



**MINUTES OF THE
GLENDALE CITY COUNCIL SPECIAL BUDGET WORKSHOP &
EXECUTIVE SESSION AGENDA
Council Chambers – Workshop Room
5850 West Glendale Avenue
April 23, 2012
8:30 a.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; Craig Tindall, City Attorney; and Pamela Hanna, City Clerk

1. CITY MANAGER'S FY 2013 RECOMMENDED OPERATING BUDGET AND FY 2013-2022 RECOMMENDED CAPITAL IMPROVEMENT PROGRAM (CIP)

PRESENTED BY: Sherry M. Schurhammer, Executive Director, Financial Services Department

This is a request for City Council to provide direction regarding the overall FY 2013 recommended budget as explained in the FY 2013 City Manager's Recommended Operating Budget Memo. The City Manager continues to develop the FY 2013 budget and will provide initial budget revenue and expenditure estimates to Council for review, discussion, and subsequent publication on May 14, 2012.

This also is a request for City Council to review a FY 2013-2022 Capital Improvement Plan (CIP) as explained in the FY 2013-2022 City Manager's Recommended Capital Improvement Plan Memo.

City Council requested staff to return with revised General Fund (GF) balancing figures based on Council's direction regarding additional reductions and revenue enhancements that was provided at the April 17, 2012 budget workshop.

The City Manager's recommended operating and capital budget for FY 2013 continues to focus on Council's strategic goals within the constraints of the various funding sources that comprise the operating and capital budgets.

FY 2013 is the fourth consecutive year that the GF shows a gap between GF ongoing revenue and GF ongoing expenses including transfers. The annual shortfalls (before balancing measures were implemented) that were presented as part of each FY's City Manager's recommended budget are indicated below:

- FY 2010 identified a \$14.4M shortfall
- FY 2011 identified a \$31.6M shortfall
- FY 2012 identified a \$27.1M shortfall
- FY 2013 identifies a \$35M.shortfall

The two principal balancing actions used during the recession and the long recovery period to address the GF operating deficits were streamlining service delivery and using GF fund balance to offset GF deficits based on a strategic, business-based approach that was phased in over time. This resulted in a mix of ongoing and one-time measures each FY to balance GF ongoing operating expenses, including transfers, against GF ongoing operating revenues.

The FY 2013 recommended operating and capital budgets provide a multi-year path to improved financial stability as the economy improves and the city grows out of the challenges caused by the recession. On the operating side, the recommended budget provides for:

- Gradual rebuilding of GF fund balance to address the declining GF fund balance that led to a downgrade in the city's bond rating in January 2012. The downgrade is a signal that we must begin rebuilding the city's GF fund balance.
- Continuation of debt service restructuring to establish a payment stream that is more in line with available resources
- Continued evaluation of departmental operations to increase effectiveness (adding value) and efficiency (maximizing resources)
- Continued stable funding for public safety
- End of employee furloughs and MOU deferrals
- Incorporation of retirement rate changes into the base budget

On the capital side, the recommended budget provides for a path to improved financial stability for the general obligation bond program. One widespread and long-lasting impact of the recent recession is the unprecedented decline in real estate values. While this is true across the country, Arizona is consistently categorized as one of the hardest hit states for real estate value declines, along with California, Nevada and Florida. In Glendale, the impact has been especially challenging. The downward trend is expected to continue through FY 2014 when Glendale's secondary assessed valuation is estimated to drop to \$1.05B, based on the preliminary notices from the Maricopa County Assessor's Office. The \$1.05B low will represent a 52% decline from the peak of \$2.2B in FY 2009. This unprecedented decline was unimaginable just a few years

ago and certainly could not have been predicted based on a long history of changes in assessed valuation.

More information about the City Manager's recommended operating and capital budget for FY 2013 is provided in the separate City Manager budget memos (one for the operating budget and a separate one for the capital budget) included in the agenda packet for today's workshop.

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 7th budget workshop occurred on April 17, 2012.

The 6th budget workshop occurred on April 3, 2012.

The 5th budget workshop occurred on March 20, 2012.

The 4th budget workshop occurred on March 6, 2012.

The 3rd budget workshop occurred on February 28, 2012.

The 2nd budget workshop occurred on February 21, 2012.

The 1st 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 for the budget workshops is contained in the budget workbook that was posted with today's meeting agenda.

Staff requests guidance on the FY 2012-13 recommended operating budget and the FY 2013-2022 recommended CIP.

Sherry M. Schurhammer, Executive Director, Financial Services Department, stated staff will present Council's follow up items from last week's meeting regarding the operating budget and the additional reductions staff was directed to implement. Staff will present a revised five year forecast based on revised sales tax adjustments. Staff will also present discussion on the Capitol Improvement Budget. :

Don Bolton, Assistant Budget Director, presented a slide with Council's requested changes.

Mayor Scruggs asked if staff made copies for Council.

Ms. Schurhammer replied no.

Mayor Scruggs requested that staff move slowly through the presentation...

Mayor Scruggs asked if Council took a break if staff could make copies of the presentation. Staff agreed.

Mayor Scruggs called the Glendale budget workshop of April the 23, 2012 back to order.

Ms. Schurhammer presented the following using the slide information.

- 14 additional vacancies to cut
- Fiesta Bowl marketing collateral to cut
- Diversity groups funding to cut
- MYAC and Luke contract funding to reduce
- Equalize cell phone stipend to \$50/month
- Restore 1 code inspector for funding
- Net reduction in GF expenses: \$1,165K

Mr. Bolton continued the presentation. The changes to the GF expenditure budget based on Council's direction are reflected on this slide. Regarding the first item, there were essentially 17 non-public safety positions on that list, three were active recruitments. Therefore, 14 positions were able to be cut. The 14 positions yield the city \$1.1 million.

Mayor Scruggs asked what does active recruitment mean.

Mr. Bolton explained those positions were in the process of being posted, interviewed for or already in the process of being filled.

Mayor Scruggs asked why were those positions exempt. She continued was there something that was absolutely critical that those three be filled?

Jim Brown, Interim Executive Director of Human Resources and Risk Management, explained the 3.75 open competitive positions were considered critical positions. One of the positions was for an Assistant City Prosecutor, another was with the 911 Division and the last was an interpreter for the courts.

Mr. Craig Tindall, City Attorney, explained the Assistant City Prosecutor position was a grant filled position and paid 100% by a grant.

Mayor Scruggs commented that then there are two out of the 17 that have money attached to them, but they are both critical positions. Yes.

Mr. Bolton explained the Council's Fiesta Bowl marketing collateral cut into the amount of \$67,000. He stated the total amount was removed from the budget. The diversity groups funding was also totally cut in the amount of \$84,000.

Mayor Scruggs commented that it was \$60,000 more than what was put in the first draft budget. This was an additional reduction. Staff agreed.

Mr. Bolton stated the Mayor's office came up with MYAC and Luke contract funding for a savings that yielded another \$1,000.

Mayor Scruggs asked that it state that this is Mayor's office reductions. Not MYAC and Luke contracts. First of all, it's not the Luke contract, okay. The Luke contract is somewhere else in the Intergovernmental Programs or something. So she would like this to say Mayor's office budget cuts, \$500 from the teens and \$500 for expenses related to Luke or however you want to say it but it's not a contract. She wanted it to say Mayor's office so people don't ask questions later why there was nothing from the Mayor's office.

Mr. Bolton continued with the recommendation to equalize the cell phone stipend to \$50/month. He said that reduction yielded \$10,000.

Councilmember Clark stated she was expecting further information on this item as was agreed to at the last workshop meeting. She was not expecting staff to make a straight cut across the board since some employee's phone and car allowance were part of their contract.

Mr. Ed Beasley, City Manager, explained staff's direction was to look to equalize the two tier phone allowance.

Councilmember Clark agreed that was the direction, however, staff was supposed to come back with further information on how many employees receive those allowances before making any changes.

Mayor Scruggs commented that she had also asked for additional information because it appears that the difference is, some have data and internet capacity and some don't. Some of these folks need the internet capability to keep up with what is going on during the day because of their jobs. So she had not agreed to reduce everybody to the lower tier either. Nor had she agreed to take away – okay you don't have car funding taken away. Council was supposed to get more information on both of those.

Mr. Brown explained the different tier phones. He stated he did not have a breakdown of those individuals. He noted that what was proposed at the last workshop was an across the board \$50.00 stipend. However, he can put together the people who have the higher tier phones.

Mayor Scruggs commented that Council did not need to know their names, but maybe the positions they are in. What is the difference – okay first of all at this point this is how the city does business, she could not even imagine not giving people this when they have a need for email access to do their jobs. She knew from her email conversations with staff and the messages sometimes say sent from my blackberry or iPhone. These people do more business on their blackberry than they do sitting in their office waiting for the phone to ring. So what is the difference between the \$75 level which gives email access and she guessed it also gives internet access? And the \$100 level, what is the difference?

Mr. Brown stated the \$100 level is part of the overall Executive Compensation package which includes data and email. The \$75 stipend is for individuals that need to have their email access with them at all times so that they can have a response when necessary.

Mayor Scruggs asked if they also have internet access at the \$75 level. Mr. Brown replied yes.

Mayor Scruggs continued that she didn't want to single anybody out, but everybody goes nuts if the Mayor talks about them or whatever. But she could look in the audience and she could point out different people that she knew during the day need to have internet access to be able to keep track of what is going on in their particular field so that they can do their job appropriately. So at \$75, do they have that internet access?

Mr. Brown replied yes.

Mayor Scruggs asked if the extra \$25 to \$100 is more or less because someone was executive, its part of a pay package thing.

Mr. Brown replied yes.

Mayor Scruggs commented that she could not support staff not having phones without email access, it's just nuts.

Councilmember Knaack asked if the \$50 plan included data. Mr. Brown indicated that the non-data phones were \$40, therefore for \$50 dollars; it would depend on the plan.

Mayor Scruggs asked if someone had to go to \$75 to get email.

Councilmember Knaack said that was not what she understood.

Mr. Brown explained that the \$75 package the city offers for a phone stipend covers email, internet access, as well as the phone. He reiterated it also depends on the plan package. He added the city did not dictate which phone the employee must purchase with the \$75 stipend only that they are able to receive email and internet access. Staff determined the \$75 stipend is reasonable to cover that expense. Councilmember Knaack thought the city would have a plan that everybody used at a certain level.

Mayor Scruggs commented that what she thought what happened was that the city used to have plans that everybody used. And then there was some big newspaper study or exposé on cell phones – paying people for cell phones so then management decided everybody goes out and gets – either you get a flat amount or you go out and get your own cell phone and spend whatever you want to spend. If you buy your own, then it's under your name and you can have personal email back and forth. If you are under the city everything goes through the city and that is the difference. But it used to be there was a plan and it was probably less expensive, but then there was some expose` on misuse of cell phones. She asked if she was correct.

Mr. Brown replied she was correct and explained that several years ago the IRS came in and indicated a change. And because of that, many cities changed their format and the way they handled employee cell phones. The cities then determined to give a flat stipend to employees based on the level of service they were expected to provide.

Mayor Scruggs commented that is the key, expected to provide. It's not like these folks are running around buying blackberries and iPhones because they want to send email to friends; she thought they were expected to be able to have that all the time.

Mr. Brown agreed and added that was the cost of doing business in this day and age with technology.

Councilmember Clark asked what their policy was for city phone use. Mr. Brown explained if an employee has a city phone, it should only be used for city purposes and business. Councilmember Clark asked if they had any policy that requires reimbursement for personal use. Mr. Brown replied no and explained that was the reason the city went to the flat stipend.

Mayor Scruggs commented that she thought it would almost be impossible to reimburse for a personal call because the plans give you a certain number of minutes. And to break out – anyway – you get those minutes whether you use them or not. What was the savings the city was going to get by cutting everybody to \$50 a month?

Mr. Brown replied it was \$10,000.

Mayor Scruggs clarified \$10,000 for the year?

Councilmember Martinez asked for further clarification on what would happen if they reduced it to \$50.

Mr. Brown explained if they were to go to a flat rate of a \$50 stipend, it would be for all the regular status employees, not for those who are appointed or were on contract. This would be for all employees who are expected to have a cell phone.

Mayor Scruggs asked how many are on the \$100 plan – don't tell Council names, just how many is it?

Mr. Brown stated they had 10 at the executive level receiving \$100; 102 employees are receiving the \$40, and 48 are receiving the \$75 stipend.

Councilmember Lieberman asked if the Council was also included in these numbers. Most Councilmembers were on city cell phones or pay their own.

Mayor Scruggs commented that with the kinds of numbers that were being discussed, look out in this audience and look at these people here and think about how you tell them that, they can't have internet access; they can't have email access, think about who you do business with regularly. Think about them having to do business with each other during the day and Council then says no email access. It's just – or you have to pay for it yourself. It's just the cost of doing business.

Councilmember Knaack explained she wanted to see those numbers before the Council made up their minds on this issue. She believes the equalization was not worth the \$9,600 savings. She would like to leave it the way it is.

Mayor Scruggs commented that if you think about it, 102 people get \$10 a month more and 48 people, the ones that need this, get \$25 a month less. And we are not touching the executives.

Councilmember Clark explained most people need a phone to do their jobs well, however, her question was if they should keep receiving a stipend with the kinds of salaries they earn. She wondered why they are not paying for their own phones. She explained this was her personal opinion.

Councilmember Martinez asked if other cities had the same type of set-up for their employees as Glendale had. Mr. Brown replied yes. Councilmember Martinez noted the money saving for this was not that much when you look at what the employee was losing. He agreed with Councilmember Knaack to just leave this area alone. He would also like to move on to another subject.

Mayor Scruggs asked what was the direction on the cell phone issue.

Councilmember Lieberman noted he still was not sure but believes any savings was a start.

Mayor Scruggs commented that she hadn't brought her stack of stuff from the last time about all the extra pay everybody gets. Is public safety included in any of this? Or are they on their own thing? And they get all their cell phone allowance whatever. Or are they in the 102 and the 48?

Mr. Brown replied yes.

Mayor Scruggs clarified that police officers and fire fighters and all of them are somewhere in here?

Mr. Brown stated she was correct. All employees in the GF are included.

Councilmember Clark noted that public safety had equipment in their cars that transmit information about calls; therefore they are not using their cell phones as their primary vector for internet information about a call that comes to their MDT.

Mayor Scruggs asked what happens when they get out of their car. Okay let's say they got out of their car and they were on a call and they got an email or a text from – she wasn't sure if that would happen or not - but maybe they get an email or a text from another station or another unit saying, we just got information about such and such. Now the city would say you're on the \$40 plan if you want to have that information you have to pay extra. It's just not logical. Okay Council wants to give 102 people \$10 a month more and we want to give 48 people \$25 a month less and 10 people stay the same.

Mayor Scruggs asked if Councilmembers wanted to move forward with it... She asked Councilmember Alvarez if she also wanted to go ahead with the recommendation that everybody gets \$50.

Councilmember Lieberman remarked he was not sure but thought he might want to leave this alone.

Councilmember Clark explained the \$9,600 figure staff presented to Council was an across the board cut that included the 10 executive level, the 48 and the 102 employees. She noted all these will be equalized to receive \$50.

Mayor Scruggs commented that 48 people are going to get \$25 dollars a month less, that's \$1,200 savings. 102 people are going to get \$10 a month more, that's \$1,020 a month in new expenses. You subtract 1,020 from 1,200 you have \$180 a month times 12 months she then came up with \$2,160 dollars. She said he cannot believe, like Councilmember Martinez, that Council was spending this amount of time on this.

Vice Mayor Frate agreed.

Mayor Scruggs commented that 48 get \$25 dollars a month less, and she came up with \$1,200. She asked if anyone had a calculator. Okay let's see if she was right on that, \$1,200. Okay, then 102 people get \$10 dollars a month more so now we add back \$1,020 new expense. So we are saving \$1,200 but we are paying \$1,020 more to other people. So the difference is \$80 times 12 months. She came up with \$960 dollars.

Councilmember Knaack said it was actually \$180 not \$80 times 12 months.

Mayor Scruggs commented that was where her problem was then, okay \$180 times 12 months, is \$2,160 which is what we are talking about. She wasn't sure where \$9,600 was coming from. She asked staff to walk them through the calculation. She also thanked Councilmember Knaack for finding that error for her.

Councilmember Alvarez believes they were interfering with the duties of the manager and staff regarding limiting their job responsibilities as stated in the Charter under Administrative Service. She believes in letting the manager do his job and stop talking about \$9,600 or \$10,000.

Mayor Scruggs addressed Councilmember Alvarez, saying that she appreciated what was being said, but Council also had the memos from the City Attorney and unfortunately she couldn't locate her copies but guessed they were in one of the other books that she did not bring with her, that say that this is Council's responsibility, even including personnel.

Councilmember Alvarez questioned the Council changing the Charter.

Mayor Scruggs replied no actually, and it always ends up making it seem like this is her idea. Mr. Tindall gave Council an interpretation of the Charter and she had so many books and she only brought one today. He sent Council two memos on this. And they are based on interpretation of Council's duties and the manager's duties according to the Charter. She asked Mr. Tindall to review them.

Mr. Tindall stated the memos were very extensive, however the bottom line was that what they were talking about today, were expenses of the city which was a budget matter and falls clearly within Council's prerogative as far as the discussion and the level they decide to get into.

Councilmember Clark stated her intention was not to have this turn into a long drawn out discussion. She suggested the Council either do away with it totally or leave it as is.

Mayor Scruggs asked if staff agreed that \$2,160 would be the savings or do they still feel its \$9,600?

Mr. Bolton stated the savings will be \$9,600 if everyone was getting \$50 including the executives.

Mayor Scruggs commented that she thought Council had the conversation that the executives had that in their contract or something and would stay at \$100. So she agreed with him that if the executives go down to \$50 dollars, then we get to the \$9,600. She thought the conversation had moved away from that. So thank you.

Councilmembers Martinez and Knaack asked to leave this item alone and move on.

Mayor Scruggs commented that Council would leave it alone.

Mayor Scruggs commented that she was open for any discussion on car allowances.

Councilmember Lieberman commented on the cell phone discussion and added he was still not clear with all the figures being thrown around which were correct. Councilmember Clark explained.

Councilmember Clark remembered staff presented the cost to phone and car allowance as \$244,000; therefore, she thought this was a good item to look at for reductions and possibly generate that savings to the GF. However, now the savings for cell phone reduction was presented only as realizing a \$9,600 savings. She asked if that was the figure presented at one point, \$244,000. Ms. Schurhammer replied no. Councilmember Clark asked how much the figure would be if staff was to eliminate car and cell phone allowances. Ms. Schurhammer stated for cell phones it would be just under \$107,000 and car allowances were just over \$80,000 to the GF. Councilmember Clark noted the total savings would be \$187,000 out of the budget. Ms. Schurhammer stated she was correct.

Mayor Scruggs commented that Councilmember Knaack has her lists of who gets that extra pay for FY 11/12 which she thought was only for six months. Was that just for six months? And so when it was given, she thought it was for about six months of the year not the full year because it's for this FY year.

Ms. Schurhammer noted she was not sure and believes it was for a whole FY but does not have that information with her.

Mayor Scruggs commented that if it says FY 11/12, what you would have projected then is what the person would be getting, is that it? Okay what she was saying to staff was that there are numbers just on that front page for cell phone allowance. Somebody getting \$240, somebody was getting \$275, somebody was getting \$200, somebody was getting \$450 and somebody was getting \$520. Council does not know how many months they are getting this for; all she was saying was they were all not \$40, \$75 and \$100.

Ms. Schurhammer stated that information reflected all employees across all funds. This includes the designated sales tax fund, the enterprise funds, etc. She added she did not have that information with her to be able to discuss it.

Mayor Scruggs commented that the person in Parks and Recreation that is getting \$520, and if you divide that by 12 it doesn't come to \$40, \$75 or \$100. And if you multiply it by two it does not come to, okay never mind.

Mayor Scruggs asked if Council was comfortable moving forward. Council was not going to mess with cell phone allowance. Council was going to leave it the same as it is. And then next year, this was a good opportunity if people think that there needs to be changes made, this is a good time to study it and see what the impacts are. Okay you wanted to talk about restoring one code inspector for funding.

Councilmember Lieberman remarked on the discussion that the Council actually wanted to keep two because of the work load; however staff's recommendation was to restore only one.

Mayor Scruggs explained there wasn't a majority for restoring two.

Councilmember Lieberman thought there was support for two, but apparently not.

Councilmember Clark remarked that one was better than nothing.

Councilmember Clark asked if they were going to discuss car allowances today.

Mayor Scruggs commented that she really thought Council was going to discuss those today just like they were going to discuss cell phones and then reach a conclusion. She asked Councilmember Clark to lead the discussion.

Councilmember Clark stated Council's request last week was to get further information on car allowances since some of the car allowances were under contracts. She indicated she was under the impression staff was going to provide some information on this item. She asked if staff had any information to present to the Council on the issue of car allowances.

Mr. Brown explained car allowances were provided currently for director level and above. He stated one of the components was the mileage issue; however, the purpose of a car allowance was to provide a competitive compensation package for the director level and above positions. He said the city recruits for those positions on a national basis. These packages allow the city to attract and retain leadership on a national level. Councilmember Clark asked if this item has a range just like they had for cell phones. Mr. Brown explained some appointed officials have contractual agreements, but for most they were fairly consistent. Councilmember Clark asked how many others they had other than the four appointed officials. She also asked what the range was for car allowance. Mr. Brown stated for director levels and above it was approximately \$300 a month. The city has 22 employees receiving this allowance.

Vice Mayor Frate asked staff to define director. Mr. Brown explained the director level would be someone over a department.

Mayor Scruggs commented that she couldn't remember some of the car allowances she saw so she would figure on the low side. And almost 20% of that figure of \$80,000 is for the four appointees. So Council could deal with that during review time, except for the Judge who she thought also received a car allowance. She was not even sure if she does or not. But this isn't her year for review. She does? Okay. This is not her year for review so Council can't even do anything with that one, but the other three we can deal with during review time and that is – like she said – she was figuring on the low side. And she figured almost 20% of the total for the whole organization.

Councilmember Knaack commented that most cities were doing away with car allowances. She explained that was the conversation she heard while attending last Thursday's AMWA meeting of which she was a member. She explained many Councilmembers and Mayors of the other cities said they were moving in that direction.

Councilmember Clark agreed and added the cuts in car allowance will total \$79,200.

Mayor Scruggs asked are those people going to be eligible to turn in requests for mileage reimbursement.

Councilmember Clark stated the employees would have to be reimbursed.

Mayor Scruggs asked if they were eligible to receive a car pool vehicle. Mr. Brown replied yes.

Councilmember Lieberman questioned how this would work if employees had a contract that included car allowances.

Mayor Scruggs replied that Council would talk about those when they come up for review since they cannot be changed.

Councilmember Martinez asked how much they wanted to cut from car allowances. Councilmember Clark stated she would like to cut the entire thing.

Mayor Scruggs commented that they wouldn't know the savings until next year because you don't know what people will consider to replace it.

Councilmember Martinez said he will support Councilmember Clark's suggestion.

Mayor Scruggs supported as well. She continued that instead of cutting cell phones, Council would stop car allowances. And there are people out there thinking, okay they just got a \$4,000 a year pay cut. It's what it amounts to. But they have jobs. Okay car allowance \$80,000.

Mayor Scruggs asked what the cuts so far have added up to.

Mr. Bolton stated the figure was \$1.2 million with the changes.

Mayor Scruggs directed the meeting to the next page, adjustments to GF revenue.

Ms. Schurhammer presented the next slide. She stated the slide represents the direction Council provided last week regarding the additional revenue that was estimated could be realized based on the proposed revenue opportunities for the GF and the Civic Center fund.

- GRASP fees to 100% cost recovery
- Adult Center fees to 50% cost recovery
- Aquatic fees to 49% cost recovery
- Library, facility rental and other fees
- Additional GF revenues: \$720K
- Civic Center fees adjustments to market

Councilmember Clark asked staff to refresh their memories on library fees.

Mr. Erik Strunk, Executive Director, Parks, Recreation & Library Services, explained the city was going to move in the direction of Reciprocal Borrowing with the County which precludes them from charging any type of library type fees. Therefore that was not reflected in any revenue figures. However, they would like to start charging for room reservations or rental rates.

Mayor Scruggs commented she thought that when Mr. Strunk gave Council the information last week he said the net gain to take away the charge for the library fees for non-residents and to be part of Reciprocal Borrowing was \$175,000.

Mr. Strunk stated she was correct and that figure represented the total of all the services. The actual direct cash received was a little over \$75,000, but they will also be provided with books as well as purchasing the electronic database fee for the city.

Mayor Scruggs asked what is that net amount.

Mr. Strunk stated the amount will be \$77,504 in cash.

Councilmember Clark noted the rest was in intangible items that make up the additional approximately \$100,000. Mr. Strunk replied yes.

Mayor Scruggs asked what else he wanted to tell Council about the facility rental fees.

Mr. Strunk explained the fees that were created to reflect room reservation fees for the Foothills and the Main Branch would be the first time the city charged for the use of the auditorium and the break out rooms. They expect to bring in approximately \$48,964. This is reflected in the total of \$720,000 to the GF.

Mayor Scruggs asked Council if they had any further questions on any of this. No.

Mayor Scruggs asked about the reductions. Council had an extensive conversation regarding the bed tax. And there was agreement and direction to go forward with the bed tax, but to take it out of the GF because it needs to go specifically over to the CVB to use for tourism. Has that reduction been reflected in any of the numbers you've given us here?

Ms. Schurhammer replied yes. They will have to increase the appropriation authority for the tourism area to account for the bed tax revenue. The plan is to do that through a GF transfer to the Special Events fund because that was where tourism was currently budgeted.

Mayor Scruggs asked if that would be reflected in the budget that staff would be proposing and that would be offered for Council to vote on. Will it be a budget item or is it something that Council would just rely on being done during the year?

Ms. Schurhammer noted staff can call it out specifically if the Council would like it be done that way.

Mayor Scruggs commented that it would be the safest thing to do. So that it doesn't get lost somewhere. She would like to see that specifically in the budget. And then she had a question and she thought it would be for Mr. Tindall. How exactly does the Council approve that increase in the tax? Is that a Council action by ordinance or resolution or how do we do that?

Mr. Tindall stated it will be a Council action.

Mayor Scruggs clarified for the tourism?

Mr. Tindall noted this would also be done to increase the tax base.

Mayor Scruggs asked if it was an ordinance or resolution or just an item on the agenda or what.

Mr. Tindall explained it would not be just an item on the agenda, but an ordinance or resolution. He believes it was an ordinance item.

Mayor Scruggs commented that it would need to come forward before the whole budget is approved because it was going to be called out in the budget.

Mr. Tindall stated she was correct and it will have to be part of the budgeting schedule calendar.

Mayor Scruggs asked if Council had any questions and if they were comfortable with that. Okay

Councilmember Clark believed it should be 50%; however, she was in the minority.

Mayor Scruggs commented that Councilmember Clark was saying that she thinks that 50% of the increase in the bed tax should go to tourism and 50% to the GF. And we had some discussion about that. Mr. Tindall, could he go back to the legal thing?

Mr. Tindall explained the state statute called discriminatory tax on the hospitality industry that requires the tax to be used for specific purposes.

Councilmember Clark asked how other cities get away with receiving that tax such as Phoenix and Scottsdale. Mr. Tindall explained those cities might not have a discriminatory tax or may use a provision in the statute that allows a certain percentage of the tax to be used for other things such as GF items.

Councilmember Clark noted if there was a provision in the statute that allows for a small percentage to be used for other things, even if it were to allow 10% or 20%, she would prefer that happen. Mr. Tindall explained the provision.

Councilmember Lieberman discussed Scottsdale's bed tax.

Mayor Scruggs commented that she had some notes and she wasn't sure if Ms. Frisoni has information about whether these cities are allocating their total lodging tax or discriminatory or whatever. But what Council had was that 98% of something in Mesa went to their CVB and that was \$3 million a year, 20% of something in Phoenix was \$6.7 million a year. 50% of Scottsdale and that was \$11 million a year. And then Tempe had a different model where they agreed to never give less than \$2 million and they give \$2.4 million a year. And so that is the way she understood it. So when the city's lodging representative said they would be willing to have this increase, which one person estimated would be half a million dollars a year total. That is because Glendale doesn't have the properties and rates and all of that. She asked if Council wanted to ask Ms. Frisoni about this. She asked if Ms. Frisoni had more information on where this comes from that she would like to offer to Council.

Ms. Julie Frisoni, Marketing Director, explained there was an existing bed tax in Glendale of 3.4%. This generates about \$1.6 million to the GF. Staff was not talking about touching that number, but only discussing the additional increase, which would take it to 5%. The difference of 1.6% will be dedicated to the tourism industry. She stated it was important to note that other cities designated a portion of their total bed tax. She explained that was the difference and why the numbers were so large.

Councilmember Clark remarked that would have been a better way to explain it. She finally understands it and has no problem with the recommendation.

Mayor Scruggs clarified that right now Glendale's rate is 3.4% and that generates \$1.6 million and it goes directly to the GF. So then the increase is the 1.6% and that's what was considered discriminatory because the city was doing it specifically on that industry, which then goes to the statute. And now Ms. Frisoni was estimating that that would bring in \$420,000, but the city would be losing \$67,000, which the city took away to work on the GF. So it will net out about \$350,000. But hopefully build more room nights and therefore it will keep growing.

Ms. Frisoni stated that was staff's plan of action at the moment.

Mayor Scruggs commented that she would like the budget to show this \$420,000 going to CVB or whatever fund is specifically for this use.

Ms. Schurhammer explained the current bed tax actually nets the city closer to \$1.1 million in the GF.

Mayor Scruggs commented that if its \$1.1 million then the \$420,000 should probably go up but whatever. Okay.

Ms. Schurhammer noted the \$420,000 was correct.

Mayor Scruggs asked when staff did the next reduction of \$1.165 on the front page; did that back out the \$420,000? Somehow that \$420,000 was considered when you came up with what the GF receives, but now it's not going to go to the GF receipts. So is that taken care of anywhere in the paperwork Council has?

Ms. Schurhammer reiterated her explanation of having to increase the appropriation authority for the tourism area to account for the bed tax revenue.

Mayor Scruggs commented that it doesn't work out in her mind, but she didn't want to continue. It just seems like it's going to give the city \$420,000 less to use because the city already has made the decision where that's going, whereas if it was just in the GF, it would have been up for grabs by everybody. In her mind that's the way it works, but she didn't want to continue.

Mayor Scruggs commented that the meeting would break at 11:00 a.m. because Councilmember Clark has a previously scheduled engagement that needs to be kept so Council will break for lunch early. And then Council will return at 1:00 p.m., because the discussion is very important and she should be part of it.

Mayor Scruggs commented that Council would now go to the revised five year forecast.

Mr. Bolton presented the summary with a slide presentation.

Councilmember Clark asked if this includes the \$720,000 reflected on the previous slide and includes a reduction in the management fee from the \$20 million to \$17 million. The slide should also include a new figure of at least \$1.2 million. Mr. Bolton stated she was correct.

Ms. Schurhammer explained the big development with these adjustments was that it has changed the recommended sales tax increase from 8/10th to 7/10th. This includes the food tax. She remarked if the food portion was dropped they would lose another \$3 million. Councilmember Clark asked what would happen if they kept the 8/10th but it was not on food. Ms. Schurhammer stated the 8/10th without food is just over \$23 million. Councilmember Clark noted the city received the same amount of \$23 million if they kept the 8/10th without food or went with the 7/10th with food. Ms. Schurhammer stated she was correct.

Mayor Scruggs commented that beginning with the fund balance and go down to contingency fund balance, what was being discussed here with contingency fund balance?

Ms. Schurhammer explained they were showing that at the beginning of FY 13, they started with \$4 million and they would end the year with \$6 million

Mayor Scruggs stated unless you do something. Why was one being referred to as contingency, which Council was told a few years ago they were never supposed to use that? Now it's contingency and it was supposed to go just to the fund balance and now we have contingency. Are we talking about the same thing?

Ms. Schurhammer explained the city had a financial policy they used to set aside revenue. The goal is to set aside 10% of the GF revenue budget number. However, they can't quite do that for FY13, but are representing the best they can do with the \$6 million which is almost 3.5% of the GF revenue number.

Mayor Scruggs commented the city would be starting FY13 with \$4 million. Now last year when Council approved the budget, and she knows the answer is, it's just a plan. Well Council's plan was that the city would have \$14.4 million, no tax increase. Okay that was going to be what the budget was built on was the \$14.4 which keeps with the accounting principal of 10% of the operating budget.

Ms. Schurhammer stated she was correct and the city actually ended the year with a little over \$11 million.

Mayor Scruggs asked if the city was in FY 12 right now. Yes. So on March 22, 2011 Ms. Schurhammer stated the recommended GF contingency appropriations for FY 2012 was 14.4 million. This amount is consistent with the city's financial policies published every year in the annual budget book which states 10% of the total general fund revenue for the upcoming FY should be set aside as a contingency appropriation. So when the city was doing this last year, it was agreed that the contingency was going to be 14.4 million. What happened to make it \$4 million? Relate the \$14.4 million to this \$11 million number you're talking about.

Ms. Schurhammer explained the \$14.4 million was an estimate that they would end this FY year with. She noted staff was now estimating they will end this year with a \$4 million balance.

Mayor Scruggs asked where the \$10 million went. What constituted the \$10 million? And when she spoke to Mr. Skeete on Friday, she learned he wouldn't be here. She let him know she would ask this question and he did say he would try to get the information to the Mayor before today. Since she hadn't received anything she was asking Ms. Schurhammer. And what she asked was what specifically made up the \$10 million that Council thought was recognized as a plan. Because going forward, everything being asked and what everybody is asking Council to do is just a plan. There is no reason it's going to work out this way. She asked Ms. Schurhammer to explain.

Ms. Schurhammer explained one reason was because they had budgeted \$20 million as an arena management fee when it was actually \$25 million.

Mayor Scruggs commented that was known last year. Council knew last year that the city wasn't budgeting the extra \$5 million and the city went through the whole budget saying they didn't know where funds were coming from. Ms. Schurhammer has been saying it just about every other week, where is the \$5 million coming from? So that's where it came from?

Mayor Scruggs confirmed \$5 million of the \$14.4 that Council was planning on having in the plan was going to the NHL.

Ms. Schurhammer stated the remaining portion was related to the revised revenue projection. Staff counted on some revenue coming in at a higher level than it's actually coming in; however, things can change by the end of the year. The revenues were in the sales tax areas with city and state sales taxes and the second was in electronic billboards.

Mayor Scruggs commented that the way the law stands now, the city may lose the revenues from the billboards that are already up. She guessed that staff just built in the revenue thinking that more billboards would go up but they didn't go up, but the city may lose the ones they have right now. Unless there is new legislation passed at the state level. And that is how much a month? Is it \$10,000 a billboard? So \$20,000 times 12?

Mayor Scruggs asked how solid did staff feel on the sales tax projections for FY 13 seeing as how the city appears to have missed it by an awful lot, \$9 million.

Ms. Schurhammer explained they missed the sales tax with about \$2 million.

Mayor Scruggs continued that the city had \$14.4 million as the projection. The city will be giving \$5 million to the NHL so that makes \$9.4 million and have \$4 million remaining so that makes \$5.4 million that's missing. She asked what Ms. Schurhammer had said, \$2 million was related to the taxes.

Ms. Schurhammer explained that about \$1.5 million was related to the city sales tax, \$2 million was related to the electronic billboards and the remaining was spread out through all the other revenue sources. The state tax has been coming in as projected.

Mayor Scruggs commented that if the city loses, and she wasn't sure if Mr. Tindall wanted to weigh in on this at all on the whole billboard situation. But if the legislature does not pass something that makes billboards along highways legal, it would appear that the city's billboards would have to come down, which she estimated to be \$2 million a year.

Mr. Tindall explained the billboard situation only had to do with the illumination and how often they change. Therefore, billboards could still remain operational, but the business model might have to change somewhat.

Mayor Scruggs asked if the \$2 million that was included in the FY budget as new revenue for electronic billboards was included that in the FY 13 budget.

Ms. Schurhammer replied no. She added that \$1 million of the revenue shortfall was also related to HURF.

Councilmember Lieberman commented Ms. Schurhammer had indicated to him earlier that the \$5 million to the NHL would be coming from the GF and obviously it did.

Mayor Scruggs commented that she didn't know why the city didn't just show it that way to begin with.

Councilmember Lieberman asked if the amount of money had already been transferred to the NHL. Ms. Schurhammer replied no.

Councilmember Lieberman asked when the NHL was coming for the \$20 million in escrow. He thought the NHL was acquiring it after the Coyotes last game. He asked Mr. Beasley to explain. Mr. Beasley stated he would have to speak to the NHL regarding that issue. He noted generally it was after the last game, however, discussions were ongoing and he cannot confirm anything at the moment.

Mayor Scruggs stated that last year the request was made on April the 26th.

Councilmember Lieberman noted the slow build up staff projected for the GF. He said this indicated that staff believes the economy will have a slow growth and will probably take four to five years before the recession was totally over. Mr. Schurhammer stated he was correct. Councilmember Lieberman discussed the added problem to the budget of low home property values of 2011. Ms. Schurhammer agreed and added this would include all properties including commercial.

Councilmember Martinez asked Mr. Beasley if his discussions with the NHL include any possible deferral payments. Mr. Beasley explained they would discuss that at some point; however, they had not at this time. Councilmember Martinez suggested they continue to discuss that option.

Councilmember Clark stated she would support Councilmember Martinez's suggestion. However, she believes there has been some reservation on the NHL's part because of some of the public statements that have been made with regard to the NHL's impact on the city's budget. She believes the comments made did not help the situation at all.

Councilmember Lieberman noted some of the Councilmembers do not agree with the \$17 million change in the budget to the NHL. He explained the Mayor had come up with a different figure of possibly \$11 million. However, he does not know how this would affect negotiations. He discussed Mr. Jamison's options with the NHL and hopes for the best but at this point there was no deal.

Mayor Scruggs commented that she would address Councilmember Clark's article and her statement here and what appears to be the beginning of some sort of an effort to blame everything on the Mayor speaking her mind very honestly. Councilmember Alvarez, had asked the Mayor last week, when did she suddenly change her mind. And so the Mayor went back and there is tons of stuff on the internet. But the first article was written by Glendale's own Carolyn Dryer on June 29, 2011, and she stated right then, she stated specifically if there was not a firm approved, signed, sealed financial arrangement by the end of the year, she was for building the budget in FY 2012/2013 that the city be the manager of the arena. The Mayor said for the last two years the city has been backed against the wall paying the NHL to run the arena for the city, there were never open discussion about what life would be like without the Coyotes. She went on TV; there are articles here from all over the county and from Canada, all reporting that. So she has been consistent on this for almost a year now. And she was not going to change her statements, how she feels, how the NHL's demands have impacted the city because they may not look kindly on the city. Because the NHL has held the city's fate in their hands all along and they have not moved anything forward. Now she will tell everyone that as much as she wanted to be helpful and she thought it would be great to keep the Coyotes here, the information that Mr. Tindall sent over the weekend and she didn't know if Council read it or not. But it's the information that recounts activities going on in 2009 by Mr. Tom Hocking who the city had employed for a number of years who was making plans for the Coyotes financial assistance plan and that shows that for the first time, this \$25 million.

Mayor Scruggs commented that she had thought a lot about the question and why they seemed so angry at the Mayor and how she made a mistake in 2001. And she thought there are so many people who really weren't paying attention to this in 2001 or didn't live here or had no reason to pay attention to how it was structured or forgot. She reiterated that it was 11 years ago. The city of Glendale never agreed to pay to operate the arena. That was not the model. So these \$20 million and \$25 million being talked about, that was never the model. The owners of the teams paid all of the expenses, all of the expenses to run the team. The city did not pay for electricity or people to work there, whatever. Nothing. So the model did work because there was revenue generated that went to pay the city's debt. The city never paid any of those other expenses. And then that wasn't working well for Mr. Moyes. And he was trying to work with the manager to come up with some sort of assistance because this was costing too much money and all this information is available on the internet. There were letters back and forth where he was trying to present a plan and it never went anywhere, it didn't come to Council, there were stories written about this and so forth.

Mayor Scruggs continued that the key is, the city never paid. The city never had a \$17 million or \$20 million or \$25 million line item. That's why the plan did work and that's why those of the Council who voted for it, voted for it. But it all changed. So she was going to suggest everyone looks at this material that Mr. Tindall showed Council because it looks like 2009 was when this \$25 million expense first showed up. Mr. Hocking is trying to find a way to make this \$25 million get paid. But yet these statements in the arena management group that say that the income statement for the 10 months ending April 3, 2009, arena management group summary income for the 10 month ending April 3, 2009, none of those show what it cost that to run the

arena. So it shows in one instance, she hoped Council could get Mr. Hocking in to talk to them. In one instance, the net operating loss was less than \$5 million, but on another page if you add in hockey operations, the net loss is \$9.6 million which oddly is kind of close to her \$11 million that she just made up trying to get hold of different information. So she understood where Council was going, that it's her fault that Mr. Bettman will no longer consider doing terms for the City of Glendale, but she cannot sit back and not speak about things that she saw the way that she saw them and this new information is an even greater concern as the city goes forward and builds a budget. There has never been a deal shown to Council for \$20 million, there has never been a deal shown to Council for \$17 million and the case is that the city doesn't have any of it. So she appreciated what Councilmember Clark had to say and that she put it in every newspaper and the Mayor will still speak according to facts that she has in front of her and that she believes to be true.

Councilmember Clark asked to respond to Mayor Scruggs' statements. She said that in 2001 there was an article that said the Mayor had said she had single handily brought the arena and the Coyotes to Glendale.

Mayor Scruggs stated she never said that.

Councilmember Clark stated she voted for the arena as well. The Mayor was correct that at that time the arena had no management fee. However, apparently that was a model that did not work and they declared bankruptcy so obviously the revenues were not covering the expenses they had at that time. She said it was obvious the only model that will work was with some type of management fee being paid by the city. However, there was one thing she found astounding and puzzled her to this day. She said the Mayor in 2011 had a meeting with the Goldwater Institute and she had been reviewing some of those comments that were made. She noted that at that time the Mayor was in favor of the \$197 million subsidy for Mr. Hulsizer in city bond issuance. Therefore, 10 months ago the Mayor did not have a problem with the city issuing \$197 million in bonds.

Mayor Scruggs commented that she thought the date might be wrong because the Glendale Star stated the Phoenix Coyotes issued a statement Tuesday, which would have been in June that Hulsizer pulled out of negotiations.

Councilmember Clark said she was going by the Goldwater transcript that was dated July of 2011. She added she had seen repeatedly in the paper where the Mayor said it was the Hulsizer deal or no deal for her. She said this concerned her because the Jamison deal was not the Hulsizer deal and there was no bond issuance at this point. She noted that in the past, the Mayor had always supported the Coyotes staying in Glendale to keep Westgate viable. She said she was equally astounded with the \$11 million figure the Mayor threw out to operate the arena, which the Mayor had said she had pulled out of thin air because no one was providing good figures. However, she has heard staff mention a figure closer to \$14 million, but the Mayor keeps using the \$11 million. She explained most of the deficit was due to two factors, Camelback and the arena and they all recognize it must be dealt with. She believes it was counterproductive to throw out imaginary figures and not acknowledge that it was important to Glendale's future

economically to keep Westgate whole. She thinks it's time they all got their act together and work for the best interest of this community. She believes that the Mayor throwing out bogus figures and doing a 180 on her position was not helpful to the city.

Mayor Scruggs commented that she believed Councilmember Clark has said some libelous things and have alluded to some sort of illegal behavior on the Mayor's part. She wasn't sure when the Goldwater meeting took place as she did not have that with her. All she knew was that she supported the Hulziser deal and it was brought to Council by management. None of the Council goes out and thinks these things up. It was brought to Council and it was talked about for months and months and months all the way starting in 2010. She stated 2010 is when the Council first started hearing about this and this was a good deal, this was recommended to the city by their team of advisors, this was a good deal. Mayor Scruggs supported it because management said it was a good deal. Okay now, during the break she listened to her messages on her phone, at some point, this bond buyer magazine or some newspaper put out an article saying that the city's bond ratings were going to go down so forth and so on. She immediately got a call from Mr. Beasley and Mr. Lynch and she thought Mr. Skeete took her aside in a room and said this person has no credibility so forth and so on. Council was then given the information in Executive Session which Mr. Tindall tells her as long as she doesn't talk about anybody saying anything specifically she can talk generally. That the whole bond situation, the city of Glendale was very dire and it was due to the possible issuance of the bonds for Hulziser and the Council gave direction to stop that negotiation with Hulziser. She thought the meeting with Goldwater was prior to that because Mr. Hulziser was there, Mr. Tindall was there. So it was prior to the Council giving direction to Mr. Beasley to stop the dealing with Hulziser and prior to Hulziser pulling out of the deal according to one newspaper article that was in July. And so then when Councilmember Clark says the Mayor said it was Hulziser or nothing, she wasn't sure where she said that, but she believed what she was saying is the same thing that she said once the Hulziser deal was done, she said she was done, she wasn't interested anymore.

Mayor Scruggs continued that she could find that in her statements in other newspapers. She believed that Councilmember Clark was trying to build some case and perhaps she had support among some of the people. She addressed Councilmember Clark commenting that she was trying to build some case that somehow the Mayor was involved in trying to get this team to Mr. Hulziser. He appeared to be a good solid owner who cared about hockey, obviously he wasn't. But the deal that was presented that the Mayor had gone to the Goldwater Institute and defended, she defended because of the recommendations, the statements made, the information, the data, the analysis all of it. The Council all saw exactly what she saw, and were told the same – except Councilmember Alvarez who was not here when it started. It started in 2010 before she was seated. And then Councilmember Alvarez came in toward the middle or the tail end of it. The Council all saw the same thing and yes the Mayor championed the city. And when the management says the best thing to do, and they are the ones that are doing the negotiating, she champions it. She stopped believing all of that. It's stated right here, she was not going to go forward with it. She thought Mr. Jamison was a wonderful person. She wished he showed up a couple of years ago. He seems like he can do a great job. But don't say that – if you go any further with this you are getting into a very serious legal situation. She can explain everything she said. She didn't suddenly change her mind. She made it very clear; she was ready to go on

with life without the Coyotes. Okay, she made that very, very clear. And in terms of this budget, yes the best thing that could happen would be that they stay here. In terms of this budget, staff was building a budget based now on a reduced management arena management fee when Council never even saw the reduction to \$20 million, Council never saw that, now it's reduced to \$17 million. Council had seen nothing; the last time Council met there was no Executive Session because there was nothing to report. And she has listened to all of Mr. Jamison's interviews too and he seems like a wonderful gentleman and he has been very clear in saying, they are working hard, but the city was not there yet. So when people start personalizing this, there is a really big problem here.

Councilmember Lieberman stated the Council voted for the arena because they were totally misled by a certain person that said the arena under the very worst of circumstances would make at least \$100,000 a year. He agrees with Mayor Scruggs that there could be life without the Coyotes. He cited an article where Mayor Scruggs had private discussion with developers in 2001 regarding developments in the area with 75% occupancy. As a result, they would not have to put any money into the arena and only make money from it. He stated that nowhere in the first contracts was a management fee mentioned. He said the idea was that the \$1.6 million at a 75% occupancy rate fee would pay all the debt service and provide a profit. He stated Westgate has not had a 60% occupancy rate let alone the 75%. Therefore, he cannot blame the Mayor for wanting this deal since most wanted the deal and thought it was a good deal. He explained no deal had come forward from Jamison. Nevertheless he still does not like the deal and also does not like the budget being proposed. He agreed that the city was never supposed to provide a management fee for the arena. He said the will not vote for a budget that includes giving anyone \$92 million to manage the arena in the first five years.

Mayor Scruggs responded to the item read by Councilmember Lieberman. She realized it was in the newspaper there, but she just wanted to go on the record as saying that all the meetings that she was at that involved negotiating or talking about this coming to bid, Mr. Beasley was at, usually Mr. Colson was present and probably Mr. Lynch. She did not have any private meetings where she was negotiating, they always included management. What people write in the newspaper is what they write in the newspaper. But what she would also like to say, she felt that she was being attacked personally and that some sort of malice or some sort of dishonest behavior on her part was being attributed to her changing her mind. She changed her mind about this because the circumstances changed. How she explained earlier, it's just not that the city never paid an arena management fee; the city was never responsible for one expense in that arena. To her the expenses of the arena, which was everything from people putting the chairs up on the ice, taking them down to paying the electricity to paying the people who go out and get performers and different activities to come. There are a whole lot of expenses that goes on. She has been told there were 175 employees there. Somebody has to pay their salaries, okay. Somebody had to pay for all the things that go on with owning and operating a building. That was never the city. When the city signed on, in 2001, those were never the city's expenses. Never were those city expenses. Now to her an arena management fee is something that goes on top of it, like Global Spectrum and you have referred to them several times. A company that has the expertise in running a facility of that sort, to her would get an arena management fee. So

there are two different things, there are the actual expenses of running the building just like what is happening in our budget. The city never, ever signed up to pay the expenses to run the arena.

Councilmember Alvarez asked to speak.

Mayor Scruggs asked to be allowed to finish. She commented that when Councilmember Lieberman talks others don't put a timer on him. She has been personally attacked repeatedly here and she believes she has the opportunity to talk to the residents of Glendale and to others who are listening and explain this. She addressed Councilmember Alvarez saying that she would have a chance to speak and the Mayor believed there would be more attacks coming. The city signed up for a totally different arrangement. That's what those of the Council who voted to go into this signed up for. Council signed up for the redevelopment of 59th Avenue and Northern, which happened. Those were all things the city signed up for. Circumstances changed and based on those changed circumstances she changed her mind about supporting this. And she changed her mind a long time ago, this is nothing new. And you know what, that's what leadership is all about. You lead based on the circumstances and situations you have at the time. Things are very different than they were in 2001.

Councilmember Alvarez commented on how she was the one that asked her about why and when she changed her mind on this matter. She explained she came to her first meeting being very naive and thinking they would be doing things according to the charter and she would be accepted as part of the Council. However, things have been different. She always said she did not want to spend any money for sports which was further depriving the community of its services. However, that has been all she has seen so far since being on the Council. She has seen employees on furlough and reductions. She does not see how they can keep depriving the community when they are the ones paying taxes. She does not want to see children playing in the streets because nothing was being offered by the city. On the matter of the Goldwater Institute, she and Councilmember Lieberman requested to be part of that meeting. However, they were told by the Institute that the Mayor and the City Attorney did not want them there. She remarked she has noticed some of the faces on the Council making fun of her and Councilmember Lieberman when they make their comments. She was appalled when she suggested the idea that Councilmember Lieberman be the next Vice Mayor and someone said he was too old. She believes that telling someone they are too old and sick for the position was not appropriate as Vice Mayor Frate had alluded to. She said there was no need for sports right now when they have layoffs and when they have to cut services. She noted she was not blaming anyone and might have voted the same way in prior years, but right now they need money for services. She remarked that she and Councilmember Lieberman have been made fun of and cited the compadre statement Councilmember Knaack said when she asked them to give money. She stated she only wants to follow the rules and that was what she believes in. The earnings from Westgate should be going to the community not to pay for the Coyotes.

Mayor Scruggs addressed Councilmember Alvarez commenting that she was explaining that when Council entered into this agreement, and Councilmember Lieberman, it's just killing him to say that Council believed they were not paying anything for the Coyotes, that's what the point

was...Council was never paying any of this money until 2009. And she really begs of her to read.

Councilmember Alvarez said she read the additional \$25 million.

Mayor Scruggs commented that the city was not paying that before so Council was not taking anything from the community.

Councilmember Alvarez stated the city was not making any money either. She said she comes to these meetings to be truthful and transparent to their citizens and that's why she's there for.

Mayor Scruggs stated that she has supported the same position as Councilmember Alvarez and she still seems very angry at the Mayor.

Councilmember Alvarez stated she was angry because they were making decisions that affect people.

Mayor Scruggs stated but Council was not. Council has not decided yet, that's what they were there for. She has already said she does not support that arena management fee and that seemed to upset her further. But she does want to correct one thing for the record. Ms. Hanna, if you make sure you note this. The meeting when Craig Tindall and the Mayor met with the Goldwater Institute; in one place its recorded as April, 20, 2011 and in another place it's recorded on April 21, 2011. They looked up the transcript from the Goldwater Institute and it says April 21, 2011, not the 20th. The transcript of the meeting shows it was April 21st. But the posting by Goldwater Institute was April the 20th. So it's one of those two dates and not July as Councilmember Clark was talking about.

Councilmember Martinez explained he did not want to go into the history since the history has already been covered, although he does not agree with everything that has been said. He said one thing he had a problem with was one of Councilmember Clark's comments that they were in this situation because of Camelback Ranch and the arena. He noted that was part of it, but the biggest factor was the decrease in the sales tax revenues from both city and state as well as the devaluation of property taxes. This had all come about because of the bad economy and therefore a combination of things. He said that this was like a tsunami; the perfect storm had hit the city all at once. He explained that in other years they had been able to come through because of fund reserves and the furloughs. However, this year, their backs were against the wall. He stated he supports the \$17 million place holder estimated for the arena given that if the Coyotes leave, those costs remain for the city to deal with. He remarked they were going to have to deal with some kind of figure in one way or another. He commented about the many phone calls he had received from business owners in Westgate who were supporting keeping the Coyotes in Glendale. He noted that some business owners believe they will not be able to stay open if the Coyotes leave. He believes that if the Coyotes leave they will probably find an alternative but the Westgate area will never be the same, therefore he supports the Coyotes staying. He noted he believes that even at this late date, a deal can be done and hopes there will be support for that. He remarked on the comment Councilmember Alvarez made about the word compadre and how

she believed it to be a racial slur. However, to anyone Hispanic, it's a word used for friend or used in a friendly term. Nevertheless, there had been another term used by Councilmember Alvarez when referring to the Council that he does consider offensive and that word was "knuckleheads". He said he had been called a lot of names throughout his life but never a knucklehead.

Mayor Scruggs asked if anybody else had anything to speak about at this time.

Vice Mayor Frate asked for a lunch recess since two Councilmembers have already left the meeting.

Mr. Beasley asked to clear up several points from a historical standpoint. He explained years ago, the city negotiated a lease that was very unique. The Council had a chance to review all those documents. They were criticized because the lease was too strong and part of the reason they declared bankruptcy in court was because the team could not survive with that kind of lease. The \$25 million did not initiate with the city. It was when the team was purchased by the NHL. Consequently, the figure of \$25 million was estimated as the cost to operate and keep the team in Glendale. He added that once they have hard documents in hand, they will bring those forward as stated previously to Council to review them publicly and privately. He stated they were continuing to negotiate, therefore the \$17 million figure has been proposed as they continue to discuss this issue. He explained the bond issue. He clarified that anytime they were at the point where they have documents, they will bring them to Council. He noted the Council also had the option of plan B.

Mayor Scruggs asked when did the NHL purchased the team out of bankruptcy.

Mr. Tindall stated it might have been at the end of 2009.

Mayor Scruggs commented that she figured towards the end of October of 2009. And the reason why she was concerned about the documents that were released was - all of this took place in June and July of 2009, before the team was purchased out of bankruptcy by the NHL. The \$25 million was already the target figure that all of the calculations were being based on and that was before the team was purchased. She guessed there had been an offer by a group that the NHL felt good about but Mr. Moyes did not feel good about. So he thrust us into bankruptcy in March of 2009.

Councilmember Lieberman said it was May 5th of 2009 that they declared bankruptcy. He said the key for everybody in this room to know is that the City of Glendale had never paid any expenses for either the team or for the operation of the arena, never. So this \$25 million figure that everything seems to be based on for figuring out the financial assistance plan was being done in June and July of 2009 before the NHL purchased the team. They set the figure.

Mr. Beasley explained there had been negotiations prior to the NHL taking over. He noted the people that were interested in buying the team had set the figure. That was the figure they

decided was needed to successfully buy the team. He reiterated that the city did not come up with the figure of \$20 million or \$25 million.

Mayor Scruggs commented that the people that were interested in purchasing the team passed that information to somebody in the city who passed it to the NHL who started running the numbers based on that.

Mr. Beasley explained there were several deals that come to the city that have amounts. Staff then runs the numbers to see if it pencils out. He noted the city deals with these types of situations frequently in business transactions.

Mayor Scruggs commented that it was important to go back and she knew he said not revisit history, Councilmember Martinez, but Council has all been accused of taking those funds from the residents. And there is even an article in the Arizona Republic that said that up until the time of the bankruptcy the city made good on their promises. The city had not paid any expenses of the arena and they had brought in revenue and the city had reduced the principal by \$27 million. And it was very, very complimentary of what had happened. The situation changed in 2009, May the 5th. And suddenly other parties became interested, they started setting new costs and the only way they could sell the team was to suddenly pay for all the expenses the city had never paid for before and a management fee which Council thought was a management fee, but now it appears it's actually a subsidy to cover team losses. And that is the difference that she realized last year. Maybe the Goldwater Institute convinced me, she didn't know. But that's when she realized and that's when she changed her mind. And she didn't know why that upsets Councilmember Alvarez so much, but when presented with facts, you – all of you – you make your decisions on what you're going to do based on facts. And when the facts change, if it's something important in your life, hopefully you make a decision based on those facts. You don't stick with the same old thing and say you were going to do it this way and you don't care. Everything changed.

Councilmember Lieberman commented the NHL had come to the city almost with a demand for the first \$25 million. He said Mr. Beasley told him that if they did not agree to those terms, the NHL was going to move the team immediately. Mr. Beasley replied he did remember making that call.

Mayor Scruggs commented that was true and you know, and that is an important fact too. The city was put back against the wall at that point. She thought Council was all so shell shocked, they couldn't ever imagine what they would do next. And she remembers when Council came to the meeting City Manager Beasley told her, he thought this was a good thing; he thought they had actually done the city a favor. And she said, oh that is wonderful because the city had no other plan, this just suddenly happened. And she understood that, but as time went on, then, other things came to light.

Mayor Scruggs announced Council was going to recess and come back at 1:00pm.

Mayor Scruggs welcomed everyone back to the Glendale City Council budget workshop meeting on April the 23, 2012. The meeting is called back to order.

Ms. Schurhammer reviewed the revised five year forecast and the changes that were made based on Council's direction regarding additional reductions and revenue opportunities.

Councilmember Clark offered the two scenarios that presented the same revenue projection of approximately \$23 million. She asked the Council to consider the 8/10th excluding food since supporting the 7/10th including food was taxing residents on food items, which she was not in favor of. Ms. Schurhammer explained that taxing food tends to help with revenue in a recession since people usually cut back on their discretionary spending. Councilmember Clark reiterated her philosophical aversion to any sales tax on food.

Councilmember Knaack noted she had the same philosophical feeling about the food tax, but in this case she does not agree. She explained the rest of the business community preferred not to be taxed at 8/10th. She said the 1/10% difference means a lot to the businesses. She stated that after reading all the supporting material, she supports the 7/10th including food.

Councilmember Martinez stated he will also support the 7/10th including food.

Vice Mayor Frate stated that after reading the material he will go along with the previous Councilmembers and support the 7/10th although he wished staff could go lower. He reminded everyone that this had a sunset clause included.

Councilmember Lieberman stated his car dealer friends were not in favor of it and explained how this would be a challenge for them. He realized the city needs to do this because of the situation they were currently in. He remarked this would not be necessary if they were not supporting the Coyotes in the amount of \$92 million in the next five years. He said he was still not sure how he would vote since he believes it necessary for the city's budget but does not want to raise taxes. He would still like to think more about this matter.

Councilmember Alvarez stated the budget presented was the direct reflection of their values and priorities as a city. She hopes staff has combed each department with a scalpel and not an ax. She noted the many sacrifices already made by employees and people who have encountered reduced services. She has been told by residents that it was sad the city had lost control of the budget and that the budget now controls them due to outside influences. They as city leaders must answer to the taxpayers regarding their decision. She noted that when the Mayor asked staff what their plan was to inform the public of the tax increase, staff had no plan. She said this was unacceptable and they should have a plan. She suggested they go out and meet people face to face in their community to educate them on the budget process.

Councilmember Alvarez remarked that when she left the meeting to go to a doctor's appointment her phone immediately started ringing because of comments being said regarding her at the meeting by Councilmember Martinez. She would appreciate if anyone has any comments concerning her, they would address them when she was present. She explained what the meaning of the word compadre was in her culture as well as the term she used in the Glendale Star calling the Councilmembers knuckleheads. She added that to her a knucklehead was a rude

person and if the shoe fits, they should wear it. She cited the many rude comments she believes have been said by some members of the Council to her and to other Councilmembers. She reiterated that to her a knucklehead was a person that just comes in to discourage and to insult. She stated that she was going to work to support the taxpayer.

Councilmember Martinez addressed Councilmember Alvarez's remarks. He explained when he began speaking and providing his comments; he looked over and noticed she had gone while the meeting was still in progress. Therefore, it was not something he did intentionally. In respect to the word compadre, the word refers to a friend or a friendly gesture, in his view. He does not see it as being insulting. He does not believe it was a racial slur calling someone their compadre but meant simply friend. He stated by calling the Councilmembers knuckleheads, she made her position very clear about what she thought about the Council. He added she had just reinforced how she feels about them with her added comments. He said Councilmember Alvarez believes calling Councilmembers knucklehead was not an insult so it was okay for her to use those types of words. However, not one Councilmember to his knowledge has ever referred to her in any derogatory manner. Apparently, it was okay for her to use those words when addressing people.

Councilmember Alvarez stated she will stay a Councilmember and finish her term. She asked to get back to discussing the budget and does not wish to discuss this anymore.

Mayor Scruggs agreed and stated that Council will move on even if Councilmember Alvarez brought up three references when she spoke that were directly meant for the Mayor, but Council was going to move on. And she had addressed all three of them with Councilmember Alvarez in the past. Mayor Scruggs asked for Councilmember Alvarez's your position on the sales tax. She said that previous comments stated that Councilmember Alvarez said she was going to support the community but she doesn't know what her position was on whether she wants the 8/10th of a cent tax with no tax on food for home consumption, 7/10th of a sales tax but include food for home consumption or a different number.

Councilmember Alvarez noted that for years the city has not had an increase. She explained that not all poor people received food stamps and there will be some that have fallen on hard times. Some will have to drive to other cities that don't tax as much. She said the city should not be considering a tax increase especially in this economy when people were hurting. She will not support any sales tax increase of any kind as long as she keeps seeing the \$20 million in the budget for the Coyotes.

Mayor Scruggs commented that she agreed with Councilmember Alvarez totally that the response given when she asked the question about what plans are there to take this to the community was inappropriate at best. And she agrees with her that this needs to go to an organized public meeting. She believes this has to go to the business community. Now, she was not supportive of either the 8/10th or the 7/10th so she will tell you where her computation comes from. She was not supporting the arena management fee.

Councilmember Alvarez commented she's had a chance to speak with Mr. Jamison and believes he would be an ideal person to come to Glendale. She added if the city had the money she could

support this venture. However, she does not agree with it right now because it was taking away from the people especially right now with the layoffs and cuts in the departments.

Mayor Scruggs commented that she agreed with Councilmember Alvarez and that's why she said that if he would have shown up two years ago, it would have been nice. The way that she figured this was there was going to have to be some expenses to run the arena because the city doesn't have anybody else to run it. Her \$11 million figure, she would go lower. She would go \$10 million, okay. Again looking at arena management group statements of income and expenses from 2009, which she didn't know the accuracy, but at least it give the city an idea of what was going on in 2009. And she didn't think that there has been much change except there has been reductions in the amount of staff out there. When the NHL took over they cut some of the expenses she believes so she didn't think it would be any higher, but lower. So if she took out the \$7 million put in for 2013 and going with \$3.6 million a year is generated for each – you know what, just give her the number for 12 months.

Ms. Schurhammer stated the figure was \$3.6 million per month.

Mayor Scruggs asked why the city can't just for now go on an annual because they are trying to adopt an annual budget. She understood that the tax won't be collected for one month, so that's like \$300,000 okay. Okay she was just going to use 1/10 and apply it for a whole year. She was taking out \$7 million for the first year 2013; she was taking out \$10 million for 2014, 15, 16, because the city cannot afford this. Therefore, if you take out \$7 million, that's 2/10th of a cent, if you take out \$10 million, that's 3/10th of a cent. She really didn't want to take out any sales tax increase, but she guessed she would set 5/10th of cent and include food for home consumption. The city was going to lose a lot of the tax base that they have right now.

Mayor Scruggs commented that she had talked to one of the car dealers that Councilmember Lieberman had talked to. They had alternatives; they had alternatives to where their customers take delivery of their cars. They have lots of alternatives and they were not going to put themselves in the position to allow the neighboring city to say come shop and buy your car here, it's only 1.8% sales tax increase but it's 3% in Glendale. They are just not going to do that. They can't afford to. Mr. Kimmerle had his person work up what the difference would have been in sales tax at the 3/10th of a cent based on last year's sales and its more that ½ million dollars. Now he is not paying that, he is not saying that is coming out of his pocket but what he is saying is that he has to pass that on to all his customers and will probably lose sales doing that. And she thought there would be other businesses that have locations in Glendale and have them right next door at 1.8%, and right next door is Phoenix at 2.2%. And for the city to do this and to say – but you have an arena, you have the Coyote Hockey Team here, she didn't think that was best for the citizens, she didn't think it was best for the residents.

Mayor Scruggs commented that she honestly did not have confidence in any of the rationale that was presented regarding how much more revenue the city was going to have if the Coyotes were here. She understood that businesses in Westgate might be calling some of you who were supportive and kind of keep the faith and whatever the city needs those nights there. She agreed they do but she thought that was also the responsibility of the property owner and who was leasing them – businesses or who owns Westgate. They need to find other activities to draw

more people there. She didn't feel it was the city's responsibility anymore to do that. And in addition, she was going to say this and she wouldn't be there next year to deal with this but this budget is also built on a \$9 million reduction in debt payment on the baseball stadium. And she didn't have confidence that was going to come about. The city didn't see the reduction in bond payments Council thought they were going to get on the municipal property corporation bonds so she didn't have confidence the city would see them on the public facilities corporation bonds. In which case then staff will have no choice but to come back and ask for another tax increase to cover what didn't appear. Like Ms. Schurhammer said this is all just a plan. Council saw what happened with last year's plan, it did not make it.

Mayor Scruggs commented that as much as this pains her and others had pointed out that she was the chief cheerleader in the beginning in 2001, to get involved with this whole Westgate and teams and whatever. And yes she was because it was a chance for Council to do something in Glendale that would provide a destination, commercial activity sales tax and it wouldn't just be roof tops up North where the 101 comes through Arrowhead. Council had a chance to really drive activity to this area and increase revenues to the city. It also was a chance to have the old shopping center at 59th and Northern redeveloped, that was part of the deal. So along with this came the builders paying a portion of building the area - \$150 million the owners put in she thought another \$40 or \$45 million and the city paid for infrastructure which would be required anyway. And yes she thought that was good and she thought it was a wonderful deal when, as Mr. Beasley pointed out, nobody could quite believe it because Glendale built the arena but had no expenses for operating it. The city had no expenses to do anything and the developer that wasn't able to fulfill all his obligations was going to pay us \$1 million a year every time he couldn't.

Mayor Scruggs continued so yeah it was a really good deal, it really was and she guesses it was so good that Mr. Moyes felt he couldn't keep on and so that's when the world changed. So if you identify her with wanting the Coyotes here in the first place, then you have to feel the disappointment and pain and frustration now saying she can't support keeping them here, it's just too expensive. But if she can do that then it seems that others can do that too. Because her first allegiance is to the city, she took the oath of office, Council did what they thought was a good thing and now it's not. So she won't support either the 8/10th or the 7/01th. Thank you.

Councilmember Lieberman stated that last week he recommended a sales tax increase of 2.4% which will raise \$7.2 million. He suggested they take \$10 million off of the arena management fee, making it a \$10 million for the five years. He said with the 2.4%, they were almost to the same figures they had now.

Mayor Scruggs commented that he was right, because they propose 7/10th with food, she took 3/10th off of the 8/10th then she can take 3/10th off of the 7/10th and the city would be at 2.4%. And that would be where she would be most comfortable.

Councilmember Lieberman commented that one of the car dealers told him that a year ago in November was the slowest sales month he had in the last 22 years. He noted the car dealerships

were very concerned with this tax increase. He reiterated his suggestion they limit the arena management fee to \$10 million and they go to 2.4% including food.

Councilmember Clark stated that in the early 2000's, they collectively, whoever was on the Council at the time, developed a vision along the 101 in west Glendale that did not include roof tops, but decided the area would be an Entertainment District. She does not believe they should abandon that vision. She believes the potential was still there to make this one of the greatest areas in the City of Glendale. She explained that at times things get tough and people bail because it costs too much. She believes they need to stick to that vision and does not believe that it's realistic to claim a \$10 million figure for management of the arena unless they want a second tier management company. She noted Mayor Scruggs a moment ago was considering 5/10th now she was willing to accept 2.4%. She said the consensus was there for the need for a sales tax increase to cover the management cost of the arena. Therefore, she knows that next year with Jamison and the Coyotes in the arena, that figure was \$17 million. For that reason, in the hopes of creating a majority consensus, she will support the 7/10th with food. She indicted their very best shot at keeping Westgate viable and encouraging future development was to keep that as a regional Sports and Entertainment District with baseball, hockey and football. She believes this was critical for the future of Glendale.

Mayor Scruggs commented that her position in 2001 was mischaracterized; her interest was in establishing a thriving commercial center rather than residential along the 101 and the city got that with Westgate. Now the hockey came along as part of the arena to be an anchor along with the movie theater at the other end. The University of Phoenix Stadium sort of fell in our lap because there was no place else for them to go because every place they looked there was a problem or there was going to be a referendum or something so it fell in Glendale's lap. And so it was dubbed the – theme or the tag line or whatever you want to call it – Sports and Entertainment District. Glendale did start out to create a Sports and Entertainment District –she did not start out to create a Sports and Entertainment District. The sports were the means to the end and Glendale wasn't paying a dime for it. So her intentions from 2001 were being mischaracterized. Her intentions were solely to have a commercial enterprise that would produce revenues rather than take revenues which is what residential housing does. And she does not believe having sports there is critical to the entire what is now called Sports and Entertainment District surviving. She does believe that the arena can be programmed for other uses. Might not bring in 500,000 people a year, but then the expenses won't be as high. And in terms of not having any idea what it's really going to cost, that is by our own hand we have no idea what it's going to cost. But she will tell you that in 2009 the revenue and the expenses for 10 months in 2009, leaving out the Coyotes, was a loss of less than \$5 million a year. That's a whole lot different than \$17 or \$20 million. So that's her position and she chose to characterize her position, by her feelings, herself.

Councilmember Lieberman commented on the many owners that could not make a profit or manage the arena. He explained this will be the fourth owner to come forward and they still did not have an answer from him. He said that Mr. Jamison in recent interviews still says they were working, but was still not there. He noted history tells them that with the many owners that have come forward, they have not been able to make hockey pay and generate revenue. He believes

they could get another group to come in and be successful; however, they just need to try and not be stuck on the Coyotes. He commented on the reduction the city has made in city services.

Councilmember Clark stated that numbers can be made to say anything. She questioned accepting any figure other than putting a place holder in there. Since they do not know at this point what it will be. She indicated she was supporting the Jamison group and supporting their \$17 million figure. She said the figure of \$10 million thrown out might be fine if all they wanted was to bring car shows or like venues to the arena. She added in regards to Mayor Scruggs' comments earlier on her recollection of events regarding how the Westgate area came about, she can simply say that people have very different recollections of the same event and come away with different impressions. Therefore, that did not make her impressions more erroneous than the Mayor's impressions. She noted her impressions and her belief was that the Mayor was taking extraordinary credit for bringing hockey to Glendale. She stated she heard the Mayor and Councilmember Alvarez say Mr. Jamison was a fine man and if they had the money, they would support him. On this point, she would like to remind everyone that the Jamison group took a losing proposition in San Jose with the San Jose Sharks, a hockey team, and turned it around and made that arena one of the busiest arenas in the country. She believes he could do that in Glendale as well. She still believes their best bet at this point in time is to accept the Jamison group if and when the NHL announces him as the buyer.

Mayor Scruggs commented that other than the personal references and attacks, she heard some interesting things she wanted to respond to. She was fine with having car shows in the arena. She was fine with having the Jehovah's Witnesses have a weeklong conference in the arena and take up every room in the Renaissance Hotel while they are doing it. She was fine with having all sorts of different events go on there that are not a professional sports league, not one of the big four. She was okay with that. She doesn't see that as an embarrassment at all. Venues all over the county have a variety of different things and some of those actually attract people who are going to spend more money in other ways. So she was fine with the car shows. Regarding a place holder amount, she agrees. The city needs a place holder amount. She believes that this Council can set the price. Council can say this is what the city can afford and no more. And then the city goes out to the market place and says this is what we have, they are what we can afford no more. Because the model that was being used now is – she knows Councilmember Alvarez was talking about rudeness and paying attention and all that, and asked that she let the Mayor finish.

Mayor Scruggs continued that in her mind she thought the City of Glendale; the City Council should take control and set a price. This is what we have, this is how much. Now if this doesn't work out, there's an option in that the city could sell that arena. And she knows that she had heard staff, say, oh but we can't sell because it won't bring as much as what is owed on it. But you know what right now the city was paying debt on \$200 million something dollars? So instead of paying debt on \$200 million something dollars, the city would be paying debt on \$75 million dollars or whatever the difference is. That transfer that has to go out of the GF each year is much, much lower and the city doesn't have any of the operating expenses nor management fees because somebody else owns the arena. So that is an option. She believed that the city has other

options; they just aren't known because the city hasn't been willing to look at any options other than keeping the professional hockey franchise in place.

Councilmember Martinez agreed with Councilmember Clark and believes they need to keep the Coyotes if they possibly can. He believes that at this point they were all repeating themselves and their opinions. He would like to remind everyone that the place holder of \$17 million can always be decreased later; however, they could not increase it. He explained that the \$17 million at least will provide for some flexibility should they need it. He noted that assuming they put the \$17 million as a place holder and the Coyotes leave, the city has not lost anything and still has options with having the \$17 million for the management of the arena. He believes this was the best way to travel this road by providing the place holder and supporting the Coyotes.

Mr. Colson provided additional information on the Tanger situation. He asked to talk about the effects to Westgate should the Coyotes leave the area. From a historical perspective, Westgate has generated about \$4 million a year. With the Coyotes on an annualized basis of \$4 million over the life of the lease term, Westgate would generate about \$92 million in sales tax. Without the Coyotes and using the 40% figure brought forth last week, Westgate will generate about \$2.4 million. The differential between the Coyotes being at Westgate and not being there is about \$1.6 million a year based on the numbers being used and over the life span it would be \$36 million. The Tanger deal would generate about \$8.1 million on average over the life of the lease. Therefore, if they include Tanger, the figure was about \$3.2 million per year. However, if they just want to remove Tanger from the equation, Westgate will generate on an average annualized basis on the lease term about \$4 million a year.

Mayor Scruggs commented okay \$1.6 million more in revenue it's going to cost the city more than \$1.6 million to keep them there. Go back to the \$8.2 million for Tanger because that was the number she thought that Mr. Tanger used at the ground breaking for the impact on Glendale So how did staff get to \$8.2 million a year from Tanger?

Mr. Colson explained how staff came up with the figures. He noted staff used numbers based on the 20 year lease growth and divided that by 20 to get the annualized number.

Councilmember Clark questioned the growth of the arena since it was almost filled. Mr. Colson explained.

Mayor Scruggs asked what would Arrowhead Town Center be earning for the city then in 20 years. This is more than a 20% growth rate. Wow. It must be enormous up there. It's already 30% of the city sales tax just comes from the mall on Bell Road.

Mr. Colson explained the city's assessment study that was recently done substantiating these numbers.

Councilmember Lieberman discussed the significant impact the Tanger stores will have on the community. He believes the Westgate area will continue to grow and have an impact on the city with or without the Coyotes. Mr. Colson disagreed and added it would be very difficult to create

any sort of case where Westgate would be better off without the Coyotes. He explained that to say that Tanger or the Coyotes would not benefit from each other, would be an inaccurate statement. The other people that benefit greatly were the other businesses in and around Westgate.

Councilmember Martinez asked if it was known how many events were held at the arena besides the hockey dates for this year or for last year. Mr. Colson stated he did not know the number but will provide it to him later.

Councilmember Lieberman stated the desire was to have 125 events a year at the arena including the 41 hockey nights. He said that never happened and it was closer to three or four non-hockey events a month with more a possibility with the correct manager.

Vice Mayor Frate commented on his conversation with a national promoter from Live Nation who books shows at the arena. He explained the competition for venues was not Glendale versus Phoenix; it was San Diego versus Phoenix. He said the promoter told him to be very thankful Glendale had the Coyotes. If not, they would not only have to find someone to book for the arena but also would have to start from ground zero. He mentioned the bookings of religious groups for the arena, however, most bring their lunch and then leave so it was not cost effective.

Mayor Scruggs commented that it was just like Councilmember Clark said you can make anything – depending on who says it and what their intentions are. Because that person told her that very same thing and she used that when she called Ms. Green about the bed tax situation. And that very event where the arena person said, oh it's not worth it because they bring their lunch and don't spend any money is what had Ms. Green's hair on fire because to the hotel, that is worth a tremendous amount of money. She said that was absolutely not true and that event has been there for several years and she had the historical data on what it meant to the hotel. And that was one of the reasons why she wanted this tourism tax or bed tax whatever you want to call it. Because the arena didn't want that and so they priced it at \$35,000, because they did not want it. The hotel wanted it, the restaurants wanted it, and so if they said if there was the CVB money that what they do in other places is they used that money to help defray the cost. So she was told that very same thing about bringing the lunches in the paper bags. And she checked it out on the other end and was told that was absolutely not accurate at all.

Mayor Scruggs continued that somebody watching the meeting sent an email that said, arena says they average 125 events per year with hockey included. So she wrote back, how recent is that information and from who. So if she gets the answer she will tell you. But the whole thing on the people with the lunch, it depends who you talk to because the hotel feels it's a huge loss to have let that particular conference go to Phoenix. And that's what she was saying; it does not have to be a singer. It can be a religious group that comes in for three, four or five days. As long as they're renting hotel rooms and eating in restaurants and shopping at Tanger outlet or wherever they want to shop, what does the city care whether it's a professional sports game or religious group? The goal is to bring people into the arena who maybe will like what they see and come back again but while they're here the first time they spend money. That's what she believes, that's what her goal was from the beginning.

Mayor Scruggs concluded that staff has the consensus and Council direction. Staff would use 7/10th including food for home consumption. So this number that's in here, this \$23 million is okay. Is that it?

Councilmember Martinez asked if there was something new regarding the furloughs or layoff situation with all the changes being made today. Ms. Schurhammer stated furloughs were assumed to not be in place next year. Additionally as it currently stands, they will be eliminating a little over 100 positions. She added some of those positions filled will have to be done away with. Based on the list of positions, 52 of those are currently filled.

Mayor Scruggs recessed the meeting for a brief break and she noted we will come back to talk about the CIP next.

Mayor Scruggs welcomed everyone back to the special workshop session on April the 23rd 2012, and called the meeting back to order. She had the information on what goes on at the arena. Okay this is dated January the 4th 2012 and this is from Jim Foss who we all know is the general manager or whatever he is out there. He says on average, Jobing.com arena hosts 125 events attracting 1.2 million customers each year. The majority of the events involve the Phoenix Coyotes, NHL hockey games and related Coyotes events including adult/youth clinics, adult/youth hockey games, charity events, fan interactive events, sponsor events and business events. However, a good portion of the events include concerts, family shows, sporting events, corporate meetings, community meetings and tours. From July 1st to December 31st 2011 Jobing.com arena hosted 25 events including nationally televised street league skate boarding, the world premier of Lord of the Rings in concert, two sold out performances of the 2011 CMAs and Entertainer of the Year Taylor Swift and two performances of the popular Christmas Trans-Siberian Orchestra show. The second half looks better than the first in addition to the remainder of the 2011/12 Coyotes regular session. The following shows are confirmed through June 30th 2012: Home Tour Concert, the Art Labor of Valentine's Concerts, High School Basketball Finals, Red Hot Chili Peppers in Concert, Professional Bull Riders, which is a two day event, Romeo Santos in Concert and Rammstein in Concert. So that was as of January the 4th. So somebody was talking about four events a month and it appears that's what they do is four a month. So that's the information direct from the arena.

Ms. Schurhammer continued her presentation. She stated this information was provided to Council last week and the same material was also provided in the agenda packet for the public. She presented a bar slide that summarized Glendale's secondary assessed valuation from 2003 and into the future. She explained the peak was reached in FY 2009 at \$2.2 billion in value. The low point in Glendale's secondary assessed valuation is expected to occur in 2014 which will be the reflection of 2011 real estate market. She said that low point is expected to be just over one \$1 billion. The change from the peak in 2009 to the low point in 2012 is 52%. For the future they were showing there will be no change in assessed valuation for 2015 and will hold steady. For the next four years after, they show a 4% increase per year. She added this was all a very conservative assumption

Ms. Schurhammer stated the next slide reflects a bar chart that reflects what happens to the secondary property tax revenue fund if no rate increase is implemented for FY 13. She said that beginning in FY 2011, debt service exceeds revenue coming in. Additionally it shows that over the last few years, the general obligation debt service exceeds the actual secondary property tax revenue coming in and that is because of the steep decline in the secondary assessed valuation. She stated the bottom line for this approach of no rate increase was not a fiscally responsible or viable approach to the secondary property tax. The next slides were two secondary property tax rate increases. The first shows that a .54 cent increase beginning in FY 13 will reduce the gap even if the existing general obligation debt service still outpaces the revenue coming. By doing this the two will be very close even by the time they get to FY17. She noted the .54 cent increase assumes it will be in effect for five years. The rate will be evaluated every FY, based on new figures from the county. The second option shown in the memo and in the slide was an increase that will be staggered over two years. The total rate increase would be .61 cents but 30 ½ cents will be implemented in FY 13 and an additional 30 ½ cents will be implemented in FY14. The new rate increase will be in effect until FY 17, based on what they know today.

Councilmember Lieberman asked what their tax rate would be with the two of them combined. Ms. Schurhammer stated the two combined was 1.59. Councilmember Lieberman explained that if they were to go with the 61 cents that would be close to \$2.20 1/2 cents per hundred.

Vice Mayor Frate noted that Council had lowered the rate when they were bringing in a lot of money because the assessed values were so high. Ms. Schurhammer stated he was correct. She noted Council had lowered the rate for two to three years FY when valuation were climbing and peaked in 2009.

Councilmember Martinez asked for clarification on the options. Ms. Schurhammer explained.

Councilmember Lieberman asked how this compared to other cities. Ms. Schurhammer listed other cities' rates for FY12. Councilmember Lieberman asked to have a list provided to Council of what the other cities' rates were. Ms. Schurhammer stated it was important to note that every city had different components of assessed valuation.

Ms. Schurhammer stated she was excluding the arena and excluding the baseball and only talking about the general obligation bond debt.

Mayor Scruggs commented that all of this stuff that's been built out in the western areas, like the Grand Canal, and the Linear Park and the Maryland Avenue and the Bethany Home connection to the freeway and there is the Bethany Home Outlet. Are those general obligation bonds? Ms. Schurhammer stated most of those were general obligation bonds. Therefore, flood control, parks, police and fire, recreation and open space were all general obligation bonds.

Mayor Scruggs commented that the way she remembered it was once the city knew that they were going to have the destination attractions there, the city needed to be able to prepare for people to be able to have their destination. Then once the city knew about the Super Bowl they wanted to have more of the Grand Canal, Linear Park and a lot of the recreational stuff. There

was a thought that the Super bowl might be there so the city probably put \$200 or \$300 million in general fund obligations.

Ms. Schurhammer explained they spent about \$280 million related to general obligation bond debt from 1999 to 2011. She discussed the many projects the city worked on between those years.

Mayor Scruggs commented that was maybe a key message. She didn't know how the city would ever get it out, but everybody criticizes the city for the Sports Entertainment stuff and none of that is this debt. This all is for amenities that directly serve our constituents and visitors. Glendale did a huge number of projects.

Ms. Schurhammer agreed.

Mayor Scruggs continued that she understood that they were pretty much fast tracked in terms of repayment so maybe that ate up some of the tax money faster rather than stretched them out forever, the city tried to repay them at a faster rate. Is that correct?

Ms. Schurhammer agreed and believes most were set up to be repaid within a 15 year plan, however they vary.

Mayor Scruggs commented that the declining assessed valuations intersecting with our rising stair steps in payments, is that what is happening?

Ms. Schurhammer replied yes. She stated it was important to understand no one could have foreseen a 54% drop in assessed valuation. She noted no one saw this coming.

Vice Mayor Frate stated that critics and newspapers said they all saw it coming but everyone has their opinions. Ms. Schurhammer stated the good news was they are not seeing the double digit declines anymore; they are now in the single digits. Additionally, the supply in the home market has been cut in half since the recession first started. Therefore, there are fewer houses out there for sale.

Mayor Scruggs commented that based on what Ms. Schurhammer said, she would be more comfortable going with scenario two because there is a chance then to revisit next year and maybe instead of it being 30 ½ it might be a little bit less. So she thought she would lean towards scenario two.

Councilmembers Clark and Knaack agreed.

Councilmember Martinez inquired if changes could also be done to scenario one next year. Ms. Schurhammer replied yes and added the rate would have to be re-evaluated every fiscal year by state law.

Councilmember Martinez stated that to him scenario one seemed the best option and they can still be re-evaluated next year.

Councilmember Clark stated she liked the second scenario better because they were still in the midst of recovery and it keeps it a little lower in the first year and they will re-evaluated the next year. Councilmember Lieberman and Vice Mayor Frate agreed.

Mayor Scruggs commented that it appears the majority has given direction to implement scenario two. So when would people see this – when will residents see this on their tax bills? When does this actually go into effect?

Ms. Schurhammer stated it will be in effect for FY13, in October of next year.

Councilmember Knaack commented that if someone was over 55 and on a limited income, those people can file for a refund from the state on the tax on their home. She said that when you file and are approved, they can get up to \$500 back from the state and \$25 in excise tax. Councilmember Clark added that seniors can also file to freeze their property valuation tax rate.

Mayor Scruggs commented that she thought there would be two separate ordinances, one for the sales tax rate and one for the bed tax rate is that correct?

Mr. Tindall stated they will have two.

Mayor Scruggs commented there will be two so you can vote separately on them. Oh, this levy thing. A lot was written about it in the material changing from setting a property tax rate to a property tax levy. Was Council going to talk about that?

Ms. Schurhammer stated the rate was what they charged; the levy is the revenue that is raised from it. She explained they were one of the few cities that budget to a property tax rate rather than to the amount of revenue that's needed to pay the debt service. They were recommending they move towards an approach where they look at what the debt service requirements are and set a rate according to the debt service requirements.

Mayor Scruggs asked if that would be discussed during this session or is that a topic for another time.

Ms. Schurhammer explained this was only a recommendation and as long as they have a decision on what the rate needs to be for next year that is the decision that is needed to move forward.

Mayor Scruggs commented that she understood that there was proposed legislation going through and she knew somebody in the audience knows more about this than she does, that would limit the amount the levy could ever increase regardless of what was going on. Have you heard that?

So how is it going to work and if the city changes to the levy method would we have to abide by it and or would we be better off with the tax rate method or is there going to be cap on that too.

Mayor Scruggs asked Mr. Beasley if they could have Mr. Stoddard come up to answer these questions.

Mr. Brent Stoddard, Intergovernmental Programs Director, stated the legislature has the discretion to put resolutions on the ballot in election years and so usually they put anywhere from four to six. They are currently releasing the package of resolutions they want to put on the November general election ballot. Bill SCR 1025 was brought forward by the Arizona Tax Research Association trying to head off the potential threat of a Prop 13 type of package coming forward on the Arizona ballot. This bill would essentially cap the full cash value or as property taxes start to increase it only to 5%. Arizona Tax Research Association believes it was proper to set policy to go by a levy instead of the rate and that's what they would be advocating as it goes out on the ballot and it looks like it will go through to the November ballot.

Mayor Scruggs asked if they pass this thing and the voters vote for it about the levy, how does that impact Phoenix and Glendale that still set rates. Mr. Stoddard explained they would only be able to capture up to 5%.

Councilmember Clark suggested they wait until after the elections to see what permanently is in place. She would also like more concrete information on how this would affect Glendale to rate versus levy.

Mayor Scruggs commented that she knew this was discussion for another time, but if it's passed in the election in November, how much time would the city have to change and Council might want to hear that information before the election so that staff has a plan depending on how that election turns out. Mr. Stoddard stated the legislation calls for an enactment date of 2015.

Mayor Scruggs stated so we have time. Never mind, sorry.

Ms. Schurhammer stated that brought them to the end of the presentation on the budget.

Councilmember Martinez remarked on his previous discussion regarding bringing back the furloughs at 5% to save some jobs that are being eliminated. He would like to hear what the other Councilmembers thoughts were on the matter to see if there was support for it.

Vice Mayor Frate explained he had given some thought to the furloughs but decided against it because it affected retirements down the road. He believes the people on furloughs deserve to go back to normal. He believes the layoffs and reductions in other areas will help the budget. He said this was a way for the city to say thank you to the ones that supported going forward with furloughs in order to help the city.

Ms. Schurhammer restated the figures regarding the vacancies and the number of people being laid off. She explained that many could still retire knowing that layoffs were coming, which

could save positions and that number could go down before they would have to implement any thing.

Councilmember Martinez asked if they reinstated the 5%, how many positions would that reinstate. Ms. Schurhammer stated it would be about 26 positions. Councilmember Martinez stated the 5% furloughs will be saving 26 people from losing their jobs. Ms. Schurhammer explained having the furloughs was only a temporary solution and only deferring the problem since they already have done this three years in a row.

Mr. Brown remarked on the morale issues impacting the employees as well as the turnovers that have occurred because of the furloughs as well as increase in work load and frozen pay increases. He agrees with Ms. Schurhammer that they have to work toward a permanent solution.

Councilmember Clark agrees with Ms. Schurhammer that at some point they have to make a permanent solution to bring more closely their expenses in line with their revenues. She stated that at this point, she cannot support extending furloughs out again. She believes they should not keep putting off what they should have done three years ago.

Councilmember Lieberman stated he could not support furloughs and hopes they can balance the budget without them. He commented on the pay increase some employees received when there were not supposed to be any recommended. Mr. Brown stated there had been no merit increases for non-represented employees over the last three years. However, some employees, when they take over a position, might receive assignment pay for that.

Mayor Scruggs commented that this was something she brought up when Council first started and are back to this again. This is where she made it through two of the years, but not the third year. It is a fact that some number of employees received large increases for various reasons called promotions, equity adjustment, criteria based, change salary to minimum of a grade. And in the FY 09/10, there were 61 people who got that, in FY 11 there were 44 people that got that, in FY 11/12 which she only had half a year data she had not finished counting everybody. Where does this money reside right now? So for example in FY 09/10 that amount of money was 330,000 just in promotions and then there was another 17 that got something other than a represented group step increase. Let's say 300,000 just to make something up, she knew that one person got something like \$11,000 and was not in a represented group. So then go to the next year and 43 employees shared \$318,355 and then she assumed if she had been able to finish her work for FY 11/12 she probably would have seen something like that. So where does that money come that Council hasn't budgeted for?

Ms. Schurhammer stated that in the past it has been covered by salary savings within the various funds. However, that has changed for the future. In the future if there are any discussions about equity adjustments for a position or a promotion, the pay increase would only be accommodated if it could be accommodated within the existing budget.

Mayor Scruggs commented that very honestly and very sincerely, while all of the employees out here, the majority of the employees in the city were having first 5% pay cuts due to furloughs,

then 2.5% pay cut due to furloughs and some people getting significant increases in their pay. And she knows staff is going to tell her that they took on more work and they did this and they did that. Everybody took on more work and she thinks about the people who just went about their business and absorbed their 5% or 2.5% pay cut and come to find out that others are getting thousands of dollars of increase. It's just not fair, it's just not fair. And Council believed that there was going to be - there were going to be no pay increases, so staff says there are no pay increases because they are not called merit increases, well some of them were. But the amounts where - it's just not like somebody got \$500 more a year. It was thousands and thousands and thousands of dollars and it's not fair. Not to be micro-managing but Council learned from the city attorney that as the Council we do have the final say over salary matters and compensation. And she would like to know how staff thinks this is going to go from now on because she thinks that there have been people who been trampled on and now they are going to lose other money perhaps. But others are making up for what they lost in furloughs through these nice little equity adjustments and promotions and so forth. So is there a policy within the organization and where do you see Council fitting in because she believes they have a say over this.

Mr. Beasley noted there has always been a policy. He asked Mr. Brown to go over the policy.

Mr. Brown stated city had a policy that addresses assignment and retention pay as well as when an employee was assigned to higher level duties and what they would be compensated. He explained there were different laws the city must follow.

Mayor Scruggs commented that she was thinking that, it was okay if somebody has to pick up a little bit of extra work in their department and so they're expecting now some sort of increase because they are taking on additional duties and then she was thinking about someone that just lost their job. And is out there telling someone, they got laid off. And you know they would probably come in and do that job without that extra increase and she just sees our employees not being treated fairly. There is a lot of concern for the one that is picking up more work, but there is no concern for the one who has no work now because there is not enough money to go around.

Councilmember Clark noted that this was a subject for another workshop discussion. She would like to know what is mandated by state law they must follow and policies that have become discretionary over the years. She stated she felt like she had been bamboozled last year when she was told there was to be no pay increase only to be presented with a list what showed people getting all kinds of extra money for extra things. She remarked it really upset her that staff had brought this up after the fact and would have liked to have been told ahead of time.

Councilmember Martinez remarked it would be a good idea to go over the pay assignment policies also at that time.

Mayor Scruggs addressed Ms. Schurhammer saying that she thought what Ms. Schurhammer said going forward if there is somebody that needs to have an equity adjustment or a promotion or whatever, it's to fit within their budget, and then they can have it. So what that would cause a director to do is to say let's cut out maybe supplies at the recreation center or let's cut out something that's non personnel so we can give this person a raise because it all has to fit within their department's budget.

Ms. Schurhammer explained what she meant was from the GF budget as a whole or the water and sewer budget as a whole.

Mayor Scruggs asked what decides that. Council already saw where they thought there was a certain GF fund balance and the city has \$10 million left. Because if you are playing around with a million there and a million there, everything fits, she guessed.

Ms. Schurhammer stated the \$10 million had nothing to do with the wage adjustments.

Mayor Scruggs stated but Ms. Schurhammer said that if it fit within the GF budget, then the person would get the increase.

Ms. Schurhammer explained the budget process they would use to work with the HR and department and managers office.

Councilmember Clark reiterated this topic should be handled in a workshop session to find out what the procedure is more specifically.

Councilmember Alvarez requested they check the process of who decides assignment pay and if it goes through the proper channels. She discussed a position questionnaire that used to be used for this purpose and thinks it should be used again to make sure that person is qualified and the decision was fair.

Mr. Brown stated the city had a consultant come in ten years ago to assess their compensation package and plan. At that time, he made his recommendation and changes. He stated that at that point their compensation package was updated. He feels confident the city's compensation policy is a good policy, and it was fair and equitable. The policy keeps the city in compliance and keeps them competitive. However, they will be happy to revisit that in a future workshop.

Councilmember Knaack stated that she came in thinking of supporting the 2 ½ in furloughs, however, after further discussion and thought, she supports no furloughs and believes the employees deserve to have their pay back. She thanked everybody, especially all the employees for doing this willingly to get the city out of the predicament they were in. She noted that Glendale was a good place to work especially because of the benefits they offer their employees.

Councilmember Clark summarized the Council's consensus on the sales tax increase, property assessed valuation and the Coyote issue. She remarked on the comments made regarding the Jamison group for the people tweeting they were confused about the direction the Council was taking. She stated there was consensus support for the Coyotes from four Councilmembers. She stated this had been a long, arduous, tedious drawn-out process. She would like to commend Mr. Beasley, Mr. Skeete, and the entire staff of the organization for putting up with their mean and sometimes senseless questions and for being on the ready to answer anything asked of them. She thanked them for hanging in there as the Council micromanaged the budget to death. She said staff had her deepest thanks and appreciation for putting up with the Council.

Councilmember Martinez stated that Councilmember Clark stole his thunder since he agrees with everything she said about staff. He also would like to thank Mr. Beasley, Mr. Skeete, Ms. Schurhammer, Mr. Bolton and all the staff that made presentations. He has always said the city of Glendale had the best staff.

Mayor Scruggs commented that Councilmember Knaack referred to how wonderful the benefits are here and that's another reason to work here. Did Council talk about benefits? What is happening with benefits?

Ms. Schurhammer stated there was no increase to the employee or to the employer.

Mayor Scruggs asked if there were increases to the co-pays and that type of thing. Deductibles? She asked Mr. Brown to tell Council and then also she has read there is some work being done internally to decrease benefits to retirees. So she would like to know about that also.

Mr. Brown stated there have been no changes to the benefit plans for the upcoming fiscal year. He stated their goal is to provide the best possible benefits to their employees at the best possible cost to the city.

Mayor Scruggs commented that she has been reading a lot about the Peoria Unified School District. They are going through this process of looking at cutting out benefits to retirees and so forth. So taking a page from this year, first of all she was going to tell you, you received direction from up here to bring this whole compensation issue to the City Council in workshop regarding how you decide who gets – whatever you want to call them. Who gets more money for whatever reason? But going to the retiree thing, taking a page from this year, where Council started talking very early on about wanting to get involved in the budget process early she would strongly suggest that this whole retiree issue be brought forward very soon to see first of all if there is an appetite for it among the policy makers because staff will have to get Council approval for that kind of a change. So she thought staff should see where everybody is on that subject early on before they do a lot of work rather than it be February or March and oh it's time for budget. And by the way we are deciding that we are going to drop off these people because they have too many insurance claims or whatever it is you want to do. She thought it was time to see if there is going to be support for that type of idea because they are running into a wall in Peoria and she doubted it will be any easier over here. Anybody else want to comment on that?

Councilmember Clark stated these budget meetings have been very helpful and hopes they continue next year only perhaps start a little earlier so Council won't be right up against the wall in terms of staff being able to get the materials out in time. She believes this would be a good exercise for the new people coming in. Councilmember Knaack agreed.

Councilmember Clark stated she would like the issue of retirees to be brought forward in September.

Mayor Scruggs asked if there is not going to be support for it anyway, why should Council continue to do the work. And the discussion about compensation and raises, that would be now because that would go into effect starting July 1, right? So Council wants that in a workshop.

Councilmember Clark explained she does not see how any discussion of compensation would affect this year's budget.

Mayor Scruggs stated she just told Council. She continued that Councilmember Clark had asked a question about how do these people get all this extra money and Ms. Schurhammer told you if there is money in the GF somewhere, then a director can decide to give it to whomever.

Councilmember Clark reiterated that topic was worthy of discussion, but does not believe it will affect this year's budget which they just set as of today.

Mayor Scruggs addressed Councilmember Clark, saying that she had complained that all these things went on and nobody told her they were in the budget and all of a sudden there was this million dollars that went out and nobody told her and she didn't like that. And she wanted to have a discussion because she felt that Council had lost control.

Councilmember Clark agreed she would like to have that discussion and believes they have lost control but she does not believe that anything they learn in the immediate timeframe can change the budget that they just went through for FY 13. These are issues they need to talk about in workshop with enough time to review the information.

Councilmember Alvarez suggested they wait on that issue since there will be some changes in the Council. She believes they should give them a chance to give their input since they might have other ideas. She indicated they should give staff the opportunity to provide a plan for them to review to either reject or approve. They should not try to micromanage things.

Councilmember Martinez suggested they discuss this after June.

Councilmember Alvarez believes this issue was taken care of for this year and they should work on it next year in a workshop setting.

Councilmember Clark agreed with Mayor Scruggs that they need to have a workshop on the retiree benefits package before staff decides to bring something forward that may not receive full Council approval.

Mayor Scruggs asked if Councilmember Clark was still supporting September for that.

Councilmember Clark replied yes. In regards to the compensation packaged, she would like to have some discussion in workshop since she does not know enough about it.

Mayor Scruggs asked when Council would you like to do that.

Councilmember Clark replied after the break.

Mayor Scruggs asked how everybody else felt about these two subjects.

Councilmember Martinez and Vice Mayor Frate agreed to discuss both items after the break.

Councilmember Knaack remarked that things were moving in a different direction with the Council becoming more involved in policy issues. She agreed to have discussions on these two items in September. She stated this new budget process has really opened everyone's perspective and knowledge and looks forward in continuing this process. Councilmember Alvarez agreed with Councilmember Knaack; however, believes their discussion should be with the manager and believes they might be ignoring the City Manager. She noted they all need to give the manager a chance to offer his suggestions and recommendations first.

Mayor Scruggs asked if there were any other questions on the budget stuff. No.

Councilmember Lieberman commented on Mr. Sterling Ridge's passing. Mr. Ridge was the former Mayor of Glendale in the 1970s. He stated his visitation services were at First United Methodist Church from 7:30 p.m. to 8:30 p.m. He noted Mr. Ridge was probably the one person most responsible for getting ASU West in Glendale.

ADJOURNMENT

The meeting was adjourned at 4:45 p.m.