in specific departments when this is the job of IT and they are not doing the work? She also inquired why some departments maintained their own IT staff.

Mr. Murphy explained that some departments have their own IT staff, which were power users, however at times it was necessary when they run into serious issues to fall back on his department to resolve those major problems.

Councilmember Clark went on record as not supporting any increase in FTE's anywhere for any reason. Mayor Scruggs summarized what happened prior to the break regarding staff will be providing a policy about under which circumstances a position would be filled and circumstances in which positions would be added.

Councilmember Martinez had a question on page 378 in regards to the \$2 million and the \$683,000 figure. He noted that by his calculations, there was an increase of \$362,000 in the FY13 draft budget for the addition of just two positions. He asked if that was correct.

Ms. Schurhammer said there are several things going on. There was the movement of three positions from the Library into the Technology department. At the same time, the budget assumes that there is the furlough, so the FY13 draft shows the increase due to no furlough. Additionally, the ASRS contribution rate has gone up.

Councilmember Clark noted staff has already built in the elimination of furloughs into the draft budget for FY13. Ms. Schurhammer explained that was the way they had presented the FY12 budget before. Councilmember Clark stated staff should have brought the Council both options. She continued that staff is already building that back into the budget.

Mr. Skeete explained the draft budget made no assumptions from staff levels, other than the ones that they know are facts. The salaries are what the salaries are, minus the furlough. However, when they bring the actual recommended budget, staff will put together a series of recommendations that may or may not include the continuation of the furlough and other changes to the budget. He noted staff made no assumptions other than to describe the services as they are at full cost as they know them today.

Mayor Scruggs commented that as a suggestion, because she thinks this is going to continue to come up, she asked Councilmembers, as a suggestion would it be helpful if staff presents the dollar equivalent of one day of furlough. Because what Council was trying to get to eventually is a balancing out of available revenue and available expenditures. So rather than – and she thinks what's unsettling is that there are decisions, whether it's eliminate all or there be a decision to put things in and maybe if everybody has what each day was worth they could work on it.

Councilmember Clark agreed that was a great solution compromise. Mr. Skeete agreed to show the Council those alternatives.

Mayor Scruggs said that once he knows what one day of furlough is worth to the city. Why doesn't he just send it in an email or something because it sounds like some Councilmembers are trying to do some balancing ahead of time and that may be helpful? So she was sure he had a number, because he had a number to eliminate 6 ½ days.

Mr. Skeete agreed to send that information to Council.

Mayor Scruggs continued that if everybody has that and that might be helpful. So Council will have – staff will provide a policy regarding when to fill positions and when to create new positions and what is the dollar amount of one furlough day based on the FTEs that have been built into this budget. She asked if that was acceptable to everybody. Yes.

Mayor Scruggs commented that Council would move to the actual activities beginning on page 380 with 25 FTEs devoted to information technology.

Mr. Murphy explained that Technology and Innovate had 25 FTE's that provided the basic key support for the city. That included networking, help desk, data and GIS staff, staff to support applications such as PeopleSoft and a technology support person.

Mayor Scruggs asked if there were questions on this item. She commented that this was 25 of the 29 positions that were in Technology and Innovate. She continued that she would like to ask a question and this is a very general question. And this goes to an earlier discussion about why there were three technology positions in the Library, but now they are over in IT. Last week Council dealt with this same type of situation where it had to do with custodial services and some departments – well the Library has their own custodians and everybody else uses other custodians and the fire department likes to clean their own place and so forth.

Vice Mayor Frate remarked no one likes to clean their own place, and believes they do it to save cost.

Mayor Scruggs commented that it shows up in different places that sometimes certain job functions appear in other departments. And as the professional...and maybe if it's too big of a question and he didn't want to answer it today, but as the city's IT professional, does he support having IT positions in other departments or does he feel it's a better service delivery to consolidate and have them all in one department? If he was not comfortable now, Council could have him come back.

Mr. Murphy explained that at times it did make sense to consolidate delivery, however, having an IT person at a local level also made sense. He added staff can look at some redundancy in some areas. In geographically dispersed areas, it would make more sense to have personnel not be consolidated.

Mayor Scruggs explained that she had perused the item and she recognized the time crunch. She asked if there had been discussions about eliminating the redundancy and bringing about some cost effectiveness by doing further consolidations here in Glendale, and if that's not being done, why is it not being done and if it could be done – what kind of time frame would there be?

Mr. Murphy stated those discussions had occurred and they are looking at ways to eliminate redundancy in several areas. He continued that by moving the library positions they were doing the consolidations.

Mayor Scruggs asked if there were further consolidations that could take place. She continued that she recognized that PD or Fire may have some other technology needs that need to be separate and she didn't know that. She asked if Mr. Murphy thought if this was a work project that there could be further consolidations for saving and elimination of redundancy.

Mr. Murphy explained that IT did manage the Police Technology staff. He continued that the police radio was under a different purview, however, the police technology staff are already be managed by IT.

Mayor Scruggs asked if Mr. Murphy thought there were other areas of the city where he could achieve some of the positive results that were achieved by bringing the three positions out of library and into the IT department.

Mr. Murphy noted staff can look at those situations on a case-by-case basis and then take the steps necessary to make those modifications. He explained how some of the IT personnel showed up in other department's budgets. He added staff has been looking and will continue to take advantage of those opportunities and any potential savings.

Mr. Skeete remarked this was one of the issues he has asked the IT department to look into - the various departments across the organization, to see where they can be consolidated and have discussed alternatives. He explained that other departments that had people with the generic titles of IT were in the Utilities and Water Department, have also been looked at. He noted that as of now, he believes they have the key IT people across the organization in the right place, however, they will continue to look for additional opportunities.

Councilmember Clark believes all IT costs need to be captured in the IT department because otherwise it provides a false sense of what the costs are for IT. She hopes staff finds a mechanism that shows the true cost for IT throughout the city. She also inquired if the department had a policy for IT response time standards.

Mr. Murphy explained the process and added their policy was to have a live person always handling requests that are returned within that business day. Councilmember Clark asked if he had any statistics for response times. Mr. Murphy replied the department keeps track of department calls, however, believes they don't keep track of response times. Councilmember Clark remarked those statistics should be tracked. She recommends they develop some sort of model that shows what kind of time response staff was making to those service calls.

Mayor Scruggs commented that under service alternatives it says IT has outsourced email archiving and is currently outsourcing email, resulting in an FTE saving. She asked if that reflected in the FY12 or FY13 budget and was that the one person that IT ended up net down one.

Mr. Murphy replied yes.

Mayor Scruggs asked if there were companies that just manage these things.

Mr. Murphy explained it made good business sense to outsource these two items. He provided examples of how the process works and the cost savings in manpower.

Mayor Scruggs commented that in the current performance data, which is very interesting and gives a lot of information, it refers to LEAN savings of \$10,404 staff hours and ongoing are 298% of returns on investment on employee time. She asked if LEAN was a particular project in the IT department that looks at how to generate efficiencies or what is it?

Mr. Murphy explained that LEAN is a methodology that was initially used in manufacturing however, it was found to be applicable in the business world. Training was created with a

curriculum and given to various city departments. He continued that there has been some success with this program.

Councilmember Clark stated she was familiar with the LEAN program and was pleased it was being used here in the IT program.

Vice Mayor Frate explained the importance of the IT department. He would like to see what can be done on their request of two additional IT personnel because he believes if IT goes down, everything goes down with it. He reiterated the importance of having a good solid IT staff with support. He remarked this was one of those things that you might as well just shut the city down if you don't have it. He supports having the policy that says if you need that individual, the Council has to look at it very seriously and not just make an arbitrary judgment on important department staffing because not everybody's department was equal. He explained that everyone wanted an IT person immediately when something went wrong, but were not willing to pay for it.

Mayor Scruggs commented that when she first came on Council, everything was manual and nobody wanted to change to computers either because people were comfortable writing everything in the ledger books and everything and look at how far the city has come and how much has changed. She continued that because as Mr. Murphy was talking about the 15 new applications come online, that's salary savings because now things are being done in an automatic way.

Councilmember Clark spoke to Vice Mayor Frate's comments and explained that when going through the budget, every single department will be important. However, the elephant in the room was that they were in a deficit and something has to be done about it. She stated it was incumbent upon them to cut where they can and they did not have a choice in the matter. She stated it was imperative they go through this budget in a draconian manner in order to create a leaner budget when discussions begin in March and Council can say they have looked at everything possible that can be cut.

Mayor Scruggs commented that the next one she doesn't think can really be discussed in terms of savings, but is one that she thought particularly important for the people that are listening at home and most in the audience, because it kind of puts things in perspective for everybody. Last week Council talked about whether they would pay the electricity bill or not. Council had Mr. Kent's department up and there was this payment for electricity over there in Public Works and how was the city going to put fuel in the vehicles and so forth. This next line item is telephones, has one FTE, salary cost, salary and benefits and all the other stuff was \$655,000. But it's also just under \$900,000 annually, which she assumed the city was paying to whoever provides the entire communications devices. And that goes right along with the question of is the electricity bill going to get paid to keep the lights on or will the city be able to put fuel in the vehicles and so forth. There are so many huge items that the city has no control over and this is one of them. And she thinks being on the outside and not being a part of the group who make everything – city government work – just when you think about \$900,000 to pay to the providers so that we can use telephones and we can use computers and so we can use the internet and all of that. So she thinks it's an important item. She asked if Mr. Murphy had anything to add.

Mr. Murphy commented that they are actively managing the telephone bills and reviewing for savings potential.

Mayor Scruggs commented that this is the one that drives her completely nuts, Technology Replacement. This is where all the other departments pay a certain amount of money out of their budgets every month and send it over to IT, is that it?

Ms. Schurhammer commented that the departments work with IT to determine what items are in each department. The budget office then determines the dollar amount. The money does not come out of the discretionary funds and allows for departments to determine what technology they actually have.

Mayor Scruggs commented that it says as a service alternative, the total cost of services related to this item is predominately city department inventory and various baseline items scheduled for replacement in the budget year. And that amount allocated for replacement was \$3,447,727. She asked what would happen if the city did not do this.

Mr. Murphy explained the process of replacement equipment items throughout the year as well as upgrading the equipment that becomes obsolete. He continued that items have not been replaced due to the financial issues. He said that each year you cut back, then the equipment will have to be replaced eventually, due to situations such as new operating system requirements. He equated the situation to a balloon payment on a mortgage and that it still needs to be paid, it will just be larger later.

Mayor Scruggs commented that it was the best explanation she had heard in all the years she had been at the city. She asked if the general fund had gone down more than 200 positions over the past three years or something then where did all the equipment from all those positions go.

Mr. Murphy stated that the PC's were collected when positions were deleted. He explained that they then used the equipment to replace other equipment when they needed it and at this time they had no stock left.

Mayor Scruggs commented that she was aware that the amount that was put into PC replacement in the budget process was cut for one or maybe two years – and she believed that Mr. Skeete's memo said that one of the things that needs to be done is to build that back up. So for this FY13 budget, does the \$3 million reflect full contribution replacement values or are they still at the diminished, reduced level?

Ms. Schurhammer explained the general fund amount is reflected at 40% and the other funds are still making 100% contributions.

Mayor Scruggs commented that she felt better the way it was explained. She continued that she has never been a fan of this, but when Mr. Murphy explained the ripple effects of it and the security aspects and every time the city does business with anybody ...she now understands.

Mayor Scruggs asked if Council had completed the IT budget. She asked if there was anything that he could offer to Council that would be a reduction in the overall budget for the Information Technology Department that would not be harmful to service delivery or strongly detrimental?

Mr. Murphy said he had nothing more than he had mentioned earlier.

Mayor Scruggs asked if any of the other Councilmembers had any questions. She continued that she appreciated all that he had shared regarding the efforts that are underway to constantly look for cost effectiveness and consolidation and so forth. Thank you.

Mayor Scruggs stated that next on the agenda - Compliance and Asset Management

Councilmember Clark asked to make a few comments before the presentation. She stated that when they talk about importance, the city auditor was absolutely critical to the City of Glendale.

Candace Macleod, Compliance and Asset Management, provided a slide presentation on this item:

City Auditor, Materials Control Warehouse and Materials Management

FTEs: General Fund 9.3

Salary & Benefits (A6000)	\$738K
Non-Salary (A7000)	\$34K
Internal Service Premiums (A7500)	\$20K

Mayor Scruggs asked the Council if they had any general questions on the FTEs or should they go right into functions? Okay, right to functions. Okay, two people performing the city auditor position. She asked if Council had any questions regarding this item. Mayor Scruggs asked where does the cost for the audit that's done by the outside sources come in? Ms. MacLeod advised that the outside audit was managed by the Finance Department. Mayor Scruggs continued, asking if they did internal audits. She also inquired if the auditor had a projected list of who is coming next – what departments – how many departments.

Ms. MacLeod explained the audit procedures. She explained that audit prepared a quarterly risk based plan that included new or high dollar projects and management requests for audits. The Court also requires a minimum accounting standards audit every three years.

Mayor Scruggs asked if Ms. MacLeod's department audited other departments. She commented that before Ms. MacLeod there were other people in the position. She recalls Council would receive reports that came about after the internal auditor had audited a department and recommendations were made for changes and then the department would say whether they agreed or not and so forth. She asked if Ms. MacLeod or someone in her department do those kinds of audits.

Ms. MacLeod replied, yes, they still prepare reports with recommendations.

Mayor Scruggs asked if they audited every single department on a regular basis.

Ms. MacLeod said that in the time she has been with the city she has touched on most if not all departments.

Mayor Scruggs commented and then you go back over and start them all over again? Ms. MacLeod said yes.

Mayor Scruggs asked if anyone else had any other questions. She had a question that has to do with functions in purchasing. That's fairly new as coming under this auditor, is that correct? Ms. MacLeod advised that she was assigned the department as part of the organizational restructuring.

Mayor Scruggs said okay here is the question. The auditor has to conduct audits that involve department's procurement card audits, policies and procedures having to do with procurement and so forth, but the auditor – a supervisor of the same department – the auditor is auditing. She asked if Ms. MacLeod saw any sort of conflict there.

Ms. MacLeod said that per the audit standards she should not oversee anything she audits. She has requested management to transfer the duties to someone else. Also, per audit standards she could audit these areas one year after relinquishing the department's management duties.

Mayor Scruggs commented that at this point nobody is auditing purchasing? She isn't saying that bad things are happening, but at this point nobody is auditing purchasing because the auditor is also the manager of purchasing.

Ms. MacLeod commented that it could be the assistant city auditor that could audit it or it could be outsourced.

Mayor Scruggs asked why they were combined. Why were two functions that don't work well together, combined in the first place?

Ms. MacLeod said she took on the role as assigned but since the role is so time consuming she has requested management assign someone else.

Mr. Beasley explained that when the reorganization initially took place, there were some areas where they looked at change and Ms. MacLeod indicated that she had the expertise in this area and job description. Since that time, the request to move that department to someone else will take place in FY12 to avoid any conflicts that may exist. Mr. Skeete agreed the change will occur in FY12 or sooner if the opportunity arises before the next FY.

Mayor Scruggs commented that it just seems that Ms. MacLeod is to ensure that the city is in compliance of all rules, polices, regulations and so forth and she is telling Council that the city is not in compliance.

Councilmember Clark agreed that it was absolutely critical that the auditor remain independent from any other functions within the city.

Mayor Scruggs asked if Ms. MacLeod had anything to suggest to Council that will reduce the department's budget besides moving purchasing.

Ms. MacLeod remarked that all three departments have already been streamlined and she does not see any other areas where they can implement any further cuts.

Mayor Scruggs stated that next is Financial Services

Diane Goke, Finance Director, presented a slide presentation. The information is as follows:

Management & Budget: Budget & Research and Grants Administration

FTEs: General Fund 6

Salary & Benefits (A6000) \$654K

Non-Salary (A7000) \$25K

Internal Service Premiums (A7500) \$9K

Councilmember Clark remarked this was the first department that has come forward with a reduction of two FTEs in accounting service and one FTE in budget and research. She was very appreciative for their resourcefulness. Ms. Schurhammer stated that all three have been eliminated.

Councilmember Lieberman asked a question on page 234 regarding arena event operations and management fees. He noted they were showing a \$20 million figure for FY13. Ms. Schurhammer stated he was correct. She explained that was built in as part of the adopted budget for FY13 since they do not know what the cost will be or what will happen with the Coyotes issue. The staff has allocated \$20 million in the draft budget for fiscal year 2012-13, which begins July 1, for the management of arena. Ms. Schurhammer said the \$20 million reflects the amount in the current-year budget.

Councilmember Lieberman asked if staff was assuming that was the amount of what it was going to cost the city. He added that in FY 12 they show \$25 million with \$5 million missing.

Mayor Scruggs commented that when the budget was built, they did not know where it was coming from.

Councilmember Lieberman remarked his whole point was that he wanted to know where it was coming from.

Ms. Schurhammer said \$20 million was in escrow and they have to identify where the \$5 million will come from and set up an inter-fund loan like in fiscal year 2011. Councilmember Lieberman

noted that the season will end before the end of their budget year and he believes they should decide sooner.

Mayor Scruggs commented that she thought it is important to say this because there have been a lot of accusations about things being done in secret. Council took that action during the budget meetings. It's not a matter of what your understanding is – Council talked about it openly, and Council took action right here at the Council meeting. But she was going to wait until this meeting had progressed to page 241, but seeing how the meeting needs to end at 5:00 p.m., she wanted to talk about this because this is the elephant in the room, right here, this \$20 million. So she is once again asking her colleagues for support in developing Plan B. As Councilmember Lieberman said, this all ends by April 30<sup>th</sup> because that's when the NHL has to make their schedule and decide where the teams are going to go. Now there was great excitement today in the news - that a deal was imminent and so forth and so on. So she would like to just tell you that the newest information now is that the NHL is disputing all that. So that's the latest on AZcentral.com. And then it says Phoenix Coyotes Sale Not Imminent, according to the NHL. And it says here that – “Deputy Commissioner Bill Daly, on Friday, denied the report.” On Tuesday – “Daly said there is no clear end in sight and he cautioned fans to expect word of a sale in coming days. I will be very surprised if there will be any type of announcement this week. A Glendale spokeswoman offered no updates. We are still in the negotiation process.” She continued that everybody has a Plan B but the city. The NHL, if the city doesn't work out a deal here in Glendale, there will be someplace else they're going to send the team, maybe somewhere here locally, maybe in another state. I'm sure Mr. Jamison knows if he can't work something out in Glendale, maybe he is ready to take the team somewhere else. The city doesn't know what the baseline amount is. She knows that Councilmember Alvarez is very upset that Council spent anything at all in this area, but the city still has to run that arena and the city still doesn't have that baseline cost. So, the city is plugging \$20 million in. The city has no Plan B and it is way past time to discuss this. She is not comfortable with building the budget without knowing there is no other option or without knowing this is the full amount. She commented that she had been asking for this since June and had received no support.

Councilmember Lieberman stated he supports her.

Mayor Scruggs stated that no, he did not support her because when Council talked about this in September, they went right down the row and every one of you said no. It's on tape and in the minutes and you can listen to yourself. Everyone said no – it would mess up the deal. She continued that just like some of the citizens want to bring in minor league hockey – Council doesn't want to talk about that – they don't want to talk about anything. And she believes that the NHL has to make their schedule in May. Is that right?

Mr. Beasley said he spoke with NHL Deputy Commissioner Bill Daly on Tuesday and that Daly indicated negotiations were moving forward and the commitment was to keep the team in Glendale. He added they did request from the NHL what the actual costs are separated from the team should the operation of the arena have to take place. He stated the \$20 million figure was the top side of that amount. He said city staff next month will provide the cost for the city to manage the arena. He said that now was an appropriate time to talk about a Plan B.

Mayor Scruggs stated that she only wants to know the cost. She continued that anything in revenue would be a nice surprise because it would add money into the budget and reduce cost. What she has asked for repeatedly for over a year, and as everyone knows she did ask one of the prospective buyers, and she does have his number. What she has asked is what will it cost the city, because there is some sort of unwillingness or inability or something on the part of some people to understand that there is a cost there; whether there is a hockey team or not. And she wants to know what that cost number is and she wants that put in here, because that would be what the city would have to spend. Now if the city has entered into some agreement with somebody and is going to spend more – then that bigger number should be in. But she doesn't find Mr. Daly's comments to be helpful in the least. He says "there is no clear end in sight" that does not sound like the city – the city doesn't have time to fiddle around with this.

Councilwoman Norma Alvarez said she opposes spending any more money to keep the team in Glendale when employees are on furlough and library and recreation programs are cut. She stated that if the city had the money she would have no problem with it. She noted she was not here when the first vote occurred, however, she would vote against it then and now. She indicated that most of the comments she receives were against the Coyotes.

Councilmember Martinez stated when Plan B was first brought up; staff had indicated that to do that at that point might adversely affect negotiation. However, he would like to know what Mr. Beasley's opinion was now. Mr. Beasley explained that this was first brought up at the beginning of the season and the first part of their management contract. Therefore, the NHL partners recommended not discussing a Plan B because it might have an adverse impact on ongoing negotiation as well as team revenues. He said that now was an appropriate time to talk about a Plan B. He added that Glendale has done all it can do since the city does not sell or buy the team.

Mayor Scruggs commented that she has been asking for that for almost a year. What is that cost if the city is to make a decision and vote on whether to enter into an arena management agreement? Just because the NHL decides they want to sell the team to a particular individual or group does not mean that the city is going to go along with it. And how does Council make a decision if the alternative is not known and that is what she has been asking. She continued that she hasn't been asking that the city sit around and debate whether Council is going to vote on a management agreement or not. That is not what she is asking. She is asking, give Council the information so they can decide if it's a good thing or not.

Councilmember Martinez asked Mr. Beasley if he could provide a figure on what it would cost to operate the arena. Mr. Beasley stated he could not tell them the exact amount it would take to operate it independently; however, they can provide a range. At this point, he did not want to provide a figure until they had a chance to do a full analysis which they are looking into now. He noted that staff has clearly understood what the Council needs and have made that request to the NHL to provide what those separated costs were.

Councilmember Martinez recalls Mr. Beasley providing a figure of \$50 million if the team were to leave. Mr. Beasley restated he did not want to provide a figure at this time. He added staff will have information they will provide the Council in the next two to three weeks in time for the budget discussions on alternatives should they not have concluded the negotiation regarding the Coyotes.

Mayor Scruggs addressed Councilmember Martinez, the Council is the policy making body – Council sets the deadline. There has to be a time at which the city pulls the trigger or else it'll be just like it has been the last two years, back against the wall with 24 hour notices or less – Council either agrees to have the NHL manage the arena or the team's gone and there is no back-up plan. Everybody has pooh-poohed this whole thing about a minor league team. Well the city can be looking into that. But what she is hearing is that, the city owns the arena and the NHL says they will take it under consideration to let the city know how much it costs to run that arena? They are going to think about whether they want to tell us that or not?

Mr. Beasley noted that what he said was that they were looking at other sources of information to try to bring back a qualified figure.

Mayor Scruggs continued but the NHL said they will consider whether they will tell the city that or not. That's what City Manager Beasley said.

Councilmember Martinez stated he will be willing to wait until the second week in March and if they do not have that information by then, something has to be done. He reminded everyone in the audience there will still be a cost to the city regardless if the team stays or leaves. He added for those inquiring, the city does not have \$20 million hidden somewhere, in case anybody's wondering.

Mayor Scruggs commented oh, you mean the email. She was going to send the sender an email back and tell him it's not hidden, that he can go on page 244 and look under FY13 and there it is. There is no secret or anything going on there.

Councilmember Lieberman reiterated he still wanted to know where the \$5 million was coming from since he can't find it anywhere in the budget. He supports the Mayor in creating a Plan B.

Councilmember Clark explained the reasons why she had gone along with staff's request of not starting a Plan B earlier. She respected staff's recommendation that it might have sent the wrong signal to the NHL and to any prospective buyer. However, at this point, as staff, the Mayor and Councilmembers have said, it is now time to look at Plan B and staff is prepared to do that. She was willing to wait until the middle of March to see what that Plan B entails. She said the thing that upsets her was to hear a number of people saying they should not pay any more money for hockey. She wonders why people don't understand that the city still has to pay for the arena and to keep the lights on and pay all the utilities as well as find events to fill it. She noted that whether the team stays or whether the team is gone, there is a bill that has to be paid. She referred to the 42 nights of revenue the city receives that will be gone if the Coyotes leave. She

was comfortable using the \$20 million as a place holder for now until they receive more secure figures.

Councilmember Martinez asked how much was currently paid for the arena. Mr. Skeete stated the fee was about \$42,000 or \$43,000 per month. He added it came out to \$480,000 per year, not including surcharges.

Mayor Scruggs commented that Council had gone way past the 5:00 p.m. time that they needed to stop. But she thinks, personally, it was important to get this topic out on the table because this is the elephant in the room and this is the issue needed to be understood a little better than some of the misinformation that has been handed out. So, Council will come back next week and pick up with Financial Services, which is where Council is right now to be followed by Parks and Recreation and Library to be followed by Communications, Development Services and everything exactly as it was listed on the agenda for today. She addressed the Councilmembers, asking if there was anything else they would like to see before the meeting is closed.

Councilmember Martinez suggested having the meeting here again.

Mayor Scruggs said to plan to meet in the Council Chambers and post it to meet there, so staff doesn't have to do the rearranging again?

Vice Mayor Frate stated he also supports getting the information from staff in mid-March.

Councilmember Alvarez asked a question on page 234 regarding a tax refund on the stadium.

Ms. Goke commented that the tax was collected by the city and then refunded back to the AZSTA as part of the agreement.

Mayor Scruggs asked that staff explain why it's not just because the city wants to give them money. She continued, asking for an explanation about the official bid process and what the city's obligations are and when do they end.

Ms. Goke stated that as part of the agreement, the city collects tax at the stadium, and pays the AZSTA back for some of the infrastructure.

Mayor Scruggs commented that this is paid back not to the Cardinals, but to AZSTA, which is the Arizona Sports and Tourism Authority that put out the original bid to cities as to whether they wanted to have the stadium located in their city or not. And there were certain requirements for infrastructure that were part of that bid and it went to everybody. So this is paying for that infrastructure?

Mr. Skeete explained that this is not only for the infrastructure for the stadium. This was also for infrastructure that benefits the entire west area and surrounding areas. He added the agreement was that the city would pay the AZSTA back from the sales tax collected at the stadium for the general fund sales tax.

Mayor Scruggs adjourned the meeting.

ADJOURNMENT

The meeting was adjourned at 5:24 p.m.