

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



**MINUTES OF THE
GLENDALE CITY COUNCIL SPECIAL WORKSHOP
Council Chambers – Workshop Room
5850 West Glendale Avenue
September 12, 2012
1:30 p.m.**

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

ALSO PRESENT: Horatio Skeete, Acting City Manager; Craig Tindall, City Attorney; and Pamela Hanna, City Clerk

1. **BUDGET DISCUSSION**

PRESENTED BY: Horatio Skeete, Acting City Manager

The purpose of this presentation is to provide the City Council with an overview of the five-year budget projections for the City of Glendale, examining three possible financial scenarios and the implications on the city's current Fiscal Year (FY) 2012-13 budget.

This meeting is for Council information only. Future Council Workshops will be conducted to update Council and receive direction on these matters.

Horatio Skeete, Acting City Manager, presented an overview of today's objectives regarding the sales tax initiative as well as the arena management agreement.

Mr. Skeete stated that on June 26th the City Council authorized and voted for a sales tax of two levels with an expiration date of 2017. The City Council also approved an arena management agreement with Mr. Jamison with a \$17 million payment in this fiscal year and \$20 million for the next three years and \$18 million in the next five years and so forth. He would like to focus their attention on three possible scenarios that they can envision happening in the next two to three months.

Possible Funding Scenarios:

1. City sales tax stays in place, potential successful renegotiation of the Arena Management Agreement and debt is restructured.
2. City sales tax goes away; collections stop end of November 2012, potentially successful renegotiation of Arena Management Agreement and debt is restructured.
3. City sales tax goes away, unsuccessful renegotiation of the Arena Management Agreement; Coyotes leave Glendale, arena management fee adjusted to \$6 million.

Councilmember Martinez noticed that in the first two scenarios, the debt is restructured. He asked what would happen if they were unable to restructure the debt. Mr. Skeete explained that if that happens they would be left with the third scenario.

Mayor Scruggs commented the only thing that maybe isn't there is that if the city sales tax goes away, the restructuring is not successful, but the Coyotes stay.

Mr. Skeete noted that scenario would be as dramatic as scenarios two or three. However, he can include that model as well. Councilmember Martinez said he would like that included.

Mr. Skeete said before moving any further he would like to discuss a matter that occurred yesterday. He explained that as he was formulating these scenarios, it seemed clear that their cash flow situation for one year was not going to communicate effectively the possible realities that the city might be faced with. He said that model does exist and was posted online temporarily. However, it was removed once he realized the facts of his evaluation. He said he came to the conclusion that the better model to present was a one year scenario from a budget perspective. This will allow for a better five year budget projection model. Therefore, today he will be presenting a five year budget analysis.

Councilmember Clark asked if the information posted was incorrect or just in a format that did not lend itself to today's discussion. Mr. Skeete stated the information was correct, however, it does not lend itself for an easy conversation and a smooth transition for the purposes of this discussion.

Mr. Skeete presented the first scenario: City sales tax stays in place, potential successful renegotiation of the Arena Management Agreement and debt is restructured.

City collects an estimated additional \$22 million in sales tax. Arena Management fee reduced to \$10 million for FY 13. Debt restructured resulting in \$8 million annual savings in FY13. Expenditures reduced by \$6 million annually starting in 2013. He stated with these three scenarios materializing over the next three months, they still have to make a budget reduction of about \$3 million this fiscal year.

Mayor Scruggs commented it says expenditures reduced by \$6 million annually starting in 2013. So the \$3 million is one half of, okay, let's take a moment to look at this. Are the new MOU expenses; are those an already approved contract or an assumed to be approved contract?

Mr. Skeete said it was an approved contract.

Mayor Scruggs asked on a three percent inflationary factor, why is there no inflation built in?

Mr. Skeete stated that this year's budget did not include any inflation.

Mayor Scruggs noted it's not in the revised budget either.

Mr. Skeete explained that the assumption was they would still have to make cuts at the beginning of the year and on any inflationary increases and costs.

Mayor Scruggs asked is \$13 million as low as you feel you can get Mr. Jamison to go on the Arena Management fee. Because it was printed in the newspaper lower than that.

Mr. Skeete explained he and Mr. Jamison have had several discussions over the last two weeks. However, they have yet to finalize the renegotiated agreement. He added they were considering many options to the lease agreement. He noted their conversations have evolved into about a \$72 million payment over the first five years. He said the models for the arena management fee run from \$10 million to \$17 million over the first five years. These numbers will be used until they finalize the agreement.

Mayor Scruggs said but by the time we get through this, half the year will be gone and he gets a full year's payment even though he hasn't owned the team. We are talking about FY 13. Why would he get a full year payment?

Mr. Skeete explained those were some of the things that are still being negotiated. .

Mayor Scruggs said that if we are looking at FY 13 budget, to give him a full year payment when he did not own the team nor manage the arena for a full year, does not make sense in any possible realm. She did not think there was a way that could ever be justified. He begins with whenever the agreement is signed until June 30th of 2013. And we are talking about this current FY year, right?

Mr. Skeete replied yes.

Councilmember Lieberman commented on the amount of debt the city has to renegotiate. He believes it will be very difficult because of the serious problems the city was facing. Mr. Skeete agreed it has been very difficult having those conversations with the financial market, however, they will continue to move forward for a possible resolution. Councilmember Lieberman said he hopes for the best and that the banks are willing to work with the city.

Mr. Skeete presented a five year forecast summary on scenario one: City sales tax stays in place, potential successful renegotiation of the Arena Management Agreement and debt is restructured.

Five Year Forecast Summary

(\$'s in Millions)

	Adopted	Revised				
	FY 2013	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Beginning Fund Balance	2.0	2.0	6.4	8.5	10.6	15.0
Revenues	<u>168.0</u>	<u>168.0</u>	<u>173.9</u>	<u>180.0</u>	<u>186.3</u>	<u>192.8</u>
Total Rev & Fund Balance	<u>\$170.0</u>	<u>\$170.0</u>	<u>\$180.3</u>	<u>\$188.4</u>	<u>\$196.9</u>	<u>\$207.8</u>
<u>Expenditures</u>						
All General Fund Expenses	131.0	131.0	133.0	136.8	140.8	144.9
Expenditure Reduction		(3.0)	(6.0)	(6.0)	(6.0)	(6.0)
New MOU Expenses	2.0	2.0	-	3.0		3.0
3% Inflationary Factor	-	-	3.8	4.0	4.0	4.3
Transfers	14.0	14.0	18.0	16.0	16.0	20.5
Arena Management Fee	17.0	13.0	14.0	14.0	15.0	16.0
Spring Training Facility	<u>-</u>	<u>6.6</u>	<u>9.0</u>	<u>10.0</u>	<u>12.0</u>	<u>13.0</u>
Total Expenditures	<u>\$164.0</u>	<u>\$163.6</u>	<u>\$171.8</u>	<u>\$177.8</u>	<u>\$181.9</u>	<u>\$195.6</u>
Ending Fund Balance	<u>\$6.0</u>	<u>\$6.4</u>	<u>\$8.5</u>	<u>\$10.6</u>	<u>\$15.0</u>	<u>\$12.2</u>
Targeted Fund Balance	\$16.8	\$16.8	\$17.4	\$18.0	\$18.6	\$19.3

Councilmember Martinez stated he hopes these projections prove to be correct. However, looking at the revenues going from \$168 million in 2013 to \$192 million in 2017 seems to be very optimistic.

Mr. Skeete noted that was a 3.5% increase in revenue projections. He commented on the analysis that led him to that projection.

Councilmember Clark inquired if all general fund expenses reflect the 3% included for the inflationary factor. Mr. Skeete replied no. Other increases will include inflationary costs such as gas prices etc. He explained only the predictable increases are included. The unpredictable costs include items such as healthcare cost.

Mayor Scruggs commented that she had spoken to Mr. Skeete previously and he said he would cover this later but her questions were regarding the very high profile issue of unfunded pension plans and that definitely goes into the unpredicted column. But her understanding is that he did not account for that and that is something to be considered later and that is going to be a very huge number.

Mr. Skeete noted that was discussed, but excluded since that discussion continues to vary therefore it was not included in these numbers. He noted that if they are lucky and it was only about 3%, however, he has not heard anything to suggest it would be less than 8% to 10%.

Mayor Scruggs pointed out that 3% will use up the entire general fund expenses by itself. So she thought it was important while everybody looks at this that they understand that there is this other huge issue looming out there. So Mr. Skeete was talking about he hadn't heard anything less than 8% or 10%. Okay so if he took 8% from FY 2014, and it was over \$10 million. Is her math off?

Mr. Skeete said the math was not off; however, the 8% was not out of the total amount so it would be less.

Mayor Scruggs said the only point is that there was an unresolved issue and an unresolved expense that will have to be fit in with no choice.

Councilmember Lieberman questioned the growth on the chart. He said that 18% was a very steep growth rate in the next five years. He hopes the growth rate was accurate so the city can begin to receive the much needed revenue. Mr. Skeete explained that figure was driven by the \$6 million reduction in expenses. He explained it was important to note that the percentage calculation was not a growth rate projection but a cumulative change in the five year projection.

Mayor Scruggs asked for an explanation on the transfers line – the 4 ½ million dollar increase between FY 16 and 17. What would that be attributed too? Well that really bounces around a lot. Mr. Skeete stated that was the model they used based on the debt structuring of the eligible PFC and MPC debt. Another important factor in the remodeling of the debt restructuring is if the sales tax goes away in five years that will be a \$25 million reduction. Therefore, he suggests they pay as much as they can on the debt within the five years they have the sales tax to level it out and slightly reduce it.

Mr. Skeete presented the second scenario: City sales tax goes away; collections stop end of November 2012, potentially successful renegotiation of Arena Management Agreement and debt is restructured.

City collects approximately \$8 million of the estimated \$22 million sales tax revenue that was included in the FY13 adopted budget.

Arena Management fee reduced to \$10 million for FY13

Debt restructured resulting in \$8 million annual savings in FY13

Expenditures reduced by \$25 million annually, starting in January 2013.

Councilmember Clark noted that essentially what they had done was lose the \$22 million dollars in sales tax revenue that was included in FY13 and made that up by cutting \$25 million out of the budget annually. She noted this presupposes steep cuts. Mr. Skeete corrected stating it actually projected pretty steep cuts.

Councilmember Clark asked what new MOU expenses were on this sheet. Mr. Skeete explained the MOU expenses were not included in the \$31 million of total expenses. Those expenses were adopted and approved in this year's budget.

Mr. Skeete presented a five year forecast summary on scenario two: City sales tax goes away; collections stop end of November 2012, potentially successful renegotiation of Arena Management Agreement and debt is restructured.

He said this scenario showed they needed to reduce the general fund operation budget by \$25 million in order to maintain the other components of the budget.

Five Year Forecast Summary

(\$'s in Millions)

	Adopted		Revised			
	FY 2013	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Beginning Fund Balance	2.0	2.0	0.4	4.4	8.5	14.8
Revenues	<u>168.0</u>	<u>154.0</u>	<u>156.3</u>	<u>161.8</u>	<u>167.4</u>	<u>173.3</u>
Total Rev & Fund Balance	<u>\$170.0</u>	<u>\$156.0</u>	<u>\$156.7</u>	<u>\$166.2</u>	<u>\$175.9</u>	<u>\$188.1</u>
<u>Expenditures</u>						
All General Fund Expenses	131.0	131.0	133.0	136.2	139.7	143.1
Expenditure Reduction		(11.0)	(25.0)	(25.0)	(25.0)	(25.0)
New MOU Expenses	2.0	2.0	-	3.0	-	3.0
3% Inflationary Factor	-	-	3.2	3.4	3.4	3.6
Transfers	14.0	14.0	18.0	16.0	16.0	20.5
Arena Management Fee	17.0	13.0	14.0	14.0	15.0	16.0
Spring Training Facility	-	6.6	9.0	10.0	12.0	13.0
Total Expenditures	<u>\$164.0</u>	<u>\$155.6</u>	<u>\$152.2</u>	<u>\$157.7</u>	<u>\$161.1</u>	<u>\$174.2</u>
Ending Fund Balance	<u>\$6.0</u>	<u>\$0.4</u>	<u>\$4.4</u>	<u>\$8.5</u>	<u>\$14.8</u>	<u>\$13.9</u>
Targeted Fund Balance	\$16.8	\$15.4	\$15.6	\$16.2	\$16.7	\$17.3

\$8 million collected in the first year before tax repeal

Mayor Scruggs commented that the amount of sales tax that was estimated to be collected from this new tax was \$22 million but the amount to be cut out of the budget is \$25 million if the tax goes away. Why the difference?

Mr. Skeete explained that the \$22 million in taxes was not a direct relationship between the operating budgets that was presented. He said going back to scenario one, they still have to cut \$6 million even with the tax in place.

Mayor Scruggs commented the fund balance is a huge concern. Now on scenario two, the revised 2013 budget shows us with an ending fund balance of \$400,000. She was just talking to Chief Black last night about the cost of the landfill search for Jhessye Shockley. She said it came in at around \$1 million. Those are the kinds of things that cannot be predicted. Just like the

time the gas tanks blew up a long time ago and maybe Councilmember Clark will remember. Those kinds of things are the things that are really worrisome when you have no fund balance.

Mr. Skeete presented the third scenario: City sales tax goes away, unsuccessful renegotiation of the Arena Management Agreement; Coyotes leave Glendale, arena management fee adjusted to \$6 million.

He said the \$6 million was only an educated guess and not a true number.

City collects approximately \$8 million of the estimated \$22 million in sales tax revenue that was included in FY 13 adopted budget.

Coyotes do not play the 2012-13 season resulting in \$2.5 million loss of revenue that was included in FY 13 adopted budget.

Unable to realize \$8 million of savings through debt restructuring in FY13

Expenditures reduced by \$23 million annually starting in 2013.

Councilmember Clark asked under which of these figures, would they include the cost of debt in construction bonds for the arena. Mr. Skeete replied those are in the transfer number.

Mayor Scruggs said in this scenario where the city would be hiring somebody just to manage the arena but they don't own a team - where does the difference between the operating expenses and the operating revenue of the arena go because right now all of that goes to the team owner? So if the team owner goes away, there are revenues and there are expenses for the arena in addition to a management fee. Are those figured into the management fee or is that something that needs to be calculated whenever you can get to see the books over there?

Mr. Skeete stated that was something that has not been factored into the equation as of yet until he is provided with tangible numbers to work with. Therefore, for now he will use the \$6 million figure as a place holder as his best educated guess.

Councilmember Martinez remarked that many people believe the arena fee was the root of the city's deficit problems and these charts show that was not the case.

Councilmember Clark commented on the loss of revenue at Westgate without the Coyotes. She asked if this fact was reflected in this chart. Mr. Skeete replied yes.

Mr. Skeete presented a five year forecast summary on scenario three: City sales tax goes away, unsuccessful renegotiation of the Arena Management Agreement; Coyotes leave Glendale, arena management fee adjusted to \$6 million.

He explained in these slide shows that to maintain the same \$10 million to \$12 million of fund balance at the end of the five years, they need to cut about \$24 million. He said he did want to

point out that there might be a chance they might not be able to refinance any of the debt and that was shown here as part of the scenario.

Five Year Forecast Summary

(\$'s in Millions)

	Adopted	Revised	FY 2014	FY 2015	FY 2016	FY 2017
	FY 2013	FY 2013				
Beginning Fund Balance	2.0	2.0	(1.7)	0.4	1.8	8.5
Revenues	<u>168.0</u>	<u>151.5</u>	<u>154.3</u>	<u>159.8</u>	<u>165.5</u>	<u>171.3</u>
Total Rev & Fund Balance	<u>\$170.0</u>	<u>\$153.5</u>	<u>\$152.6</u>	<u>\$160.2</u>	<u>\$167.3</u>	<u>\$179.8</u>
<u>Expenditures</u>						
All General Fund Expenses	131.0	131.0	133.0	136.3	139.7	143.2
Expenditure Reduction		(11.0)	(24.0)	(24.0)	(24.0)	(24.0)
New MOU Expenses	2.0	2.0	-	3.0	-	3.0
3% Inflationary Factor	-	-	3.3	3.5	3.5	3.7
Transfers	14.0	14.0	18.0	16.0	16.0	20.5
Arena Management Fee	17.0	6.0	6.0	6.0	6.0	6.0
Spring Training Facility	-	13.2	15.9	17.7	17.6	15.3
Total Expenditures	<u>\$164.0</u>	<u>\$155.2</u>	<u>\$152.2</u>	<u>\$158.4</u>	<u>\$158.8</u>	<u>\$167.7</u>
Ending Fund Balance	<u>\$6.0</u>	<u>(\$1.7)</u>	<u>\$0.4</u>	<u>\$1.8</u>	<u>\$8.5</u>	<u>\$12.1</u>
Targeted Fund Balance	\$16.8	\$15.2	\$15.4	\$16.0	\$16.5	\$17.1

\$8 million collected in the first year before tax repeal

Loss in team revenues of \$2.5 million

Mayor Scruggs commented that all the attention immediately goes to the whole Coyote situation when really the inability to refinance the debt is probably the bigger problem. And in that debt the city keeps saying the baseball stadium but she thought she had understood in an earlier conversation with Mr. Skeete that he was looking at more than just the baseball stadium, he was looking at the Channel 11 studio, parking garage, expo hall, and Glendale's portion of the regional public safety training facility, right? But the conversation always goes to two things only, the Coyotes and the baseball. And there is a whole lot more. And she was hoping that would be in here but it's not. And she thought it needed to be understood that some of the other assets that are not sports related are in here too. But that debt restructuring is the link to everything. And that was one of the reasons she objected so strongly to the budget that was presented. It assumed that there was going to be this huge savings and no reason to expect that would actually happen. So she was glad that was highlighted.

Mr. Skeete introduced the FY 13 Operating Budget as shown on the slide presentation.

FY13 Operating Budgets

	a	b	c	a + b + c		
Descending \$ Sort	Salary	Non-Salary	Required			
Dept Name	A6000	A7000	A7500	Total	FTE's	
Police Services	42,612	5,405	1,931	49,948	452.0	41.2%
City Court	2,837	686	48	3,570	37.8	3.4%
Fire Services	21,180	3,945	536	25,661	220.0	20.1%
Parks, Rec & Library	7,595	4,852	433	12,880	111.3	10.1%
Public Works	3,139	4,012	259	7,409	53.8	4.9%
Community & Econ Dev	3,337	1,094	74	4,506	38.0	3.5%
Financial Services	2,624	556	1,230	4,410	32.0	2.9%
Tech. & Innovation	2,637	120	738	3,495	28.0	2.6%
City Attorney	2,385	617	53	3,055	25.0	2.3%
Communications	2,238	287	253	2,778	25.5	2.3%
N'Hood & Human Svcs	1,728	375	74	2,177	21.0	1.9%
HR & Risk Mgt	1,591	100	31	1,721	17.8	1.6%
Mayor & Council	1,195	182	29	1,406	17.0	1.6%
City Manager	733	85	10	828	5.0	0.5%
City Clerk	493	193	13	699	6.0	0.5%
Non-Departmental	50	595	-	645	0.0	0.0%
Intergovt. Programs	427	207	6	641	4.0	0.4%
Internal Audit	280	9	3	292	2.5	0.2%
GF Total	97,081	23,318	5,719	126,118	1,096.5	100%
	77%	18%	5%	100%		
HURF	2,434	3,901	407	6,742	36.0	
GF/HURF Total	99,515	27,219	6,126	132,860	1,132.5	

Mr. Don Bolton, Chief Budget Officer, explained the operating areas that comprise the largest components of the city's GF operating budget are public safety (police and fire) and the city court. Those three make up about 65% of the General Fund operating budget and FTE's, which equates to about \$79 million dollars and 810 FTEs. The rest of the departments totaled about \$47 million and represents about 35% of the remaining General Fund operating budget and FTE's. He went through the rest of the departments and their percentages as it relates to the FY 13 budget.

Councilmember Martinez asked how many vacant positions they currently had. Mr. Bolton noted that the last time he looked it was about 20 General Fund FTE's, however that figure can change daily.

Councilmember Clark remarked if they continue to hold to their obligation to keep public safety whole, the \$25 million reduction would have to come out of the \$47 million from the other departments. Mr. Skeete said she was correct. Therefore the direction would have to be to cut everything in half or eliminate some operations or a combination of the two approaches. Mr. Skeete stated that was an accurate assessment of the situation, however not a practical one.

Councilmember Clark noted she was aware of that but wanted to make everyone aware of the dire situation.

Mayor Scruggs said and taking that further, it's unrealistic to say you can take it out of all of those other departments that comprise about 35% of the GF operating budget and FTEs. You can look at public works, and see there is very little they can do. She said the same could be said about the financial services department and others.

Councilmember Clark agreed and added there were departments already down to only two people.

Councilmember Martinez commented on a speaker remarking that the city was using scare tactics regarding the sales tax. He would like to remind everyone that this problem was very serious and what the city was facing was very real.

Councilmember Alvarez remarked some areas that can be cut were in the city attorney's department in legal fees, Chamber of Commerce, audits and possibly in the Mayor's office. She offered other solutions where they can possibly cut. She offered that since the city was in dire need at the moment, the city should consider questioning whether to pay fees to belong to these organizations.

Councilmember Clark noted it was her understanding this meeting was for information and considerations, not to provide detailed solutions.

Mr. Skeete agreed and offered the next slide of some of the options and considerations arrived upon by staff.

Options and Considerations

- Elimination of portions of non-essential city operations while maintaining minimal service levels where practical.
- Consolidation of city departments and elimination of any duplication.
- Eliminate all or a portion of the optional contractual obligations.
- Reexamine the MOU contracts
- Benefit Package (Furlough/Pay Adjustments/Hours of Operation)
- Privatizing services where possible
- Closing down or selling/leasing of facilities
- Other (Council Suggestions)

Councilmember Martinez asked what was considered non-essential services. Mr. Skeete stated law enforcement in some of its broadest categories would be one to look at. This would entail areas in community or code enforcement programs.

Councilmember Clark stated she would like the Council involved in prioritizing where they should cut and not only be staff driven. This should be based on what the Council was hearing

from their constituencies and possibly match that up with staff identified priorities. She would not leave Council out of identifying those core services and prioritize where they believe they should be. Councilmember Martinez agreed with Councilmember Clark's suggestion.

Mayor Scruggs asked when early ballots come out. October the 11th, okay and this is, September the 12th. She believes Council's goal is to give the public enough clear information that they can make a good sound decision. So while some might want to engage in some sort of exercises, she wished they had done it before they developed this particular budget. Her question would be, is there really time to end up with something so that the public can make a clear decision? And the other thing she would say is, just the fact that Mr. Bolton threw court in there, a little 3% in there with police and fire because they're so intertwined – there is a difference between Council sitting here and saying they don't think that we need this as much as that, but those folks out there are saying – we can't do our job unless we also have this. Or if you take away this it affects us over here. Council doesn't know those things. So may be do the core budget thing but she would like to know how long that would take. And if the goal is to give the public good sound information to make a good sound decision beginning 25 days from now, there may not be time to do that.

Councilmember Lieberman suggested eliminating some contractual obligations.

Councilmember Knaack said she felt like she was back at the budget meetings again. She noted the problem was that no one wanted to make the hard decisions then and now they wanted to start this all over again. She explained they had already nicked and dined this budget to death. She believes that at this point, staff knows what they need to do. She realizes they cannot keep sitting around and talking about this. This needs to be done immediately by staff and then come back to Council. Councilmember Clark agreed. She explained that what she was referring to was what should be done for the next budget cycle. Councilmember Knaack said they need to start making some real tough choices. She noted citizen input had been to keep CAT and libraries open. She said neither of those items were core services. Therefore the public needs to be aware of what will occur if the city continues to have a deficit and what cuts need to be made.

Vice Mayor Frate believes if the sales tax does not go through, there will have to be layoffs and personnel will need to be cut which will affect citizen services. He said this was the reality of the situation facing them today. He noted this is what always happens in the private sector.

Mayor Scruggs asked when Mr. Skeete thought of these options and considerations, where did his dealings with Mr. Jamison come in? And how long would the city allow him to keep us in a state of suspension and uncertainty?

Mr. Skeete stated he would like to be able to present an agreed upon solution by the end of this week. He noted he has instructed staff to be able to present suggestions regarding cuts by the end of the week as well. He expects to have the major issues accomplished by the end of this week.

Mayor Scruggs asked when will this come back to Council for the first look at what happens under the three scenarios or however it was going to be presented. Well, however it was going to

be presented, it's anywhere from \$22 million to \$25 million a year in cuts. So what is the timeline?

Mr. Skeete stated that assuming they receive all the information needed by this Friday, they will spend next week putting that together and present it the following Tuesday.

Mayor Scruggs said that a special workshop would be called for it because the next workshop is next Tuesday. If Council doesn't go next Tuesday, then it is into October and remember the ballots come out October 11. Mr. Skeete stated he was very aware of the tight timeline and they might have to have a special workshop.

Councilmember Lieberman remarked that these decisions have to be made immediately and cannot wait until the new Council was seated. He hopes the new members learn to abide by the decisions that have to be made at this time.

Mayor Scruggs said every single candidate for office is in the audience except for one. Most of them are here paying a lot of attention to this, but one.

Councilmember Clark stated if the sales tax remains and is not be rolled back, then scenario one kicks in and they will be looking at \$6 million in annual cuts. Therefore, they were preparing for the worst but there was the possibility it will only be \$6 million.

Mayor Scruggs said that is why she has been saying let's just get this out in the open and let everyone know what's happening. So there is no safe harbor anywhere and that is why there has to be plans in place. So that's why there is urgency here.

Councilmember Alvarez asked why this would have to be done before the ballots come out in October.

Mayor Scruggs explained so that people have an opportunity to see what their city government would look like without that tax. People are going to choose, do they want to save taxes or do they want to pay the taxes and have this other government that they don't have right now. So there is going to be a presentation of what will be cut out. Council was not talking about \$22 million to \$25 million in cuts. So if you want to make a choice, you want to know all the information on both sides.

Councilmember Alvarez asked if the Coyotes would be placed in the core service column or where would they be placed on this issue. Mr. Skeete explained the Coyotes will not be placed in core services. He explained everyone will be able to see the cost if the team stays or leaves.

Councilmember Alvarez asked if the public will be told how much money the arena has made for Glendale. Mr. Skeete replied there has been no direct revenue generated from the arena to the city. However, he explained the benefits and investments that were directly attributed by the arena being developed at Westgate. He noted the arena had not been designed to make a profit;

it was designed to enhance the community and over the long term provide some systematic growth opportunities that were still available to them but are not ready because of the economy.

Councilmember Knaack noted that Northern Crossing would not be there without the arena since it was part of the arena. She explained people forget all the development and revenues that have occurred because of the arena being built. She mentioned the economy crash and how it has affected things today.

Mayor Scruggs said another point she would like to stress is, and she thought the employees need to hear this as well as the public; scenario three, the most drastic scenario, can happen by a decision of two other entities that have nothing to do with the City Council. The NHL can determine they do not want to sell the team to Mr. Jamison and the Coyotes go away. Or Mr. Jamison can determine that he cannot live with the terms that Glendale has to have in order to be able to continue business with the City of Glendale. And he may go away and then we are at scenario three. So she thought it was important for everyone to realize that that scenario is pretty much out of the city's control. There are three entities that can cause scenario three to come into play and Glendale was only one of them.

Councilmember Clark quoted Mayor Scruggs' comments a year ago, which cited the great benefit of having the arena in the west valley. She noted these comments still hold true today.

Mayor Scruggs agreed it does hold true, but it has changed because Glendale can't afford what Mr. Jamison wants in order to make all those things happen. Yes, all that holds true and that's why she will never say no, no matter how many times she was asked by the media – she will never say it was a mistake to enter into an agreement that resulted in Westgate and the arena being built. Now what happened from then on by the decisions of the team owners to thrust this team into bankruptcy when there was an opportunity to prevent that from happening, but that opportunity was never presented by the then owners? So what Glendale had then was a spiraling downward effect. They came here and asked for relief, but we were not given the opportunity to give them that relief. It was presented in a totally different way but as soon as that bankruptcy was declared, everything changed.

Mayor Scruggs continued the city was encouraged to keep that team here because no one wanted to lose it and there was no time to make a decision. It was like make a decision now or the team is gone. So Council was backed against the wall. She remembered being in this room, there was no other decision. Now from then on, there should have been and could have been a clearer representation of what this was doing to the city's financial structure. And Council might have made different choices. Council was lead to believe that Glendale was different from every other city. When other cities had layoffs and pay cuts, Glendale didn't. Everything went on wonderfully for Glendale. So what has changed since those statements, she still believes all that, definitely, but Glendale can't afford it now. That's the problem, you can want something now, and you can believe something is right, but if you can't afford it, you can't afford it. And that is where Glendale is today.

Councilmember Clark remarked that the Mayor said the city can't afford them, however, of the three scenarios; the worst was losing the sales tax and losing the Coyotes. She said everyone blames the Coyotes, but it was simply a function of a bad economy and nothing the city did. Therefore, by looking at the information provided, she contends, they cannot afford to lose them.

Mayor Scruggs said there was one scenario missing and it would address this issue, because Council could argue all day and all night. The four councilmembers approved this contract with Mr. Jamison, but there isn't a five year projection of the budget with payments that have been approved. Council only has a projection with what was hoped can be done in terms of getting him to negotiate. The city doesn't have anything that shows 17, 21, 21, 21, and 18. So we are talking here about we have to keep them here at all costs, but no, we cannot afford that. There is no number anywhere that gets to \$21 million. She asked if she was missing this projection that shows that.

Mr. Skeete explained if they were to take the difference in the numbers presented in the renegotiated possibilities and what is currently on the books and add \$20 million or subtract \$20 million from the three scenarios, they would have an idea of a figure. He said that will be the result they will see if they implement the current agreement of keeping the Coyotes.

Councilmember Clark said these numbers point to why direction was given to renegotiate since they cannot sustain a negative fund balance for five years in a row using the current agreement. Mr. Skeete stated it was imperative they renegotiate the agreement to where there could be some benefit to the community. The current structure does not allow for that benefit.

Councilmember Clark asked if it was safe to say the negotiations were hopeful at this point and more positive than negative. Mr. Skeete noted the fact that they were continuing to talk was a good sign. However, if they cannot get to that place, he will immediately let them know.

Mayor Scruggs said speaking for herself rather than have somebody else speak for her, she 100% supports the negotiations. She thought people may have heard her comment or maybe read in the newspaper for many months that the numbers needed to change, that the numbers were not sustainable, she didn't vote for it in June, she has been talking about this for over a year. She has been mocked for using numbers which are pretty much like what is coming in right now – it's what Mr. Skeete is proposing. Everything she said as to why the city entered into the venture in Westgate with the arena in the first place – yes she 100% approves it and as she said, the city just can't afford it anymore based on the negotiations, based on the arena lease agreement that was approved in June. So the city has come full circle and said exactly the same thing. She was very happy and thanked the majority of the Councilmembers who supported doing the renegotiations. It's the only option; if the city was going to keep them here, it is the only option. And as she said before, Mr. Jamison might say, I need your money, City of Glendale, in order to buy this team. So he can't go with less than that and then he can walk away and the city was right back at scenario three, right?

Mr. Skeete agreed.

Mayor Scruggs commented he has a choice, he can choose not to go further with the city, right? But the city can't choose to continue with him with what was on the table in June. Is her understanding correct?

Mr. Skeete replied yes.

Councilmember Lieberman agreed the city needed to renegotiate the deal with Mr. Jamison. He read from an article which stated Mr. Jamison's inability to close the deal with Glendale. He said he would have liked to see some options of leasing out the arena and what kind of profit was attainable.

Councilmember Martinez hopes the city can reach an agreement with Mr. Jamison in order for the team to stay in Glendale. He noted the arena extension with the NHL was coming to a close with Coyotes games scheduled. He asked if the city needs to renegotiate the extended arrangement contract with the NHL in order for the team to play in the arena. Mr. Skeete replied yes.

Mayor Scruggs asked if there was anything on this option list that anybody would like removed. No. Are there any other considerations or options that anyone would like to add? No.

Councilmember Lieberman noted the city needs to protect Luke's interest in the community.

Mayor Scruggs encouraged Mr. Skeete to fit in the pension number somewhere, it has to be done

Mr. Skeete agreed.

ADJOURNMENT

The meeting was adjourned at 3:44 p.m.