

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

**MINUTES  
CITY OF GLENDALE  
CITY COUNCIL WORKSHOP  
June 7, 2005  
1:00 p.m.**

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

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

**It was moved by Councilmember Eggleston and seconded by Councilmember Frate to go into Executive Session. The motion passed unanimously.**

Council returned from Executive Session at 2:05 p.m.

**1. 3<sup>RD</sup> QUARTER REPORT ON THE GENERAL FUND**

CITY STAFF PRESENTING THIS ITEM: Ms. Sherry Schurhammer, Director, Budget Department. Mr. Art Lynch, Deputy City Manager presented information on the Northern Crossing Development.

This is a request for the City Council to review the Fiscal Year (FY) 2004-05 third quarter report on the General Fund expenditures and revenues.

The Fiscal Year 2004-05 third quarter report on the General Fund is consistent with the Council's goal of ensuring the city's financial stability through timely reviews of actual expenditures and revenues.

In response to requests from the Council, staff committed to providing quarterly reports on the General Fund beginning with Fiscal Year 2003-04.

The General Fund's third quarter revenue budget and actuals are as follows (in 000s):

	<u><b>FY05 Budget</b></u>	<u><b>FY05 Actuals</b></u>
City Sales Tax	\$ 36,162	\$ 39,551
State Income Tax	\$ 14,812	\$ 15,088
State Sales Tax	\$ 12,983	\$ 14,460
State Motor Vehicle In-Lieu	\$ 6,020	\$ 6,672
HURF	\$ 11,536	\$ 11,347

Primary Property Tax	\$ 2,696	\$ 2,234
All Other	\$ 19,726	\$ 18,580
<b>TOTAL</b>	<b>\$103,935</b>	<b>\$107,932</b>

As the preceding list shows, Fiscal Year 2004-05 third quarter General Fund revenue receipts are \$4M (\$3,997,000), or 3.8% more than expected.

City sales tax receipts, which account for almost 35% of the city's total General Fund revenue budget, exceeded expectations by \$3.4M (\$3,389,000) or about 9.4%. This is not surprising given that the Fiscal Year 2004-05 revenue budget for city sales tax, \$48.2M (\$48,216,000) is less than the actuals received in Fiscal Year 2003-04, \$49.8M (\$49,766,000).

Since this fiscal year's budget for city sales tax is lower than last fiscal year's actuals, the better measure of how we are doing is to compare collections with last year's collections.

When this fiscal year's 3<sup>rd</sup> quarter actuals of \$39.5M (\$39,551,000) are compared to last fiscal year's collections of \$37.4M (\$37,421,000), we see that this fiscal year's collections are running \$2.1M (\$2,130,000) or 5.7% ahead of last fiscal year's 3<sup>rd</sup> quarter collections.

- o The 2<sup>nd</sup> quarter report to the City Council included a discussion about the General Fund revenue projection for Fiscal Year 2005-06, which was based, in part, on how revenues were performing this fiscal year through the 2<sup>nd</sup> quarter.
- o City sales tax receipts this fiscal year were \$1.2M (\$1,218,000) or almost 5% (4.84%) ahead of last fiscal year's 2<sup>nd</sup> quarter collections. Based on this performance through the 2<sup>nd</sup> quarter, staff estimated that Fiscal Year 2004-05 city sales tax receipts would be \$52.2M (\$52,166,000), or \$2.4M ahead of last fiscal year's collections of \$49.8M (\$49,766,000), by the end of Fiscal Year 2004-05.
- o As the 3<sup>rd</sup> quarter actuals show, the city is well on its way toward attaining the \$52.2M estimate. Third quarter actuals are \$2.1M ahead of last fiscal year's 3<sup>rd</sup> quarter collections, which is the equivalent of collecting \$700,000 more each quarter this fiscal year than each quarter last fiscal year. To reach the \$52.2M estimate, this fiscal year's 4<sup>th</sup> quarter city sales tax receipts need to come in only \$300,000 ahead of last year's 4<sup>th</sup> quarter collections.

State-shared revenues are performing very well through the 3<sup>rd</sup> quarter, with receipts exceeding budget by almost \$2.4M (\$2,405,000) or 7.1%.

- At the 2<sup>nd</sup> quarter report, staff estimated that Fiscal Year 2004-05 year-end state-shared revenue receipts would be \$48.4M (\$48,399,000). The Fiscal Year 2004-05 estimate of \$48.4M was based on the revised figures that the Arizona Department of Revenue and the Arizona League of Cities provided municipalities during the summer of 2004.
- The Fiscal Year 2004-05 estimate of \$48.4M (\$48,399,000) is \$1.4M (\$1,394,000) or 2.9% more than Fiscal Year 2003-04 actuals of \$47M (\$47,005,000).
- Through the 3<sup>rd</sup> quarter of Fiscal Year 2004-05, state-shared revenue receipts of \$36.3M (\$36,220,000) are already \$1.6M (\$1,608,000) more than the 3<sup>rd</sup> quarter Fiscal Year 2003-04 receipts of \$34.6M (\$34,612,000), so the city is well on its way toward attaining the Fiscal Year 2004-05 estimate of \$48.4M.

Highway User Revenue Funds, or HURF, are revenues commonly known as the gas tax although there are several additional transportation related fees that comprise this revenue source. This revenue source is running about \$189,000 or 1.6% below budget.

- Analysis of HURF revenues received over the past 3 years shows that the City has received 44.4% of HURF revenue during the first 6 months of the fiscal year, with the remaining 55.6% coming in during the last 6 months of the fiscal year.
- Based on this information, we would expect to receive \$11.1M (\$11,106,000) through the third quarter, whereas the City actually collected almost \$11.3M (\$11,347,000). In light of this analysis, the City's HURF receipts through the third quarter are ahead of pace by \$241,000, or 2.2%.

There are no significant one-time sources of revenue reflected in the third quarter revenue actuals, unlike Fiscal Year 2003-04 when the sale of parcels at the Northern Crossing development generated \$7.3M (\$7,270,000) in General Fund revenue.

The FY04-05 third quarter budget and actuals for the General Fund operating and pay-as-you-go (PAYGO) capital expenditures are as follows (in 000s):

	<b><u>FY05 Budget</u></b>	<b><u>FY05 Actuals</u></b>
GF Salaries/Benefits	\$ 65,304	\$ 61,169
GF Non-Personnel	\$ 34,826	\$ 28,201
GF Debt Service (leases)	\$ 3,209	\$ 3,141
PAYGO Capital	\$ 2,648	\$ 487
<b>TOTAL</b>	<b>\$105,987</b>	<b>\$ 92,998</b>

Salary savings for the third quarter of Fiscal Year 2004-05 totaled \$4.1M (\$4,135,000).

Non-salary savings for the third quarter of Fiscal Year 2004-05 totaled over \$6.6M (\$6,625,000).

Overall, the City continues to be conservative in its spending, as evidenced by the fact that the Fiscal Year 2004-05 third quarter General Fund expenditures were almost \$13M (\$12,989,000) less than budget.

At the end of the third quarter of Fiscal Year 2004-05, the budget-basis GF fund balance was \$61.6M (\$61,553,000), which is \$9.6M (\$9,557,000) more than the budget-basis General Fund balance at the start of Fiscal Year 2004-05, which was \$52M (\$51,996,000).

The Fiscal Year 2004-05 second quarter report was presented to the City Council on February 15, 2005.

The community benefits from periodic reports to the City Council on the General Fund's revenues and expenditures because it is a means to evaluate the city's financial stability.

This is a status report on the General Fund through the first three quarters of Fiscal Year 2004-05, and no Council action is required on this part of the report.

Ms. Schurhammer began the presentation by discussing a slide that showed an overview comparison of General Fund (GF) revenue actuals and budget for the third quarter of FY04-05. Overall, GF revenue actuals are almost \$4M, or 3.8%, ahead of budget through the third quarter. She reported that city sales tax and state-shared revenue actuals are performing very well. City sales tax receipts are \$3.4M, or 9.4%, ahead of budget while state-shared revenue receipts are \$2.4M, or 7.1%, ahead of expectations.

Ms. Schurhammer stated that the all other revenue category is \$1.1 million or almost 6% below expectations. However, the budget reflects \$1.5 million for Lund Cadillac to cover a performance incentive that is not expected to occur this year. Once that item is removed from the comparison, the all other revenue category is actually ahead of expectations.

She said revenue from development permits and fees is running about \$83,000, or 2%, ahead of budget at the end of the third quarter whereas franchise fee revenue is running \$60,000, or 2%, below budget. She reported that license revenue is 26%, or \$161,000, ahead of budget because most of this revenue comes in during the third quarter.

Mr. Lynch provided an overview of the Northern Crossing development. He explained that the original purchase of the land totaled \$11 million, with demolition and other costs bringing the city's total cost for development to \$14.5 million. He said, to date, there have been parcel sales of \$11.5 million. He stated that he just received notice of another parcel sale totaling \$825,000, which is expected to occur in the near future and to be reflected in the year-end figures. He stated total sales tax receipts are about

\$1.16 million. Overall, revenues from the development of the site total \$12.66 million. Therefore, the city has almost recovered its \$14.5 million investment in just three years, or two years ahead of schedule.

Vice Mayor Eggleston asked if there are opportunities for additional land sales. Mr. Lynch stated that additional revenue would come primarily from the leasing of the pads, in addition to sales tax receipts. Mr. Lynch said the city should receive about two-thirds of lease proceeds for the rental pads.

Councilmember Lieberman asked if pad 11 was the last pad to sell. Mr. Lynch said it was the last pad in which the city has a 75% share in the revenue stream. Councilmember Lieberman asked if the city bonded \$12 million on this project. Mr. Lynch said \$14.5 was the total for all costs. He pointed out that \$12.66 million already has been collected in revenue from pad sales and city sales tax receipts. He said two payments totaling \$2.3 million have been made on the bonds.

Councilmember Goulet asked if the small strip center originally shown at the extreme eastern end of the property is still a possible source of revenue. Mr. Lynch responded yes, explaining the leases themselves would drive the amount of money the city receives.

Ms. Schurhammer reviewed a year-to-year comparison of city sales tax receipts, noting that this year's budget of \$48.2 million is actually less than last fiscal year's actuals of \$49.8 million. Given this fact, a better measure would be a comparison of the year's actuals to last year's actuals. From that perspective, this fiscal year's collections are \$2.1 million, or 5.7%, ahead of last year.

Ms. Schurhammer reviewed a year-to-year comparison of state shared revenue receipts, stating the city has experienced a 4.6%, or \$1.6 million, increase over receipts received through the third quarter of FY 2003-04.

Ms. Schurhammer compared budget to actuals for expenditures, noting that the city has under spent its budget by almost \$13 million.

Ms. Schurhammer reported the city started the year with a budget basis fund balance of just under \$52 million. After taking into consideration the revenue that has been received, transfers, and expenses, the city's ending fund balance has grown by over \$9 million for a total of \$61.5 million.

## 2. **CABELA'S: DESTINATION/RETAIL OPPORTUNITY**

**CITY STAFF PRESENTING THIS ITEM:** Mr. Art Lynch, Deputy City Manager; Iain Vasey, Economic Development Director; Ms. Stacy Pearson, Assistant Director Communications.

This is a request for the City Council to provide direction to staff on whether to move forward with negotiating development agreements with Cabela's Retail, Inc. and Zanjero Boulevard Land Company, LLC for the development of a 165,000 square foot destination retail attraction.

Cabela's wants to construct a 165,000 square foot outdoor merchandise facility within the Zanjero Planned Area Development (PAD). The destination retail attraction will include a museum, a restaurant, an aquarium and a conservation mountain. This development will enhance the current business environment and will benefit Glendale citizens and visitors alike. The city cost of the project will focus on providing public benefits, including investment in public amenities on the property and roadway improvements to enhance traffic circulation in the area.

This project will enhance the quality of life for Glendale residents while promoting economic development at Zanjero and the surrounding area. The development of an innovative destination retail attraction promotes a positive image of Glendale to residents and tourists.

Cabela's is the nation's largest direct marketer and leading specialty retailer of hunting, fishing, camping, and related outdoor merchandise and currently operates 12 retail stores nationwide.

Since its development in 1961, Cabela's has become one of the most well-known outdoor recreation brands in the United States, and is recognized as the World's Foremost Outfitter®.

Cabela's operates as an integrated multi-channel retailer, offering customers a seamless shopping experience through catalogs, a website, and destination retail stores.

Cabela's reported annual revenues of \$1.6 billion in 2004. Revenues and income have increased 50% since 2001 and net income has increased 85%.

Currently there are 12 Cabela's superstores nationwide and they have plans to expand into additional premier retail markets. They have 13 million regular customers. Customers are both male and female, with nearly 27% representing female buyers. Their strong customer base represents all walks of life, with nearly half coming from the professional sector. Nearly 65% of their customers exceed national average income levels and they serve an evenly dispersed range of age groups.

Cabela's showrooms are more than just retail stores - they are destinations and tourist attractions. Their trademark style evokes the great outdoors, mixing museum-quality displays with huge aquariums and Cabela's famous conservation mountain.

Cabela's stores are known for their huge walk-through, fresh water aquariums, stocked with hundreds of panfish, game and trophy fish, and predator species. Information kiosks, with interactive touch-screens, identify each species and explain its characteristics. Each aquarium is comprised of three separate tanks. The water for the walk-through aquarium is continuously recycled in a "closed system", which reclaims and re-circulates the water, then replaces it in the aquarium.

The centerpiece of each Cabela's store is a 40-foot-tall Conservation Mountain, with a trout pond, running waterfalls and streams.

The 360-degree, walk-around mountain features approximately 100 wild game mounts

in their distinct habitats.

Cabela's anticipates drawing more than four million visitors to the Glendale location in the first year, with 30-40% being tourists from out of state. It is estimated that out-of-state tourists will spend \$300-\$400 million in the community on services such as entertainment, food, lodging, and gas. The Glendale location will attract visitors from Arizona, California, New Mexico, and Mexico.

Representatives from Cabela's have met with potential partners for this project, including Mr. Rick Burton of Zanjero, to discuss land and site plan related issues, as well as the City of Glendale.

Zanjero is a Planned Area Development (PAD), and is situated with Glendale Avenue to the south, 91<sup>st</sup> Avenue to the east, and 95<sup>th</sup> Avenue to the west. Zanjero is immediately north of Westgate and consists of approximately 160 acres. The PAD includes a mixture of employment, retail and residential uses. The Cabela's retail destination development will be located at the northeast corner of Glendale Avenue and 95<sup>th</sup> Avenue.

This development will provide an opportunity for public-private partnerships between Cabela's, Zanjero, and the City of Glendale.

The development of a 165,000 Cabela's retail destination attraction will be privately constructed, owned and financed. The City of Glendale will contribute an amount not to exceed \$10 million towards the development of public amenities (museum, aquarium, conservation mountain) and \$6.7 million in infrastructure improvements at Zanjero.

Zanjero will commit to develop an additional 400,000 square feet of retail/commercial space within the next three years and will commit to generate \$1.5 million in sales tax revenue by the 4<sup>th</sup> year, and every year thereafter.

The city of Glendale will be constructing the following infrastructure/roadway improvements at Zanjero:

- 95<sup>th</sup> Avenue
- Zanjero Boulevard
- Rio Way

There are a number of benefits to having the City of Glendale provide infrastructure improvements as a component of this development project. The roadway improvements will provide the backbone infrastructure for Zanjero and will help promote future economic development activity. Having the infrastructure already established and in place enables Zanjero to be readily available for future development. These improvements will also provide connectivity between Zanjero & the Westgate development.

The development of a destination retail attraction will enhance the current business environment and creates a unique amenity in Glendale.

This development will be the first retail development at Zanjero and will set the standard for all future development in the area.

This project will be both publicly and privately funded. The construction of the Cabela's retail store will be privately funded and infrastructure improvements will be publicly funded.

At this time, the financial commitments and requirements for all parties to develop and complete the project will need to be finalized. If directed by Council, staff will continue to meet with Cabela's and Zanjero to negotiate the financial aspects of the project.

Staff is seeking direction from Council to move forward with negotiating development agreements with Cabela's and Zanjero for the development of a 165,000 square foot destination retail attraction.

Mr. Vasey stated, because of the unique nature of the store and the wide-ranging impact of such development, the city commissioned a study by the state's leading economist, Elliot Pollack and Associates. He said Cabela's will create approximately 2,600 new direct and indirect jobs in the Zanjero development, with an estimated economic impact to the community of approximately \$290 million annually. He stated a ten year projection of tax revenue estimates revenue to the City of Glendale of over \$34 million, not including adjustments made for inflation. He said an additional \$125 million is expected to come into the community in the form of wages as a result of the Zanjero Development. He noted over 1,000 new jobs will be created during the construction phase alone, which is expected to bring another \$50 million in construction wages to the community.

Rick Merrick, Elliot Pollack and Associates, said the strength of any economy is the presence of basic industries within the community and tourism. He stated the net import of retail sales will translate into retail sales tax for the city. He compared the project to the IKEA store in Tempe, stating both stores attract people from hundreds of miles away who then spend money in the city.

Councilmember Clark pointed out many of the construction workers will come from outside Glendale. She asked what impact will the construction wages have directly on Glendale. Mr. Merrick said it is difficult to determine how much of the impact will land in Glendale, but the project will benefit the entire metropolitan area. He said the report's fiscal impact numbers reflect the number of workers they anticipate living in Glendale.

Ms. Stacy Pearson stated tourism is the cornerstone of Arizona's economy and the proposed project will allow Glendale to capture a larger share of tourism. She said the study suggests Glendale will get as many as 90,000 room nights off the addition of a Cabela's store, noting Cabela's is expected to rank second only to the Grand Canyon in terms of attracting tourists. She said hotel room occupancies are expected to increase by 30 percent. She said Cabela's customers are families who, on average, spend four hours inside the store, which underscores Glendale's commitment to develop projects with a strong family commitment. She stated the 55,000 gallon aquarium and 40 foot conservation mountain alone will attract 25,000 school children per year.

Ms. Becky Benne, Parks and Recreation Director, stated, along with the family and educational components of Cabela's, there are other potential opportunities including,

rafting and white water kayaking. She stated SRP has given their support in pursuing the concept and being involved in the implementation of a white water park and river walk concept. She said items included in the white water park and river walk concept would be the diversion of the water from the Grand canal, educational components related to the canal system in the west valley, outdoor and environmental educational activities, interactive public art elements, and development of commercial opportunities.

Mr. Froke showed a conceptual depiction of the area, stating the Cabela's site is located at the northeast corner of 95<sup>th</sup> and Glendale Avenues and the white water park and river walk would anchor the southern property in the sports entertainment complex. He said they have not gone into site planning discussions with Cabela's, explaining the drawings are intended to show the general depiction of the area.

Mr. Lynch stated the development encompasses much more than just the store, such as the museum, the aquarium, the conservation mountain and the other items they have discussed. He expressed his opinion the project represents a complete family experience. He highlighted the deal points they have with Zanjero, stating the commitment is to build an additional 400,000 square feet of retail space within the next three years which is linked to a commitment to generate approximately \$1.5 million in sales tax after the third year. He stated Glendale's commitment to that component of the development is to put in the necessary infrastructure streets at an investment of not to exceed \$6.7 million. He said the city, in its partnership with Cabela's, would also set forth an amount not to exceed \$10 million for public amenities. Mr. Lynch discussed the financial structure, stating \$27 million in revenue would be generated from sales tax and construction sales tax. He said money not to exceed \$10 million would be spent on land acquisition, the museum, the aquarium and conservation mountain and a maximum of \$6.7 million would be spent on infrastructure and public street improvements. He said, based on preliminary information, revenue to the General Fund will be approximately \$10 million over the 15 year financing time frame. Mr. Lynch reviewed the next steps of the project, stating they will work with Zanjero and Cabela's to develop a purchase and sale agreement, look at an expedited process for design and construction review, make arrangements for moving forward with negotiations and finalize the development agreement.

Councilmember Lieberman requested a copy of the slide.

Kevin Rhodes, Cabela's, stated they are excited about the opportunity to come to Glendale. He gave a brief history of the company, stating Dick Cabela and his father were on a furniture buying trip in Chicago in 1960 when they attended a sporting show and met a vendor selling hand-tied flies. He said they bought the vendor's entire supply and placed them in the hardware section of their furniture store. He stated they failed to sell any flies, but Dick Cabela remained undaunted. He said, while fly fishing in Wyoming the following summer, he realized he needed to sell the flies in areas where people fly fish and began advertising in newspapers and magazines. He stated the orders started to come in and Mary Cabela kept index cards with the names and addresses of everyone who placed an order, which was the actual start of Cabela's catalog service. He said, today, the company has over 9,000 employees and 11 retail showrooms, and mails out over 120 million catalogs per year. He stated they view the expansion of retail showrooms and the opportunity to partner with cities as their major growth engine in years to come.

Mayor Scruggs asked about the locations of the other stores. Mr. Rhodes said they have two stores in Minnesota, one in Wisconsin, one in Michigan, one in Kansas City, one in Pennsylvania, and one in West Virginia. He noted their store in Pennsylvania

exceeds the Liberty Bell and Gettysburg combined as the number one tourist destination. He said western states are ready for this type of store and as they continue to expand they will go even further west. Mayor Scruggs asked if all stores are served out of the same distribution center. Mr. Rhodes said they have three distribution centers, one in Wheeling West Virginia, one in Wisconsin and one in Sidney.

Vice Mayor Eggleston asked if the company focuses on hunting and fishing equipment and supplies. Mr. Rhodes responded yes, stating they also focus on camping equipment. He noted they carry a significant line of hunting and fishing apparel and are developing a casual clothing line that addresses the needs of women and children. Vice Mayor Eggleston commented on the number of people he has spoken with who speak very highly of Cabela's.

Mayor Scruggs noted a constituent emailed her telling her he has spent \$5,000 at Cabela's through their catalog and website.

Councilmember Clark stated her husband loves Cabela's. Mr. Rhodes said the renaissance that has occurred in the Kansas City, Kansas area has been remarkable. He said if the city creates a destination, people will come.

Councilmember Clark noted Arizona has one of the highest per-capita boat rankings in the country. She asked if the proposed store will sell boats. Mr. Rhodes said they are looking at that possibility.

Councilmember Frate thanked Mr. Rhodes for choosing Glendale. He expressed his opinion the educational aspects of the project are very exciting. Mr. Rhodes stated educating people on the importance of hunting and fishing to conservation is an important aspect of what they try to offer at their retail stores. He noted marine biologists are on staff to maintain the aquariums. Councilmember Frate stated another exciting part of the project is that it will be a destination that people can go to as a family.

Mayor Scruggs said the southwest United States is a perfect location for a Cabela's store and Glendale is honored to have been chosen. Mr. Rhodes complimented city staff on their diligence and hard work. Mayor Scruggs also commended staff, stating they had to work very hard to meet the direction set forth by the City Council in terms of the financial partnership.

Nick Wood, Snell & Wilmer, on behalf of Zanjero, thanked the Mayor and Council, stating their leadership has been exemplary. He said it would normally take them four to six months to get to the point they have reached with Glendale in only four weeks. He said the work the city's staff has done shows a tremendous amount of clarity and a vision of what is important.

Mayor Scruggs gave staff direction to proceed with the negotiation of development agreements with Cabela's and Zanjero for the development of a 165,000 square foot retail attraction.

#### ADJOURNMENT

The meeting was adjourned at 3:15 p.m. to reconvene after Press Conference.

Reconvened at 6:00 and went to Executive Session.