

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

**MINUTES
CITY OF GLENDALE
CITY COUNCIL WORKSHOP
March 1, 2005
1:30 p.m.**

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

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

1. 2005 STATE LEGISLATIVE UPDATE

CITY STAFF PRESENTING THIS ITEM: Ms. Miryam Gutier, Intergovernmental Programs Director; Ms. Dana Tranberg, Intergovernmental Programs Deputy Director; Ms. Kristin Skabo, Deputy Director, Intergovernmental Programs

This standing workshop item will update the City Council on legislative bills and issues that may impact the city or require immediate policy direction.

The Intergovernmental Programs staff recommends prioritizing the city's 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 City of Glendale 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 come before the Council on a regular basis throughout the session for direction 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 47th Legislature's 1st regular session began on January 10, 2005.

The first City of Glendale legislative agenda for 2005 was provided to the Council during the January 4, 2005 workshop and included staff recommendations on general legislative policy issues. The Council provided policy direction on the 2005 Glendale legislative agenda.

The second City of Glendale legislative agenda for 2005 was provided to the Council during the February 1, 2005 workshop and included staff recommendations on several key bills. The Council provided policy direction for those bills.

The key principles of Glendale's legislative agenda are: (1) to preserve and enhance the city's ability to deliver quality and cost-effective services to citizens and visitors; (2) to address quality of life issues for Glendale residents; and (3) to enhance the City Council's ability to serve the community by retaining local decision-making authority and maintaining fiscally balanced revenue sources.

The recommendation was to review this item and provide staff direction on the proposed legislative issues.

Ms. Gutier reported 1,240 bills have been introduced into session, of which, only one has made it through the process and been signed by the Governor. She stated budget talks begin this week with House and Senate leadership.

SB1115

Ms. Gutier explained SB 1115 is a striker bill that came forward a couple weeks ago that provides tax relief to citizens by reducing the state income tax. She explained the legislature would ask that City Council by a two-thirds majority vote implement a city income tax to make up the difference of what it would lose in State Shared revenues. She said staff's recommendation is that the city not support the bill. She stated, at this point, the bill does not appear to have enough votes to get out of the Senate, but they need to keep up the pressure and educate legislators as to why the bill hurts rather than helps citizens.

HB2508

Ms. Gutier stated HB 2508 is part of the Business Coalition's package and reduces class I taxes from 25 percent to 20 percent over a five year period. She stated the impact of the bill to the city would be approximately \$3 million, however, the impact to homeowners and education is supposed to be made up through the state appropriations process. She reported the bill has moved quickly through the House and has a good chance of passing through the Senate.

Council Member Clark noted advocates of the bill are conducting telephone surveys.

Mayor Scruggs asked if the message being sent out is that a homeowner's property taxes will not be negatively impacted. Councilmember Clark said every question in the survey implied the reduction in Corporate property tax would not hurt homeowners. Mayor Scruggs asked if a message is being sent to the Legislature that state revenues will not be impacted. Ms. Gutier said she has not yet heard that argument, explaining the coalition's focus has been on the net zero affect on homeowners.

Ms. Gutier noted the bill has an even more important impact on cities in that they would lose bonding capacity in addition to revenue. She said Glendale's analysis shows Glendale's bonding capacity would be impacted by \$15.8 million in the six percent bonding category and \$52.8 million in the 20 percent bonding category.

Mayor Scruggs said the impact to bonding capacity is a more serious consequence for cities that are trying to provide amenities and facilities for the public. She asked what happens if the reduction in assessed valuation puts a city over their bonding authority. Mr. Shuey explained the effect would only be to cities issuing new bonds. Mayor Scruggs asked if the city would look to its General Fund to make up the difference in bond indebtedness. Mr. Shuey explained the city would not be allowed to sell new bonds if its bonding capacity were reached or exceeded as a result of the reduced assessed valuations. He said, therefore, the city would have to increase its secondary property tax to offset the shortfall. Mayor Scruggs pointed out an increase in secondary property tax rates would impact the homeowner. Mr. Shuey agreed. Mayor Scruggs asked if there is any regulation in the bond covenants that says bond indebtedness must be paid by property tax. Mr. Shuey said General Obligation Bonds are backed by the full faith and credit of the city, which means the bonds must be repaid. He stated the bonds are typically repaid through property tax, although they could be repaid through other sources. He noted, however, if another source of repayment is available, the city is obligated to raise its property tax to meet the debt service payments on the bonds. Mayor Scruggs said, while the city will increase its assessed valuation through new development, it is not known at this time if that increase will keep pace with the phased in decrease set forth in the bill.

Councilmember Lieberman pointed out the bill would still decrease the city's bonding capacity which is based on the value of property taxes. Mr. Shuey agreed.

Councilmember Clark emphasized the bill also impacts school districts that rely on the same mechanisms on which the city relies, stating homeowners could face property tax increases from one or more school districts as well.

Councilmember Martinez asked if the bill is receiving strong support. Ms. Gutier said the bill is the top priority for the business community and chambers. She said it is also a majority leadership program in the House and Senate.

Councilmember Clark asked if the school districts are arguing against the bill. Ms. Gutier said they seem to be working the bill, but they do not appear to be out in front with their opposition.

Councilmember Frate asked what are the sponsors of the bill telling cities. He suggested they need to show the worst-case scenario to give people a full understanding of what the bill could mean to cities and residents.

Councilmember Lieberman said the bill is misleading in that the reduction from 25 percent to 20 percent represents a 20 percent reduction, not a five percent reduction, in the assessed property value. Ms. Gutier agreed, stating the rebate to homeowners is intended to give homeowners the impression that the bill is revenue neutral.

Mayor Scruggs reiterated the more harmful effect is that it will bring capital improvement projects to a standstill and force the city to raise property taxes on everyone to meet bond indebtedness. She referenced a newsletter from the Chamber wherein they voiced their support of the bill; stating, however, no one appears to understand the impact the bill will have on schools and cities.

Councilmember Frate pointed out the business community wants to reduce the percentage even further in the future.

Mayor Scruggs said the ultimate goal is parity between homeowners and commercial.

Councilmember Lieberman emphasized that the penalty will stay with the city until another legislature raises property taxes, which is not going to happen.

Ms. Gutier stated the business coalition will be back again next year if the bill does not pass this legislative session.

Councilmember Clark asked what fiscal impact will there be to the state as a result of the reduction in assessed valuation. Ms. Gutier was unable to say. She noted the appropriation to make up the homeowner rebate will be approximately \$40 million.

Mayor Scruggs said proponents of the bill truly believe the assessed valuation will grow equal to the decrease.

Councilmember Martinez explained proponents of the bill also believe it will attract more business and industry to the state.

Councilmember Lieberman suggested the League of Cities bring the cities together to actively lobby against the legislation. Ms. Gutier stated the League developed a spreadsheet indicating the impact to every cities' bonding capacity.

Ms. Gutier clarified for Vice Mayor Eggleston Glendale would lose \$20.1 million in estimated revenue over the five-year phase-in period. Vice Mayor Eggleston pointed out the loss equates to about \$80 or \$90 per resident, stating it would be very difficult to make the difference up through a city imposed income tax. Ms. Gutier stated there are several questions surrounding the issue, including whether the tax would be imposed based on where a person lives or works. She stated there is also a concern about double taxation.

Councilmember Goulet said it is easy to understand how the public could be confused by the issues surrounding the bill. He suggested they educate residents about the personal impacts the loss of revenue to the city will have on them, including the loss of certain services.

Mayor Scruggs pointed out the budgets for Libraries and Parks and Recreation are almost identical to the amount the city would lose through the loss of income tax revenue sharing.

Councilmember Lieberman asked if ARS §15-972 prevents the city from raising secondary property taxes. Mr. Shuey responded no, stating when the city issues General Obligation bonds it is actually obligated to raise the secondary property tax if necessary.

SB1201

Ms. Skabo explained several amendments were put on SB1201 in the Finance Committee, exempting out infrastructure owned or furnished by the city and historical districts and limiting the bill's provisions just to Maricopa County. She stated Council previously agreed not to support the bill and staff recommends they stay with that position as the amendments do not change the fact that the city would have to give up its state shared revenue if it offered tax incentives.

SB1274

Ms. Skabo stated there were several amendments to SB 1274 as well, including that the findings must be made by an independent third party before the city enters into an agreement, that the findings must be voted on by the Council and receive a two-thirds majority vote without the use of a Consent Agenda, and the development agreement must be voted on and approved by two-thirds majority. She said there must also be a public meeting every two years during the duration of the incentive to provide the status of revenue and expenses associated with the incentive. She stated it also changes the finding that the business would locate in the city in the same time, manner and place to where it would locate in the state in the same time, manner and place. She said the bill has been calendared on the Committee of the Whole and will be heard by tomorrow. She said an amendment will be proposed on the floor to change the last finding back from the state to the city. She said Council originally took a neutral position on the bill, but due to the number of amendments to the bill, staff recommends the position change to one of not-support.

Councilmember Lieberman asked about 1187-Court Fines. Ms. Gutier said the bill is similar to the Court Sweep Bill that went through last year, essentially setting fines, fees, and forfeitures that the court receives in 2005 as the baseline figure, with 75 percent of anything received above the baseline diverted to a special DPS fund. She said an amendment was placed on the bill making it applicable only to citations issued on a controlled access highway. She said the only issue the city would have is if DPS decided to cite in the municipal court versus the justice court, however DPS and the Highway Patrol Association have indicated it would be difficult to switch from a justice court to a municipal court. She stated, therefore, there should be minimal impact to the city. She said the bill is scheduled to be heard in Appropriations today at 4:00 p.m.

2. FEDERAL PROGRAM UPDATE

CITY STAFF PRESENTING THIS ITEM: Ms. Miryam Gutier, Intergovernmental Programs Director; Ms. Kristin Skabo, Deputy Director, Intergovernmental Programs

This is an update and status report on the city's Federal Program for City Council review and discussion. Staff will be present to discuss the purpose and outcome of a recent trip to Washington D.C., new federal appropriations requests by the city, and efforts by city departments.

The Intergovernmental Programs (IGP) Department staff traveled to Washington D.C. with the Glendale Fire Department to advocate for the continuation of the Metropolitan Medical Response System (MMRS) program. The Glendale MMRS Coordinator, as legislative coordinator for the Arizona MMRS cities, engaged the IGP Department for assistance in scheduling appointments with the proper congressional members and staff for maximum effectiveness during the visit. Included in the trip was fire and police staff from the cities of Tucson, Mesa and Phoenix, Arizona, as well as the cities of Stockton, Oakland and Anaheim, California.

The group met with the offices of Arizona Congressmen Pastor, Grijalva, Shadegg, Kolbe, Hayworth, Franks, Senator Kyle, California Congressman Christopher Cox (Chairman of the House Homeland Security Committee), Pennsylvania Congressman

Carl Weldon, Massachusetts Congressman Ed Markey (he is circulating a letter of support for the MMRS program) and staff from both the House and Senate Appropriations Subcommittee on Homeland Security. In addition, the group met with high-level staff from the Office of Domestic Preparedness under the Department of Homeland Security. The California MMRS staff also met with a number of California Congressional representatives.

The group explained the MMRS program to those unfamiliar with the program and advocated for the continuation of program funding. In the 2005 appropriations process, the MMRS program was decreased by \$20M to \$30M, yet was almost canceled due to an effort by the Senate to “zero out” the program. The MMRS cities around the country headed by Arizona and California on this trip are proactive this budget year to assure all members understand the value of the program.

All members with whom staff met agreed to support the MMRS program in some manner. Some will have direct contact (Congressman Kolbe is on the Homeland Security Subcommittee), and others will only vote for the final bill. The meetings with staff of the House and Senate Homeland Security Appropriations Subcommittee were important in that these committees will be the first place the appropriation for MMRS could be included or excluded. The MMRS group understands that more effort is needed to assure the Senate does not exclude the program again this year. The IGP Department will continue to work with the Glendale MMRS Coordinator to advocate for the program as part of the city’s federal legislative agenda through the budget and appropriations process.

Federal Appropriations Requests and Efforts: The city has requested two appropriations of Congress for Council approved programs.

- \$35 Million for the Northern Avenue connection to Loop 303. Congressman Pastor has submitted this project for Glendale as part of the TEA-21 Reauthorization bill. This bill is the six-year bill authorizing expenditures for all transportation and transit related projects.
- Funding for the Joint Public Safety Training Facility. Congressman Franks will support federal assistance with the construction of the Joint Public Safety Training Facility as a priority for his office. As of the date of this report, no amount has been requested of Congressman Franks as more information on the proper funding source for the request has yet to be identified. The IGP Department will update the Council as soon as the figure is determined.

The IGP Department is working closely with the Community Partnerships Department to advocate against the proposed changes to the Community Development Block Grant (CDBG) program. Both departments are attempting to educate Congressional members about the implication of the changes proposed in the President’s budget.

This effort is also underway with the National League of Cities, the U.S. Conference of Mayors, and a number of other National organizations.

This report adheres to the requirements of the Federal Program approved by the Council on February 1, 2005 to regularly report back on the city's federal efforts.

This report was provided to Council for information and discussion.

Ms. Skabo said they traveled to Washington February 15-18 to assist the Glendale Fire Department with ensuring the continuation of the MMRS program, explaining the President's budget provided no funding for the program. She said the Glendale, Phoenix, Tucson, and Mesa Fire Departments, along with Fire Departments from three cities in California, met with the Arizona and California delegations to convince Congress to keep the \$50 million originally appropriated for the program. She said they were also lucky enough to get a meeting with Congressman Christopher Cox, the newly named Chairman of the House Homeland Security Committee, Congressman Markie from Massachusetts, and Congressman Weldon from Pennsylvania. She said they also met with staff from the House and Senate Homeland Security Appropriations subcommittee. She reported receiving a good response from most of the offices, with many people offering to be more active in preserving the program. She stated they are working to mobilize partners from other cities who were not with them on the trip and will continue to discuss the issue in March and April when their staff again travels to Washington.

Councilmember Frate emphasized the importance of explaining the impacts and benefits of the program to the legislators.

Ms. Skabo stated Glendale has requested two line item appropriations from Congress. She said the first is for \$35 million for the Northern Avenue connection to the Loop 303. She stated Congressman Pastor has agreed to submit the city's request. She explained the second request is for funding for the construction of the joint public safety training facility. She reported Congressman Franks has agreed to sponsor the request and has told Glendale he will make it a priority. She explained the specific amount of funding will be determined by the appropriation bill through which it is requested.

Ms. Skabo stated the President's budget proposal eliminated the Community Development Block Grant program. She said there have been a number of efforts made by the National League of Cities, US Conference of Mayors, and individual cities to explain to Congress that the President's proposal will hurt far more than will be gained with the new programs being proposed.

Councilmember Clark pointed out part of the CDBG grants go to the Senior Meals on Wheels program, suggesting they enlist the senior community to lobby against the proposed cut. She stated no one element of the community would be left unaffected by the loss of the CDBG program. Ms. Skabo agreed.

Councilmember Frate explained the President's Strengthening America's Communities initiative groups together CDBG, Community Service Block Grants, the USDA, and Treasury programs, with funding of only \$3.7 billion. He noted last year CDBG alone had \$4.1 million in funding. He stated Arizona already ranks last nationwide in terms of the money it receives for the Low Income Housing Energy Assistance Program because of the belief that cold weather states should receive the bulk of funding, noting they want to cut that program's funding by \$100 million.

ADJOURNMENT

The meeting was adjourned at 2:45 p.m.